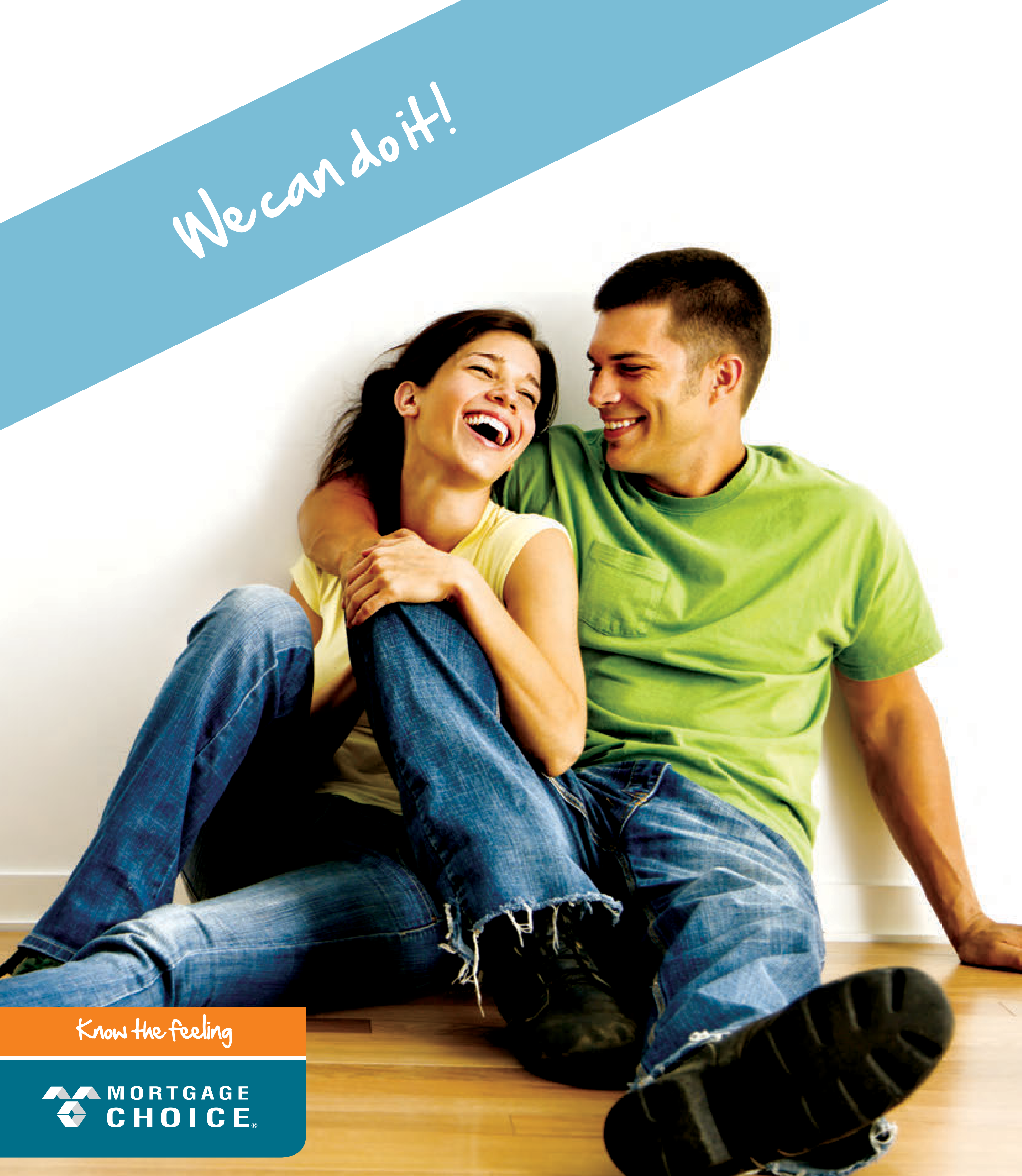

Everything you need to know to buy your first home.

Let's get started... Unlocking the door to your first home!

Taking the first steps towards owning your own home is both exciting and sometimes a little overwhelming.

But the rewards are outstanding.

Home ownership gives you a valuable asset, the security of a roof over your head and the rewards of creating a home that is uniquely yours.

This Guide takes you through the steps involved in buying your first home, from saving a deposit through to moving in.

Contents

Get your information here

Goodbye landlord... Hello first home!

Buying a home of your own is a key milestone in life. But it's also a big commitment.

Right now, you could be renting your own home, dreaming of jumping off the rental treadmill and into your first home.

Before you take the plunge, it's important to be sure you're prepared for the commitment of home ownership. After all, renting does have some advantages.

As a home owner your mortgage repayments might be higher than your rent, and yes, a home loan is a long term commitment. But in many ways repaying a loan is a form of forced saving. You're not just paying for a roof over your head, you are **building equity** (ownership) in an asset that will grow in value over the years and you are not paying off someone else's mortgage.

Today's rents are substantial, especially in our state capitals, and the ongoing rent you pay is **"dead money"** - a constant outlay for which you will walk away with nothing more than memories.

