



PURE *Finance*

FIRST HOME BUYERS

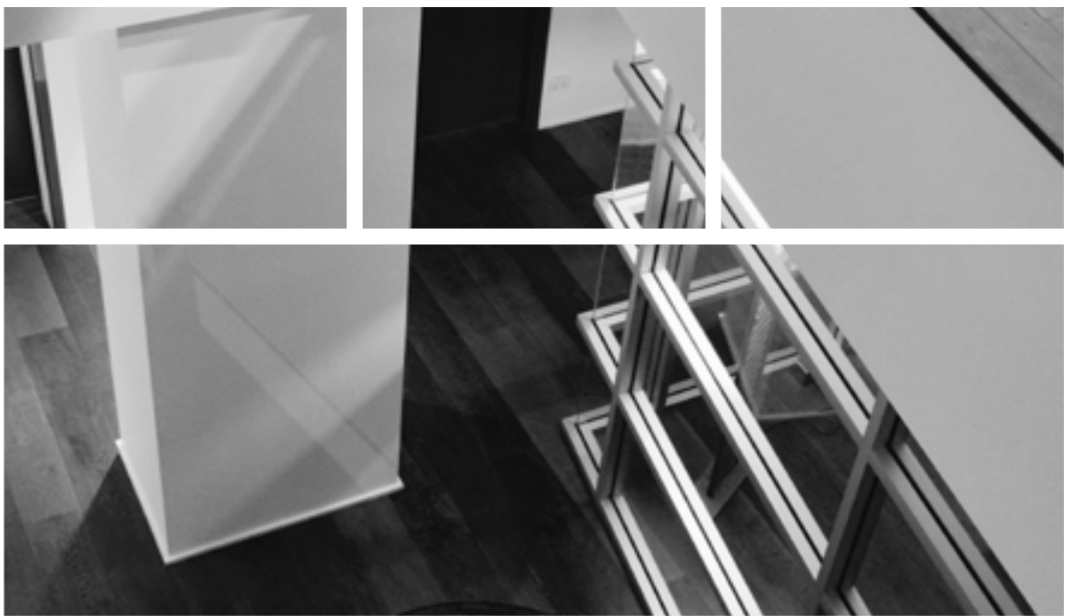
A COMPLETE GUIDE

TABLE OF CONTENTS

MINDSET It's important to manage your expectations when buying your first property	06	18 THE FINANCE PROCESS EXPLAINED We explain the finance process, and how Pure Finance will look after you
LIVING EXPENSES We review this key step and discuss how to manage your living expenses	08	19 DOCUMENTS FOR PRE-APPROVAL We outline the documents required for pre-approval
BORROWING POWER Knowing how much you can borrow upfront is a crucial step	10	22 DIFFERENT TYPES OF LOANS We keep it simple with clear explanations on the different types of loans
DEPOSIT & SAVINGS Understand how much deposit you really need and what options you have	12	24 FINDING YOUR PROPERTY How to find the best property, and valuable insights on the area of your choice
FIRST HOME OWNERS GRANT Could you be eligible for government incentives? See what's available in your state	14	26 MAKING AN OFFER You've found the one! Time to make an offer or go to auction
PREPARING YOUR FINANCE How to prepare for buying your first property & get your finances in order	16	28 EXCHANGE & SETTLEMENT A walk through of the exchange and settlement process



INTRODUCTION



We believe that property ownership is a right of passage for all Australians. The step between wanting a property of your own, and getting one, can seem very disconnected. Let's be honest, it's a big, scary, exciting, emotional decision – and that's why we are sharing this guide with you.

We meet property buyers every day who are daunted by housing prices in most capital cities, as they continue to grow year-on-year, which makes the goal of buying feel like it's slipping away. We advise first home buyers to remove the emotion and remember that this is a strategic decision in building wealth for your future.

If we simply break it down into steps, you'll be a property owner before you know it. After all, do you want to be retired and still renting?

We didn't think so, let's get to it!

WHAT

In this book we will share with you key information regarding buying your first property

HOW

We cover the step between wanting a property of your own, and getting one

WHO

We are a dedicated and experienced finance team, whose goal is to achieve every home buyers dream



MINDSET

Manage your expectations

Occasionally you may encounter unexpected setbacks throughout the purchasing process, for example not winning at auction or an unexpected bad building report.

It's OK, expect a bit of stress

At Pure Finance we've all been through the process ourselves and we all say to you, hang in there because it's worth it.

Focus on your future success

During those moments of stress look forward to the excitement of finally owning your own property.

You are ready for the challenge

Accept that there may be setbacks and missed auctions, finding your dream property may take a little longer than expected for some. We believe in you and we are here to ensure success!



Lets consider lifestyle

Do you buy a lot of coffee? Are you a foodie who eats out a lot ? (smashed avo anyone?) It’s completely OK if you are, just remember to factor this into your budget and be realistic. If you don’t allow for real expenses and then borrow a lot of money, you’re not going to have a lifestyle that you enjoy because all of your money will go to your home loan.

This key step, is one that we thoroughly enjoy going through with customers because it removes the fear around the ‘life after mortgage’ scenario. In fact once this information is clarified, you will feel much more at ease with a clear budget and borrowing capacity for your property purchase.

- SET A MONTHLY BUDGET

A simple way to maintain a great lifestyle whilst investing in property is to set out a simple and realistic budget for your monthly expenses.

Once this is complete, we will apply this to your borrowing power calculation so that you have your own, personalised property budget.
- \$ Groceries

\$ Eating out

\$ Transport: Ubers, trains, buses, taxis

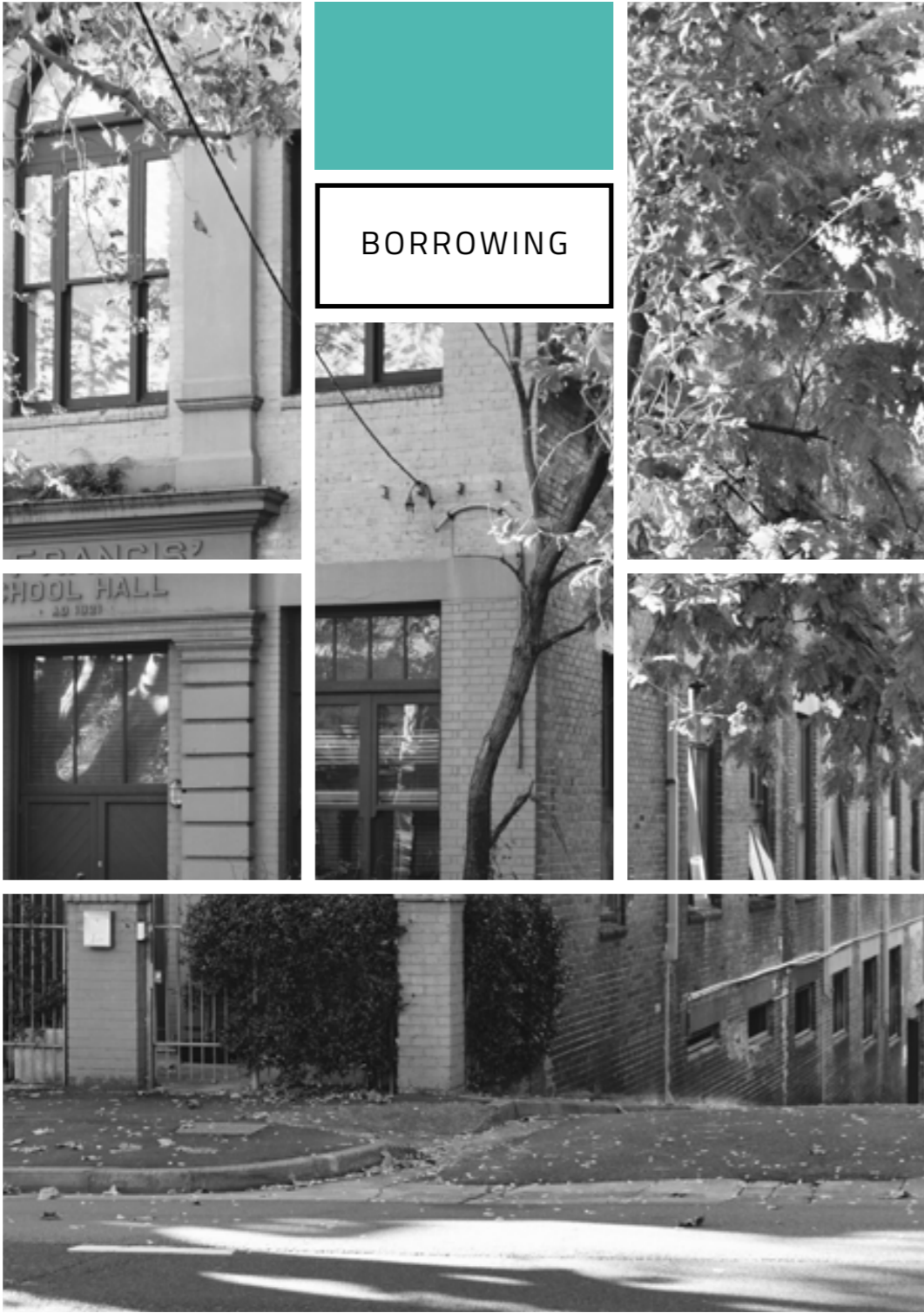
\$ Holidays

\$ Entertainment

\$ Insurance

\$ Memberships

\$ Utilities: Phone, Foxtel, Spotify etc



BORROWING POWER

Knowing how much you can borrow up front is a crucial step which can save you from browsing the wrong properties. It can also help to define what your strategy is and whether you buy a home to live in or an investment property.

RENTVESTOR

If you can't afford to buy something that you would be happy living in, then perhaps you'd consider continuing to rent and instead buy an investment property.

This is becoming increasingly popular and even has its own term *rentvestor*.

COUPLES

We have our own calculation for determining your borrowing power which is really easy to remember:

'Your total household annual income x 6 = your maximum loan amount'. Example:

Your income: \$70,000

Partner's income: \$100,000

Total household annual income: \$170,000

Multiply by 6
($\$170,000 \times 6$) =
*\$1,020,000
max loan amount

* Estimated figure.

SINGLES

If you're a single person earning \$70,000, then your borrowing power/ maximum loan amount would be around \$420,000 ($\$70,000 \times 6$)

The next step is to simply add your savings or deposit amount on top of this maximum loan amount figure as follows:

Example: \$420,000 max loan + \$50,000 deposit = \$470,000.