Moreover, as long as your home is your principal place of residence it is a **tax-free asset.** No other investment offers this complete absence of tax.

When you go to sell, every dollar of profit goes straight to you.

As an owner you have the power to **improve the value** of your asset independent of market movements. You have the freedom to decorate or renovate your home, stamping your character on the property and making it a more comfortable place to live as well as boosting its value.

There are **no limitations** on what you can do to the property as opposed to when you're renting, where in some cases landlords won't even allow pictures to be hung on the walls.

You also have the security of knowing that you can stay in your home for as long as you wish. The ability to **"put down roots"** and form community ties often becomes especially important once home owners start a family. As a tenant you have **no security** over the place you call "home".

Your landlord can ask you to leave once your lease has expired meaning you have to start all over again or leave a property you enjoyed living in.

The buying process...

Follow our flowchart to see the steps involved in buying your first home.

Start saving for a deposit

Speak with a mortgage broker or lender about your borrowing limit

Select lender and loan, and request mortgage pre-approval

Begin looking for your first home

Organise building and pest or strata inspection on the home of your choice

Make an offer start negotiating on price

Offer accepted and contracts are 'exchanged. Both vendor and buyer sign the contract of sale, swapping or exchanging contracts.

At this stage a deposit is paid, usually 10% of the purchase price.

Cooling off period. You now have five days to change your mind about the purchase. If you back out you may forfeit some of your deposit.

Note: There is no cooling off period for properties purchased at auction.

Settlement. Usually occurs four to six weeks following exchange. The keys are handed over, and you're a home owner!

a home at last..!

Saving for your first home...

Saving for a deposit is a key step in home ownership. These days very few mainstream lenders offer 'no deposit' home loans equal to the full value of your property. You will need some savings - typically a minimum of 5% of your home's purchase price, but if you can save more, this will give you some advantages.

tip... **Home Loan Repayments Calculator**

To see how much your home loan will cost in overall interest take a look at the Home Loan Repayments Calculator on the Mortgage Choice website (www.mortgagechoice.com.au/repayments-calculator.aspx).

A bigger deposit gives you big advantages

Building a deposit demonstrates that you have a strong saving history, something lenders like to see. There are plenty of other reasons to aim for a bigger deposit.

Save on monthly repayments and interest

The bigger your deposit, the less you have to borrow, and that means lower monthly repayments. You'll also pay less in long term interest charges - money you could use to invest or renovate your home.

Better choice of lenders, lower rate

Some lenders will want to see more than a 5% deposit, so having a bigger deposit gives you a wider choice of lenders. It also puts you in a better position to negotiate a lower interest rate.

Minimise Lender's Mortgage Insurance (LMI)

LMI protects the lender - not you, in the event that you cannot repay your mortgage, so it's a cost worth avoiding. The higher your deposit, the smaller the one-off LMI premium will be. If you have a deposit worth more than 20% of a property's value you won't have to pay LMI at all. Your lender may let you capitalise the LMI premium (add it to your loan balance) but this will add to your repayments and your long term interest bill.

Useful link

To see what you could pay in Lenders Mortgage Insurance check out the online LMI Premium Estimator at www.genworth.com.au.

Tips to get there faster...

Saving for your first home doesn't have to be 'mission impossible'. Set realistic goals & stick to a budget to achieve your savings goal.

Let's take a look at a few simple steps to fast track your deposit.

1. Establish a budget

A budget is a great tool to track where your money is being spent, so you can work out where you can cut back and where you can save. If you find that you spend more than you earn, don't worry, because you can now change your spending patterns to make home ownership a reality. Try saving the difference between your rent/board and your estimated future mortgage repayment so you know it's manageable and to get you into good habits.

Use the Budget Planner on the Mortgage Choice website to draw up a personal budget (www.mortgagechoice.com.au/home-loans/advice/factsheets.aspx). Be sure to include regular and annual bills as well as small expenses like a daily coffee that can add up over time.

Worth Knowing

If you're finding it difficult to save a deposit, a close family member may be able to act as guarantor for your home loan. By using the equity in their property as security for your home, your guarantor can help you close the gap between your savings and the deposit you need.

Your Mortgage Choice broker can explain how this works to help you decide if it's the right decision for you.

2. Set a saving target

Saving is always easier when you have a clear goal. Set an achievable $ target and timeframe for your first home deposit, and allow yourself small treats to celebrate saving milestones.

To work out how much you need to save regularly to build your first home deposit, use the Achieve my savings target calculator on the Mortgage Choice website (www.mortgagechoice.com.au/savings-calculator.aspx).

3. Add any windfalls

When you're saving for a home every penny counts. Add your tax refund, work-related bonuses or financial gifts to your savings pool.

tip... Tips to make a budget

- Write down *everything* you spend over a couple of months, so you can learn exactly what you spend your cash on (e.g. rent, mobile phone, Foxtel, electricity, gas bill, car running costs, gym membership, groceries, magazine subscriptions, takeaways, gifts, clothes, internet, health insurance, car insurance, taxis, public transport, socialising).
- Make sure you are honest about your expenditure and what things cost. Always overestimate rather than underestimate so you don't get caught short.
- Keep it real. If you don't know how much you spend on electricity, review past bills. Calculate annual costs and determine an average amount.
- Factor some 'fat' into your budget for surprises (e.g. for an unexpected night out).
- Take a list when you head to the supermarket, don't buy on impulse and use the internet to compare prices when buying big ticket items.
- Separate *needs* from *wants*. Is the new outfit really necessary? Take-aways, a daily coffee, taxi fares and your gym membership can quickly add up.
- Check your bank records and reflect on your strategy regularly to make sure you're meeting your financial goals.

4. Now…put your money to work

Don't just save money, make it work hard in a high interest savings account. Take a look at websites like RateCity (www.ratecity.com.au) and InfoChoice (www.infochoice.com.au) to find a savings account that works for you.

5. Set up an automatic payment to your savings account

Arranging an automatic transfer from your pay into a savings account will ensure your money is saved before you are tempted to spend it.

6. Get your finances in good shape

When you apply for a home loan, lenders will want to know the value of any outstanding debts you have (for example a personal loan or car loan) as well as the limit on your credit card/s (not just the outstanding balance). Aiming to pay off any other debts or asking your card provider to reduce your credit card limit, can improve your chance of loan approval.

A financial helping hand...

First home buyers can access a range of financial assistance from the First Home Owner Grant through to stamp duty concessions.

FHOG - Free Money...!!

The First Home Owner Grant (FHOG) is a one-off, tax-free payment to people buying their first home in Australia. Lenders may consider it as part of your deposit, although not as part of your genuine savings. It is only paid on the settlement of your property or on the first progress payment if building. As it is administered by the State Governments, availability and amount vary between states and territories. Where it is available, eligibility criteria differ. However, there are some general conditions that apply Australia-wide:

- Must be 18 years of age
- You must be buying or building your first home as a person, not as a company or trust.
- You or your co-purchaser (typically a spouse or partner) must be an Australian citizen or permanent resident of Australia.
- You may still be eligible for FHOG if you own an investment property/s purchased after 1 July 2000 as long as you haven't owned property prior to 1 July 2000, and you have never lived in the investment property/s.
- You'll need to live in your first home within 12 months of construction or purchase (minimum periods of occupancy vary between states and territories).
- Couples can only make a single application FHOG, and will only receive one payment.
- The value of your first home (home plus land) must be below a certain value (amount varies between states).

Applying for the FHOG

To apply for the FHOG, download an application form from the relevant government office (see Table 1), or ask your Mortgage Choice broker for assistance.

Stack up the savings on stamp duty

Along with the FHOG, first home buyers may enjoy an extra helping hand either through stamp duty concessions or additional cash payments depending on where you live. Check with your local Mortgage Choice home loan expert who knows the ins and outs of grants available in you states or with your local State Revenue Office (see Table 1) if the grant or any other concessions are available to you.

State / Territory Revenue Offices	
State / Territory	Website
ACT	www.revenue.act.gov.au
NSW	www.osr.nsw.gov.au
NT	www.revenue.nt.gov.au
QLD	www.osr.qld.gov.au
SA	www.revenuesa.sa.gov.au
TAS	www.sro.tas.gov.au
VIC	www.sro.vic.gov.au
WA	www.treasury.wa.gov.au

Table 1

How much can you afford to pay?

Your property spending limit will be shaped by your borrowing capacity. A golden rule of property buying is not to overextend yourself. You need a clear idea of how much you can comfortably afford to repay – even if interest rates rise.

How well can your budget handle repayments?

In *Tips to get there faster* we looked at how making a budget can help you save for a first home. Your budget will also indicate how much you can afford to pay off each month/week and along with your deposit this will determine a suitable price range for your first home.

The repayments chart below gives an indication of monthly repayments for various loan principals and interest rates. Check out our Home Loan Repayments Calculator (www.mortgagechoice.com.au/repayments-calculator.aspx) to identify the loan size you could afford to service.

Your borrowing capacity

The maximum amount you can borrow will vary between lenders but the key factors lenders look at are your income and current financial commitments. As a general guide, your mortgage repayments should not exceed 30% of your gross (pre-tax) income.

tip... 'How much can I borrow' calculator

To find out how much you could borrow, check out the How much can I borrow calculator on the Mortgage Choice website (www.mortgagechoice.com.au/how-much-borrow.aspx)