Based on this, the person would be looking to buy a property for between \$450,000 - \$470,000 (keeping in mind we deduct stamp duty and fees).

Try this with your own situation and obtain your own figure - how do you feel about it? This figure should answer some questions straight away for you, and perhaps you are now thinking about what properties you could buy for that budget. Good!

*As a follow on from creating your own borrowing power and budget, feel free to ask us for a tailored calculation to assist you further.

DEPOSIT & SAVINGS

**“You need a 20% deposit to buy a property” – Parent.
That quote which many have heard, is incorrect.**

A lot of us are told by parents, friends and family that we need a 20% deposit to buy a property. Certainly, it is great if you can do that, because the more deposit you contribute, the smaller your loan will be. However, that can add up to a lot of money very quickly which could take many years to save up, during which time property prices could continue to grow.

“...in fact you can get away with as little as a 10% deposit for a property purchase.” – Pure Finance

Whilst the banks certainly prefer a 20% deposit, it is not always needed, in fact you can get away with as little as a 10% deposit (10% of the purchase price) in most cases. In a few cases, you can get away with even less as a deposit contribution, depending on your circumstances.

What happens if you have less than a 20% deposit?

When you don't have a 20% deposit you will pay an extra fee called 'Lenders Mortgage Insurance' (LMI) which is an insurance policy paid by you, to protect the bank in case you don't pay the loan back. This fee is added on top of the loan amount that you borrow (not payable up front) in most cases. This means, that it does not come out of your 10% deposit, for example (they lend you the fee).

The fee is proportionate to the price of the property that you buy and the size of your loan, and in many cases, paying the fee can be the difference between buying or not buying, hence many people pay the fee so they can buy the property.

Once you've bought the property, you will hopefully start experiencing capital growth (the value of the property increasing with the market), however it is better not to rely on capital growth because markets can change over time. That being said, if your property gains 5% value per year, then based on a \$450,000 property, you would gain \$22,500 in value that year, meaning the property is then worth \$472,500, which means you've gained the LMI fee back within the first year.

In summary, a low deposit is OK and a 20% deposit is not needed in all cases however, it does save you the LMI fee.

Not enough deposit or no deposit?

Many of us end up in a situation where we have the borrowing capacity for the loan, but not enough deposit. In fact, this is most people when they are buying their first property.

Alternative strategies to help you to buy today with no deposit

01 FAMILY GIFT

Bank policy permits you to be given money from your family towards a property purchase in the form of a 'non-refundable gift'. This basically means that your family could deposit the gifted funds into your own bank account and sign a one-page document advising that the funds are a non-refundable gift. Whether this is an early inheritance, or simply your family helping you out, this is acceptable by many banks and lenders.

02 ANOTHER PROPERTY

Extra security in the form of another property. When banks talk about 'security' they mean a property such as a house or unit. Banks won't lend 100% of a property value, hence the need for your deposit contribution. If you don't have the minimum 10% deposit to buy a property on your own, then you can utilise a family member or friend's property as extra security (preferably your parent's investment property as this is most acceptable). This means that if you are buying a property for \$450,000, and your parents have an investment property or home worth \$500,000 (example), then together there is \$950,000 worth of security. In which case you have the ability to borrow the full \$450,000 for your property purchase, as well as the stamp duty and expenses, and the bank will have the additional security to allow this to happen. Typically, when this is done, your intention would be to pay down your loan asap so that the extra security can be released back to your family in a few years.

FIRST HOME OWNERS GRANT

Depending on which state of Australia you buy in, there may be some government incentives such as grants or stamp duty concessions. These incentives are only for buyers who move into the property to occupy, and you must buy a new property or build. With this in mind, most city buyers won't get the grant, but it's at least worth checking. We recommend the following resource: www.firsthome.gov.au

Here's a breakdown of what might be available to you, and keep in mind that this is subject to change and government approval:

NEW SOUTH WALES + ACT

Stamp duty is abolished for first home buyers of new & existing properties up to \$650,000. Between \$650,000 & \$800,000 you will get a discount on the stamp duty payable. First home buyers building a new property will be entitled to a \$10,000 grant on homes worth up to \$750,000 & first home buyers purchasing a new property worth up to \$600,000 will also get the \$10,000 grant.



NORTHERN TERRITORY

A \$26,000 grant is available for new properties up to a value of \$750,000 such as house and land or off-the-plan purchases and you must occupy the property for at least 6 months within 12 months of buying the property.



QUEENSLAND

A \$15,000 great start grant is available for new properties up to a value of \$750,000 such as house and land or off-the-plan purchases and you must occupy the property for at least 6 months within 12 months of buying the property.



SOUTH AUSTRALIA

A \$15,000 new home grant is available for new houses up to a value of \$575,000 and an off-the-plan stamp duty concession is available for off-the-plan purchases with a purchase price of \$500,000 or less, to a maximum concession of \$21,330 and you must occupy the property for at least 6



TASMANIA

A \$10,000 grant is available for new homes including off-the-plan and you must occupy the property for at least 6 months within 12 months of buying the property



VICTORIA

A \$10,000 grant is available for new homes up to a value of \$750,000 and there is a stamp duty concession for off-the-plan purchases.



WESTERN AUSTRALIA

a \$10,000 grant is available for new homes and you must occupy the property for at least 6 months within 12 months of buying the property.





PREPARE

Getting Finance Ready

Once you've identified your strategy and budget for a property purchase ie, 'I can buy a property to live in for \$800,000', it is time to start thinking about finance pre approval.

Smart buyers get pre approved before they go looking because it means they can act fast when they find something.

The market is competitive, so don't underestimate your competition!

Speaking with a trusted mortgage advisor to obtain a pre approval is the best thing you can do because they can check that everything lines up perfectly before applying, eliminate the banks and products that don't suit your needs, as well as implement debt reduction strategies.

In short, they are your best ally in this because they work for you, not the bank.

FINANCE PROCESS

The steps to getting a pre approval are as follows, and our team will update you with every step of the process:

PREPARATION

01

We confirm budget figures, max purchase price & whether you're buying to live in or as an investment.

DOCUMENTATION

02

We send you a document checklist, advise on bank & lender products available to tailor a selection just for you.

APPLICATION

03

We complete the application paperwork & send it to you to sign. Once signed, the application is sent to the bank.

PRE-APPROVAL

04

The bank pre approves the application and you are now ready to buy a property.

This process is managed entirely by the Pure Finance team, to save you time and stress.

DOCUMENTS

Most lenders require the same documents for a pre approval as follows:

Personal ID

100 points of ID are required.