Amount $	5.75%	6.00%	6.25%	6.50%	6.75%	7.00%	7.25%	7.50%	7.75%	8.00%	8.25%
250,000	$1,459	$1,499	$1,539	$1,580	$1,622	$1,663	$1,705	$1,748	$1,791	$1,834	$1,878
300,000	$1,751	$1,799	$1,847	$1,896	$1,946	$1,996	$2,047	$2,098	$2,149	$2,201	$2,254
350,000	$2,043	$2,098	$2,155	$2,212	$2,270	$2,329	$2,388	$2,447	$2,507	$2,568	$2,629
400,000	$2,334	$2,398	$2,463	$2,528	$2,594	$2,661	$2,729	$2,797	$2,866	$2,935	$3,005
450,000	$2,626	$2,698	$2,771	$2,844	$2,919	$2,994	$3,070	$3,146	$3,224	$3,302	$3,381
500,000	$2,918	$2,998	$3,079	$3,160	$3,243	$3,327	$3,411	$3,496	$3,582	$3,669	$3,756
550,000	$3,210	$3,298	$3,386	$3,477	$3,567	$3,659	$3,752	$3,846	$3,940	$4,036	$4,132
600,000	$3,501	$3,597	$3,694	$3,793	$3,892	$3,992	$4,093	$4,195	$4,298	$4,403	$4,508
650,000	$3,793	$3,897	$4,002	$4,109	$4,216	$4,324	$4,434	$4,545	$4,657	$4,769	$4,883
700,000	$4,085	$4,197	$4,310	$4,425	$4,540	$4,657	$4,775	$4,895	$5,015	$5,136	$5,259

Repayments are indicative per month based on a 30 year term. Interest rates are quoted per annum.

Upfront home buying costs...

There are costs associated with buying property to be aware of, besides the property buying price. A general rule of thumb is to allow an extra 5% on top of the purchase price of your home for additional buying costs. Key buying costs to budget for include:

Pre-purchase inspections

A pre-purchase pest and building inspection will show up any building defects, illegal work or pest issues that could be costly to fix further down the track.

If you're buying an apartment, a strata search will provide information on any levies, insurance details, disputes, history of repairs and more.

Borrowing costs

Your lender may charge a number of upfront loan costs such as:

- Loan application fee - allow for up to $700
- Lender's property valuation costs - these could set you back around $300
- Lenders Mortgage Insurance (LMI) - this one-off payment applies unless you can put down a deposit of 20% or more. Take a look at *Saving a deposit* for more details on LMI and links to an online calculator.

Government charges

Property transfer stamp duty is a state government tax payable by the buyer and is calculated on the price paid for the property. As it is a duty for transferring the title of a property, it will be imposed whether or not the purchase is financed with a mortgage.

You could also face a number of other government charges including a property transfer fee, mortgage stamp duty and a mortgage registration fee. Government charges vary between states.

Legal fees

These vary between providers but property conveyancing fees typically cost around 2% of the price of the property.

Insurance

Home and contents insurance is a must-have that protects you financially if your home or belongings are damaged by fire, storm and in some cases, flood, or you experience loss through burglary. Lenders may ask that your property is insured because they have a vested interest in it.

Worth Knowing

Once you have paid a deposit on a property you have a financial interest in it – now is the time to arrange building insurance.

Other types of insurance you may consider include mortgage protection insurance, which takes care of part, or all, of your mortgage payments if you get injured, become too ill to work, or even die. Costs will vary according to the extent of the cover you get.

Income protection insurance can be a more worthwhile option as the premiums are usually tax deductible, however, tax is payable on benefit payments.

Moving in costs

When you're ready to move into your new home you'll need to pay a number of costs. These include furniture removal, utility connections - gas & electricity, telephone, council and water rates and postal redirection. Allow for strata fees if you buy an apartment.

Useful link

For a comprehensive look at the costs you're likely to face buying your first home, take a look at our Costs associated with property purchase factsheet (www.mortgagechoice.com.au/home-loans/advice/factsheets.aspx).

Choosing a home loan that's right for you...

Almost all home loans work on a "principal plus interest" basis. In other words, over the term of the loan you repay the principal as well as interest charged on the outstanding balance. However there is a wide variation of types of mortgages.

Variable rate loans

Unlike a fixed rate loan, the interest rate on a variable loan will move up and down in line with market interest rates. As a result, your monthly repayments can vary widely during the term of your loan, and it's worth allowing for the possibility of future rate rises before committing to a variable rate loan.

Fixed rate loans

This loan locks you into a particular interest rate for a set period (e.g. 1-5 years). Your repayments will remain the same irrespective of how market rates move during the fixed term, which can make it easier to budget for your monthly loan payments.

Split loans

A split loan divides your loan into fixed and variable rate portions. This gives you certainty of repayments on the fixed rate part of the loan while still being able to enjoy the savings of possible future rate falls on the variable part of your loan.

Interest only

This is a loan in which, for a set period, the monthly payments comprise only interest without any repayment of principal. The interest-only period may run from one year to several years. After this you need to start repaying the principal or renegotiate another interest-only term.

Line of credit

A line of credit loan combines the home loan with an everyday transaction account from which the borrower can draw cash up to a pre-approved limit. A line of credit loan requires an interest only repayment as a minimum each month if the credit limit has been reached.

The reduction of the loan balance is entirely up to the borrower as there are generally no set repayments. Each month the loan balance is reduced by the amount of cash coming in and increased by the amount paid for drawings, direct debits or cash withdrawals.

tip... Think before you fix

It may be tempting to lock into a fixed rate. But interest rate movements are hard to pick and a fixed rate can work against you if market rates fall. Expensive break charges could also apply if you opt out of a fixed rate before the set term expires.

Splitting your loan between fixed and variable rates may offer a more flexible alternative.
Take a look at our factsheet on fixed versus variable rate loans (www.mortgagechoice.com.au/home-loans/advice/factsheets.aspx) for further information that can help you make the right choice.