- A current passport or birth certificate = 70 points each
- Drivers license = 40 points
- Other documents that can help build 100 points: Medicare card, credit card, ATM/ debit card, birth certificate, council rates notice, pensioner concession card, health care card, tertiary student ID card

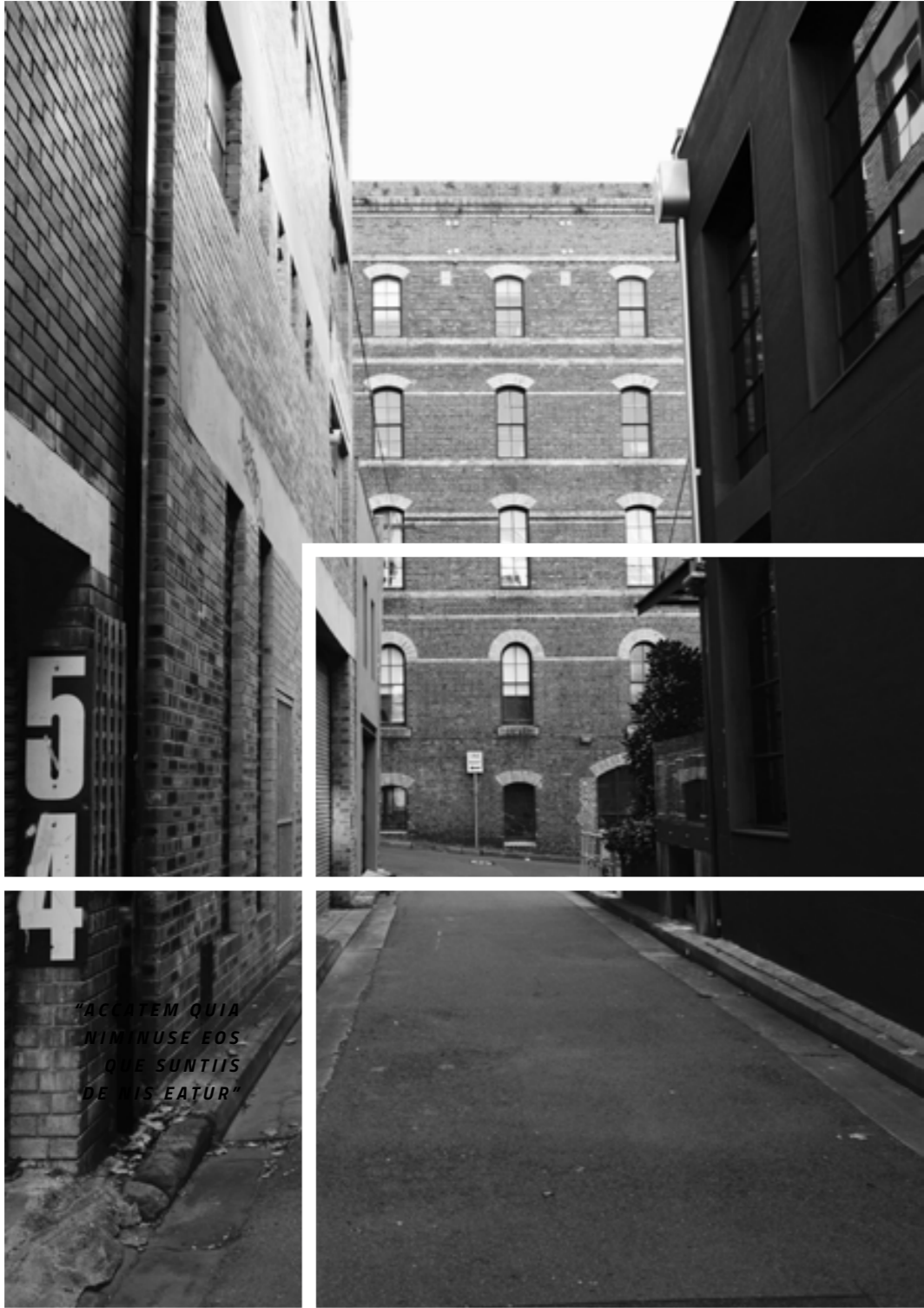
Income Details

- Two most recent payslips from your employer
- Most recent Group Certificate from your employer

If you are self employed, you'll need to provide the last two year's personal tax returns and ATO assessment notices, along with the company's financial statements and company tax returns.

Deposit/ Savings

You will need to provide the most recent 6 months transaction history for your savings account to show your savings.



QUESTION

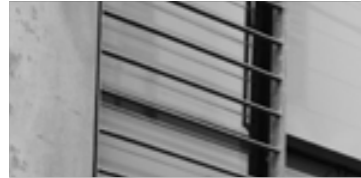
How long does a pre approval last and what if I don't find a property?

Depending on the bank or lender that your pre approval is with, the pre approval will last either 3 months or 6 months. If that time passes and you haven't found a property yet, we can renew the pre approval for you, no problem. In that case, we just need to send new payslips to the bank to re-issue the pre approval for another 3 - 6 months.

If you're having trouble finding or negotiating on a property, then there are professional resources available such as buyer's agents and property coaches who will take on the role of finding you a property or investment in line with your specific requirements. Typically, these services are charged as a professional fee.

Another value-add that we provide for property buyers are tailored suburb and property reports. These can provide valuable insights into areas and properties that could help you with your journey. Feel free to obtain some reports from us at any stage of the process.

DIFFERENT TYPES OF LOANS



01

VARIABLE

MOVING RATE

A variable rate home loan has an interest rate which can move whenever there is an interest rate change or when the bank decides to change it.

For example, everyone with a variable rate product will likely enjoy a reduction in interest rate whenever interest rates are reduced by the Reserve Bank of Australia.

Conversely, if interest rates rise they will likely experience an increase to their interest rate. With this product you can make as many extra repayments on the loan as you want and there is no penalty. Customers who wish to make extra repayments often choose this product type, as well as customers who want to take advantage of an offset account which can be linked to the variable loan.



02

FIXED

LOCK IN

A fixed loan is where you 'lock in' your desired interest rate for a desired term, usually 2-5 years is optimal.

During that time, if interest rates change in the market, your interest rate will remain fixed.

So, if interest rates go up, then your interest rate will not, but if interest rates go down, then your interest rate will not go down either. This product is more about 'peace of mind' knowing that your home loan interest rate won't change during the chosen fixed term.

This product does not allow much extra repayments on top of the minimum repayment and so it is not normally preferable for people who want to make a lot of extra repayments.



03

SPLIT LOAN

YOUR CHOICE

If you are the type of person that wants to fix your interest rate because you will sleep better knowing that your repayments will be the same for the next 2-5 years, but you are also the type of person that wants the option to make additional repayments, then we would look to split your loan.

This is where we have a fixed loan as well as a variable loan. In most cases, we would fix the bulk of the loan (so that you can sleep at night), and then keep the rest variable with an offset account.

Most customers would split the loan 75% fixed and 25% variable, but everyone is different, and we can go through the numbers to tailor the split to your needs.

FINDING YOUR PROPERTY

Once you are pre approved, you are ready to buy. You may have already discovered from searching within your set budget, that you could afford certain types of units and certain types of houses, so it is just a matter of researching.

Get to know your desired areas and market

It's important to get to know the area you are looking at, as well as the market, so you can feel confident in your decision making. The more research you do, the better equipped you'll be when it comes to securing your dream property. What does 'get to know the market' really mean? Well to us, it means knowing what a property should cost and knowing what to expect in certain areas as far as transport, any planned works that may affect your property, and other smaller items like whether it is close to coffee shops or schools (whatever your preference may be).

Resources

PROPERTY/DATA SITES

Access current properties for sale, recent sales results and historical sales data.
Domain
Realestate
Pricefinder
Microburbs

NEWSPAPERS/PRINT

Many major newspapers still provide detailed market coverage and analysis from industry professionals (or check our blog).

Certain data may be more important to some but not others, for example, if you are an investor then you may want to know what the vacancy rate is within an area. A vacancy rate is how many rental properties are empty at any given time. If you buy an investment property in an area which has low demand, then the property might run the risk of being empty with no rent being paid to you, so it's worth checking this!

If you are buying to live in, then you might want to check if the area is noisy or in a flight path, which could affect your sleep. So of course, we recommend a bit of research.

OPEN FOR INSPECTION

As a property buyer, you will attend open inspections. More often than not, inspections for different properties are scheduled at similar times on similar days so it's important that you create a schedule for yourself, so as to not miss any properties of interest.

You should also inspect a property several times before you buy it. Ask the agent to take you during the day or during the evening for a private viewing if you are genuine about buying it to ensure it's still desirable at different times of the day. The initial visit will give you a general 'feel' for the property and determine whether it is appropriate for your requirements i.e. size, layout, age, condition, access to facilities etc.