Low-doc loans

Low Doc loans are useful for borrowers who are unable to provide conventional income documentation or for people who may have complicated financial structures (e.g. self-employed). They allow borrowers to minimise the time and effort of collating tax records, bank statements and other documents in order to obtain finance (although they may still be required). Taking advantage of this may attract a higher interest rate.

Principal

Principal = the amount of money you borrow.

Interest

Interest = the price you pay to borrow the money. It's calculated on the outstanding principal.

Drawing up a wish list of features...

The interest rate may be the key factor most of us look at when choosing a mortgage but loan features are just as important.

Irrespective of which lender you opt for, some loan features are definitely worth having.

Think about the sort of features you'd like in a loan and draft a wish list to check that a loan meets your needs.

Must haves

Fee-free extra repayments – paying just one extra dollar a day off your loan will mean big savings in long-term interest and see you mortgage-free far sooner. That makes extra repayments (at no extra charge) a feature worth having.

Portability – this lets you take the loan along with you when you move house, thereby you could avoid the need to pay break costs for your old loan or establishment fees for a new loan.

Nice-to-have but not essential

Redraw facility – provides access to any extra repayments you've made. Handy if you're short of cash in an emergency but it will put you behind in terms of interest savings.

Mortgage offset – an offset account lets you put any savings to work to reduce your loan interest charge. The balance of your savings is deducted from the loan when interest is calculated, so you pay less interest, with more of each repayment reducing the loan balance.

Surviving the application process...

Once you've found what you want in a loan, it's time to submit an application.

Worth Knowing

Your credit history is one of the first things a lender will want to see, so it's a good idea to order a copy of your credit record before applying for a loan. This will give you a chance to repair any black marks that may appear on your file.

You can request a copy of your credit file on www. mycreditfile.com.au. If you live in Tasmania you should also contact the Tasmanian Collection Service.

The application process varies between lenders but goes something like this:

Preparing for the interview

Lenders will ask a series of questions to find out more about you, your circumstances and your ability to repay a home loan. Some of the issues you can expect to be discussed include:

- Your current assets
- Number of dependent children
- How long you've lived at your current address
- Your debt levels
- What you do for a living
- Your employment history
- Your monthly earnings

tip... Ask about additional perks

Many lenders provide home loan customers with additional perks like a fee-free transaction account. Enquire about what's available, it could add up to big savings over the course of your loan.

Gather your paperwork

Your lender will want to see key pieces of paperwork. Get together:

- Income details – either a copy of your employment contract or several weeks of pay slips (plus details of previous employment if you've been in your current job less than 3 years).
- If you are self-employed, income figures from your last 2 years' tax returns (unless you are after a Low Doc loan).
- If you've already found a home, your accountant's and your solicitor's contact details.
- If you are approaching the lender for the first time, you'll need to show identification. Bring along your driver's license, credit card, birth certificate and passport. Only original documents qualify.
- Bank account details, bank statements and evidence of savings.
- Details of your previous address, if you have moved in the last three years.
- Details of your assets (for example shares) and liabilities (personal loans, credit card debts).

How a mortgage broker can help...

With so many lenders and loans to choose from, using a mortgage broker is a very time efficient, convenient and stress-free way of getting the best possible deal.

Valuable services your broker will provide:

1. Sit down with you and get a thorough understanding of your circumstances, needs and goals.
2. Based on your individual situation, compare a wide range of home loans from a panel of different lenders including large banks, specialist 'non-bank' lenders, building societies and credit unions, to help you work out the options that suit you without you having to do any of the leg work.
3. Give you a clear comparison between different home loans.
4. Calculate how much you can borrow and your likely monthly repayments so you know the price range you can afford to buy in.
5. Explain all the costs associated with a loan.
6. Prepare the paperwork, lodge the application and take care of all the running around.
7. Help you complete and lodge an application for the FHOG (if applicable).
8. Explain the home buying process end-to-end.
9. Negotiate a very competitive rate with lenders. Lenders receive a significant amount of business through the broker channel so it's in their best interest to work closely with brokers.
10. Liaise with the lender to get an indicative approval and provide any additional information if required.
11. Provide property details, such as contracts, to the lender once you've found your property and follow up the lender until final approval is provided.
12. Advise you on the information and documentation your solicitor or conveyancer needs to provide to complete the transaction.

W

Useful link
Need more tips on how to choose a mortgage broker?
Take a look at our How to choose a mortgage broker factsheet
(www.mortgagechoice.com.au/home-loans/advice/factsheets.aspx)

Finding your dream home...

You've done your homework, now comes the exciting part... searching for your first home.

Whether it's features or location, most of us compromise with our first home, and it pays to be flexible especially when it comes to the type of property and the area you buy into.

Find out how much other properties in the area have sold for recently or ask your Mortgage Choice broker for a free property report. This way you'll know what a reasonable market price is for the property you like.

That said, your home is also a major investment; one that should grow in value over time.
A number of factors can help to identify a home with healthy growth potential. These include:

- Condition of the property: Inspect the roof and its insulation, are neighbouring properties in good condition, inside – check for damp patches and cracks, particularly if you found problems outside.