Further inspections will help you identify things you may have overlooked in your first visits, and, allow you to ask the real estate agent any further questions you may have.

Generally, at an open inspection, you should pay attention to:

STRUCTURAL ISSUES

Sloping or bouncy floors, rising damp, blisters or bubbles on paint work may indicate termites. Mouldy walls and lifting tiles could indicate excessive moisture. Fretting (cracked) brickwork may indicate structural damage

PROXIMITY

Find out the properties proximity to key services such as transport, schools, supermarkets etc. This is important, not only to you, but it may affect the decision of potential buyers in the future if/when you decide to sell the property

PARKING

This can be an important factor if you own a car. If the property doesn't come with a designated parking space or garage, is there sufficient on-street parking?

PETS/ANIMALS

This is more of an issue if you are looking to buy an apartment or unit. Some complexes will only allow cats, and many no pets at all. Its important that you ask about the building's policy beforehand.

TRAFFIC/NOISE LEVELS

It can be a good idea to visit the property at different times of the day to gauge any times of excessive traffic or noise.

I CAN'T BE BOTHERED AND I WANT HELP

If the process of buying a property seems all too much, you might want to consider using a buyer's agent. A buyer's agent will work closely with you through all the stages of buying a property, and can help to eliminate some of the stress and anxiety involved.

Busy professionals often turn to a buyers agent and set out specific requirements for their desired property, and then the agent will get to work.

Buyers agents charge a fee for their service, so you will need to weigh up whether the costs involved suit your budget. Also, their fees and experience can vary, so if you decide you would like to use a buyer's agent, be sure to shop around or ask our team for a recommendation.



MAKING AN OFFER

You've finally found 'the one'. Now it's time to make an offer on the property or look at attending the auction. Our recommendation here is to ask the agent if they are accepting offers prior or if it is going to auction. In some circumstances, you can buy a property pre-auction if you make a good offer. In other cases, the seller may wish to go to auction regardless. Either way, the following will apply:

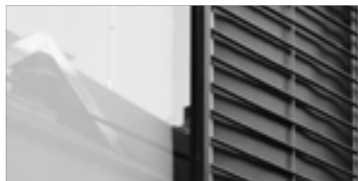


01 INSPECTIONS

PEST & BUILDING

Before purchasing any property, it's important that you get a pest and building inspection carried out, to identify any problems that may be lurking undetected in the property.

This inspection can save you a whole lot of money (and stress) in the long run. You wouldn't buy a second hand car without getting it checked first by a mechanic, right?



02 THE CONTRACT

GET ADVICE

The contract of sale is a document that commits you to the purchase of a property. It's important as a buyer that you have the contract checked by a Solicitor before you sign it to protect you from anything nasty in the contract.

The Solicitor can also make amendments to the contract in your favour and send it back to the seller's Solicitor as part of the negotiation. At this stage, your Solicitor is your best ally who is there to protect you.

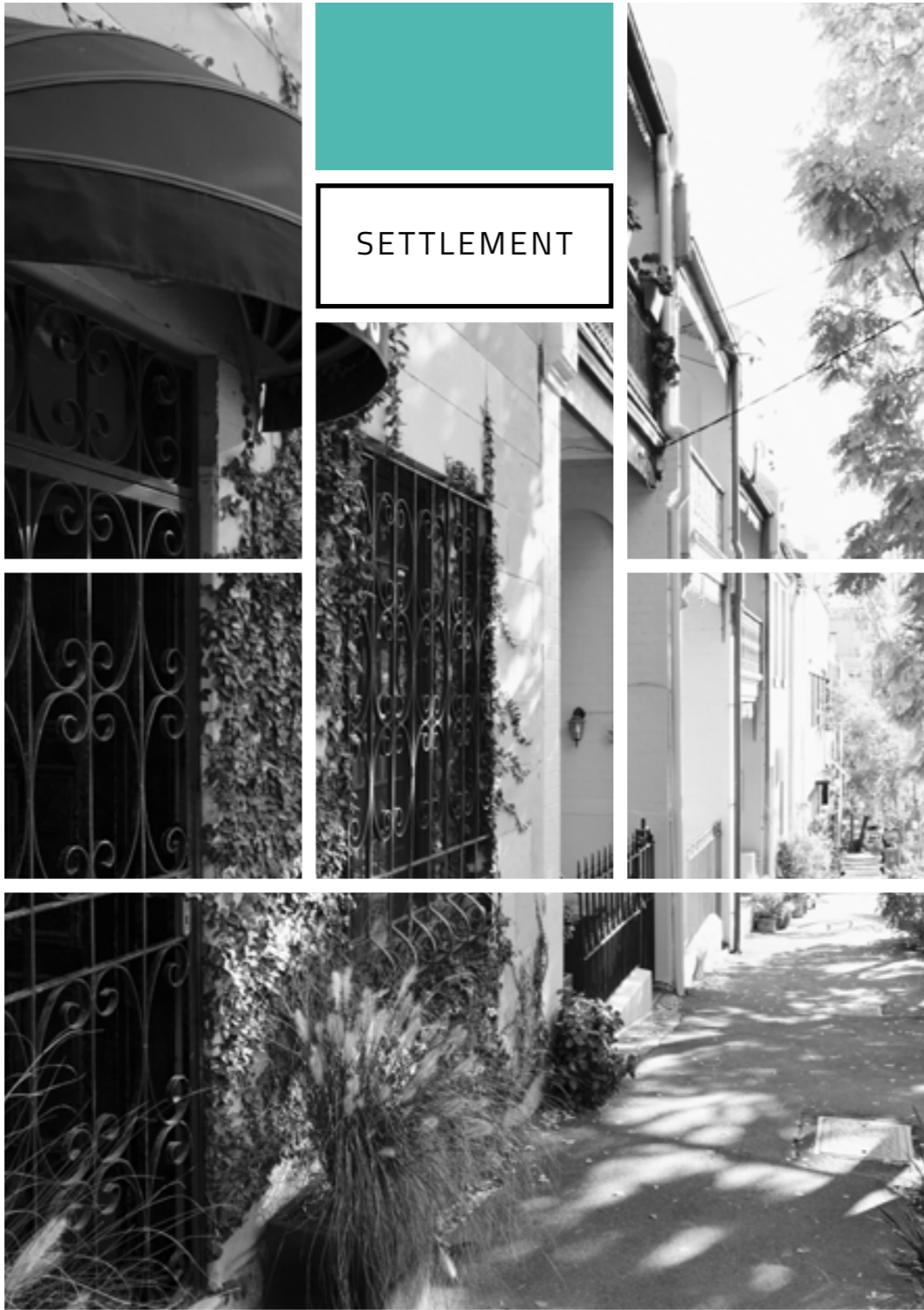


03 NEGOTIATING

THE SALE PRICE

There is no clear rule on this because each situation is different, but if it is a normal sale meaning that the property is advertised for a price and they simply want someone to offer that price, then feel free to negotiate and start a little lower if you wish.

If it is an auction property and you wish to make an offer pre auction, then you will need to make your best offer in one go for a chance to take it off the market. Our advice here is to remember that the agent works for the seller to get the best price possible, so stick to your guns if you don't want to pay over your budget.



EXCHANGE & SETTLEMENT

Property exchange & settlement time

Neither you nor the seller is legally bound to go ahead with the sale until written contracts are exchanged. “Exchanged” is the term used to describe the event where you have paid your full 10% deposit and both parties (buyer and seller) have signed the contract with the agreed price.

Happy days, it's all yours!

Once this happens, a settlement date is set which is typically 42 days from the exchange, and on settlement the bank will provide the funds towards the purchase, and you will provide the rest as your remaining deposit contribution.

Our team will work during the 42 days to ensure finance is ready and the Solicitor will manage the preparation for settlement day. Basically, we will all be working to ensure your property settlement goes without a hitch.

On settlement day, as soon as settlement has happened you will own the property. Hooray! At that point you can collect the keys from the real estate agent and gain access to your property.

ANNUAL REVIEW

Annual review and Support

Once you are settled, our team will confirm the first repayment date, which account repayments are coming from and generally make sure you are all set up and happy.

Something different about us compared to most others and especially the banks, is that we provide our very own annual review of your loan. This means that we contact your lender to negotiate your interest rate down on an ongoing basis, to ensure you pay as little interest as possible.

Our customer's love this service, because they don't need to do a thing! Most of all, it provides extra peace of mind that someone has their best interests at heart long term.