- Location: Is the location offering proximity to transport, medical facilities, schools, shops and lifestyle facilities like restaurants.

- Suburb value: Is the suburb you are looking to buy in growing in value or are adjoining suburbs experiencing rising value? (You can ask your local Mortgage Choice broker for a suburb scorecard which shows the growth rate over the past years).

- Development: Check with the local council to see if any developments are planned for the area. These could have a significant impact on the value of your home.

- Noise: Make sure you consider the noise generated by nearby commercial operations, schools, busy roads, railway lines or flight paths.

- Parking: Does the home have off street parking? This could be a crucial detail in an inner city area.

tip... Do a features list

Draw up a list of features that you would like your first home to have...Balcony, Air Conditioning, Built in Robes, Car Park, View and so on.

Take it with you to home inspections to note the features each property offers. Use this as a scorecard to compare between homes.

- Outlook & Features: Coastal, river or bushland views are attractive. Distinctive features, from a period fireplace to a landscaped garden create scarcity and in property that adds value.

- Privacy: Even the perfect home will be compromised by a block of units overshadowing the back fence.

When you've found 'the' property...

It's thrilling to find the home that's right for you, but now's the time to take extra care.

Before making an offer on a property, make an honest assessment of how well suited the home is to your needs.

- Are there sufficient rooms and adequate storage space?
- Would you need to redecorate?
- Try out the heating system, water (water pressure in the shower, flush the toilet) and lighting.
- Examine windows, doors and locks for adequate security.
- Inspect the roof and its insulation.
- Check for damp patches and cracks inside, particularly if you found problems outside.
- Have a look at the neighbouring properties - are they in good condition?
- Listen for outside noise and view the property at different times of the day and week.
- Which way is the property facing? North-facing is good for light.

Don't appear overly enthusiastic

If the property ticks all the boxes, play down how much you like it for extra bargaining power.

Arrange a pre-purchase pest and building inspection

This will cost upwards of around $500 but it is an essential investment. It could save you thousands of dollars in unexpected repair costs. Only use the defects as a negotiating tool if you can genuinely afford to rectify the problems.

Obtain a copy of the contract of sale

Arrange for your solicitor/conveyancer to check the contract carefully. You are bound by the contract once you sign it.

Ready to make an offer?

Pitch your first offer below the price you're actually prepared to pay. Very few properties sell for the asking price and you should have an educated guess at the price the vendor wants - make an offer at some point below this. It's important you submit your offer in writing specifying how much you are willing to pay and include any conditions you wish noted such as a timeframe for moving in.

Secure your purchase

Once you and the vendor have agreed on a price, you need to pay a deposit and sign the contract. Until this happens the vendor can accept a higher offer from someone else.

MORTGAGE CHOICE

How to make an offer...

Here's a suggestion for the wording of an offer to buy a property.

The actual wording should be determined by your individual circumstances.

Dear {Real Estate Agent}

Further to our inspection yesterday and review of the contract we would like to place a formal offer of AUD $$$$ for the vendor's consideration on {property address}.

This offer is subject to:
1. Legal review of the contract and strata report;
2. Property valuation; and
3. Any other requirements as necessary.

As we are in a position to move quickly, we are also happy to discuss earlier settlement timelines with the vendor.

Should you have any queries or feedback please contact me on ph {xxxxx} or email {xxxxxx}.

Regards,
{Name}

Buying at auction – fast, exciting, final...

Unlike private treaty sales, where the price is negotiated between buyer and vendor, auctions move quickly and when the hammer falls the sale is final.

In fact the bidding can all be over within a matter of minutes. At auctions, the property is sold to the highest bidder and there is no cooling off period. As a buyer, you may feel under intense pressure bidding so it takes a cool head and a careful strategy to buy at auction.

Prior to the auction

Undertake pre-purchase inspections

Be sure to organise a pest and building inspection report on a property long before auction day. If the report identifies key faults, ask the selling agent if you can take your builder for an inspection of the property to get an idea of likely repair costs. It is vital that you know exactly what you are buying and what it will take to bring it up to your desired standard.

Ask your solicitor to check the contract

Do not bid on a property until your solicitor has given you the all-clear. Contracts for sale are complex and without the benefit of a cooling period, you will have to live with any nasty surprises about the property if you're the highest bidder on auction day.

Arrange loan pre-approval

Making a bid at auction without the certainty of loan finance is a very high risk strategy. It makes more sense to secure loan pre-approval as this will give you confidence as a bidder and set an all important limit on your bidding power.

Set a limit – and stick to it

With loan pre-approval under your belt you should have a good idea about how much you can afford to pay for a property. But this doesn't have to equal your highest bid.

Only pay what you believe the property is worth based on similar homes you've seen in the area. Paying more than this could mean waiting years for your home to grow in value.

Register to bid

Check if you need to register to bid. This is a requirement of some state governments, and where it applies you will be given a bidding number to use.

When auction day arrives

Remember to bring your cheque book along to the auction. If you are the winning bidder you will be required to pay a deposit of 5% to 10% of the purchase price on the spot.

Before bidding starts, the auctioneer will give a full description of the property and then invite bidding to begin usually from a nominated starting point. Where possible, avoid bidding early - you may push the price up prematurely. It can pay to wait until bidding is drawing to a conclusion (and bids are being made in small increments) before raising your hand.

If the auctioneer declares the property is "on the market", it means the vendor's reserve price (the minimum they will accept) has been reached and the property will be sold when the hammer falls. If bidding stalls prior to this, the property will be passed in and you have the option of entering further negotiations with the agent.

Finally, stick to the golden rule no matter how intense the pressure, resist the urge to bid above your budget. It could mean facing difficulties funding your property once the excitement dies down.

You've exchanged contracts... What happens now?

Once you've signed the contract to purchase your property, you may have a 'cooling-off period' before you are locked into the purchase (the cooling off period varies between states and there is no 'cooling off period' for auction sales).

If you decide to rescind the contract, you must formally notify the agent in writing, and within a set number of "clear business days" after you (the buyer) have signed the contract. Ask your solicitor about the cooling off laws that apply in your area as they vary between states and territories. Make sure you get legal advice before notifying the estate agent or vendor that you intend to back out of the purchase.

Follow our five key tips to make your first home purchase an excellent investment:

1. Don't be blind-sided by renovation possibilities: Renovations can be expensive, time-consuming and plain hard work, so make an honest appraisal of a "renovator's delight". If you don't have the time, skill or money to undertake a major renovation, scratch the property from your list of potentials.

2. Allow plenty of time to secure loan pre-approval. The last thing you need is the hassle of trying to secure last minute finance as the clock ticks by to settlement.

3. Don't over-commit yourself financially. Your first home should bring great pleasure, not leave you so thinly stretched financially that you can't enjoy it.

Work out what you can comfortably afford even allowing for the possibility of a few interest rate rises and stay within this limit.

Worth Knowing

Once you have exchanged contracts and paid a deposit, you have a financial interest in the property.

This makes it wise to take out home building insurance - something your lender may insist on.

4. Imagine the property with you in it. When you buy a property it generally comes empty, so disregard any of the vendor's designer furniture or electronics collection and picture how it will look with your furniture.

5. Buy with your head not your heart. Your home is also an excellent long term investment, so buy in the best area you can afford, and aim for the best position within that suburb. You can always change the property but you cannot change its location.

And then...? Settlement!

Finally the big day has arrived and the property will officially become yours. There are generally two types of settlement that happen with most property purchases:

1. Settlement of the property is when the balance of the purchase price is paid to the seller. The buyer receives the keys and becomes the legal owner of the property.

2. Settlement of a loan coincides with settlement of the property. It's when the lender transfers the borrowed funds to the seller or the seller's mortgage holder.

The majority of people hire a solicitor / conveyancer to handle the transfer of the property. Once the settlement is complete, your solicitor will need to transfer the name of the property from the vendor to yourself (the buyer). This is called the Registration of Titles, and incurs a separate fee. Then the home is officially yours.

Time to celebrate!!!

Next steps – moving in...

You're officially a property owner! Now it's time to get settled in your new home.

It's time to pack up your belongings and call in the removalists. The physical process of moving into a new home can be tiring but follow our tips to streamline the process - and maybe even pocket a few extra dollars in the process.

Declutter

It's often not until we move that we realise how many belongings we accumulate. Rather than take all your possessions along to your first home, why not sort out those things you want and those you really don't need?

Hold a garage sale or even advertise a few items on websites like eBay (www.ebay.com.au) or the Trading Post (www.tradingpost.com.au) to convert your clutter into cash.

Hire a removalist – or enlist the help of friends

If you're keen on using a professional removal firm, contact the Australian Furniture Removers Association (www.afra.com.au) for services in your area. Alternately ask friends, family or work mates for feedback on any companies they have used. Always get a written quote before going ahead with a professional removalist.

As a first home buyer it's likely that you're keen to save money on the moving process. For the price of a truck rental and a few cases of beer you may be able to enlist the help of friends and family and take a do-it-yourself approach to moving.

Have utilities ready to go

Remember to arrange for utilities (phone, power, internet, water) to be connected in your new home prior to moving in. Similarly, give plenty of notice to your current utility providers that you will be closing the account otherwise you could face unnecessary bills.

Contact the Post Office to organise a redirection of mail to your new home.

Useful link

Moving gives you a good opportunity to change power providers. Websites like www.goswitch.com.au show the range of different electricity providers in your area – including those that deliver eco-friendly 'green' energy. This gives you a chance to compare costs and switch over to your preferred provider.

Tips to pay off your mortgage sooner...

If you have never had a mortgage before it's worth realising it doesn't have to take 25 or 30 years to pay off a home. Here are some tips to help you become mortgage-free ahead of time.

Can't pay more? Pay more often

There are 12 months in a year, but did you realise there are 26 fortnights? If you divide your monthly loan repayment in two and make payments every fortnight, you'll make the equivalent of 13 monthly repayments every year - that's an extra month's repayment without feeling the pinch.

Make extra repayments

Even small amounts can make a major difference. If you buy two cups of coffee a day and you cut that down to just one, you could be saving around $10 a week that you could put towards your mortgage.

Add windfalls to the home loan

Lump sum payments like an end of year salary bonus or your annual tax refund can make a surprising impact on your loan.
Make it an annual habit for even bigger savings.

Get an offset-account

With these loans, all of your salary goes into a transaction account that is linked to your mortgage. Every dollar you keep in this account is offset against your loan, working to reduce the balance on which interest is calculated as you only pay interest on the difference between your home and loan and your savings. Used carefully, this can get you thousands of dollars ahead.

Use redraws wisely

A redraw lets you take out any extra payments you've tipped into your home loan. It can be a handy feature but use it sparingly. Dipping into your loan too often will reduce the interest savings made by the extra repayments, and you may also be charged a fee for each redraw.

Give your home loan an annual health check

In a competitive market, it pays not to be complacent about your home loan. Mortgages are constantly evolving, and an annual check up with the help of your mortgage broker can show if your loan is still the best choice for you.

Jargon explained...

Application fees
Fees charged to fully or partially cover the lender's internal costs of setting up a loan approval for a property buyer.

Basic variable loan
A loan at a reduced interest rate that usually has fewer features than a standard variable loan.

Break costs
Costs incurred when a fixed rate loan is paid off before the end of the agreed fixed rate term.

Capital gain
The monetary gain obtained when you sell your property for more than you paid for it.

Construction loan
A loan specifically for the purpose of funding the building of a new dwelling - can also apply to major renovations of an existing property.

Deposit
Upon signing a contract to purchase a property, the purchaser is required to pay a deposit – usually at least 10% of the purchase price to secure the property. The deposit is often held by the seller's real estate agent or solicitor, in their trust fund until settlement. A deposit can be in the form of a cash payment or a deposit bond.

Deposit bonds
A guarantee that the purchaser of a property will pay the full deposit by a due date. Institutions providing deposit bonds act as a guarantor that payment will be made. They are often used when cash isn't readily available at short notice.

Equity
The difference between the property's value and what is owed to the lender.

Equity loan
A loan obtained through equity is one secured by the proportion of the value of the property you own.

Holding deposit
A holding deposit is a small fee showing your interest in buying a property. It demonstrates to a seller that you are seriously interested in the property. The holding deposit does not guarantee a sale or lease, but rather tells other buyers that someone has already expressed interest in the home.
The fee is usually refunded when the sale goes through.

Joint tenants
Equal holding of property between two or more persons. If one party dies, their share passes to the survivors. A typical arrangement for a married couple.

Liabilities
Your debts or obligations.

Loan to valuation ratio (LVR)
The ratio of the amount lent to the valuation of the property.

Mortgage
A form of security for a loan usually taken over real estate. The lender (the mortgagee) has the right to take the real estate if the mortgagor fails to repay the loan.

Mortgagor
The person borrowing the money in terms of the mortgage.

Mortgagee
The lender of the funds and holder of the mortgage.

Offset account
An account linked to your loan in such a way that the interest earned on the account balance is applied to reduce the interest on your loan.
Regular repayments are made to the loan as required, however the borrower has a separate transaction account with the same financial institution.
The borrower deposits their income into the transaction account and uses it for day-to-day expenses. Any money in this account is offset against the amount owing on the home loan and interest is calculated on the loan balance less funds held in the offset account.

Ombudsman (External Dispute Resolution) Schemes
The Financial Ombudsman Service (FOS) and Credit Ombudsman Service (COSL) provide an avenue through which customers can make complaints about any individual or business who is a member of the scheme and have it dealt with independently.

Principal and Interest (P&I)
A loan in which both principal and interest are paid during the loan term. The repayments cover all the interest plus a repayment of some of the principal (i.e. the actual amount of the loan). This way the loan is gradually repaid over time. Initially loan repayments are comprised mainly of interest but as the principal gradually reduces the interest component will also reduce and the capital repayment accelerates.

Package loan
Package loans combine a home loan with a transaction account and/or credit card. You'll enjoy a significant rate discount on the loan plus fee waivers and other savings on the additional products. On the downside, packages charge an annual fee so it's worth checking whether you'd be better off with stand alone products or a package.

Redraw facility
A loan facility whereby you can make additional repayments and then access those extra funds when necessary.

Refinancing
To replace or extend an existing loan with funds from an existing or different lender.

Repayments
Repayments are generally worked out on a monthly basis, however most lenders will offer the option of fortnightly or weekly repayments. This allows borrowers to time their payments to their pay cycle, assisting in budgeting.

Security
An asset that a borrower offers to a lender, of which the lender can take possession and sell if the loan is not repaid. Legal arrangements are put in place that register the lender's claim over the asset until the loan is repaid. Usually property such as real estate is offered as security.

Tenants in common
Where more than one person owns separate defined portions of a property. If one person dies, the relevant portion passes through the deceased estate rather than to the other property owner(s) as it does with joint tenancy. Each owner can hold a specific share of ownership and has the right to dispose of their interest.

Valuation
A report required by the lender, detailing a professional opinion of the property value.

Vendor
The person/company selling the property.

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