



Q&A

FINANCE FOR FIRST HOME BUYERS



We've put together this quick Q&A to take some of the mystery out of getting finance to build your first home. Everybody's situation is different, so it's always best to get professional advice, but we've teamed up with our friends at Swan River Finance to answer the questions first home buyers ask most often.

Plunkett
Homes

Domain
By Plunkett



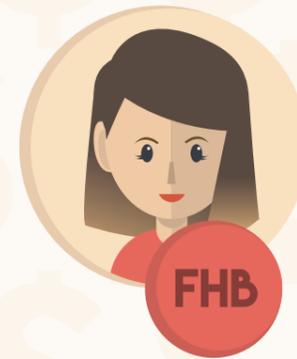
Hi, I'm a first home buyer (FHB) exploring my financial options.

FIRST HOME BUYER

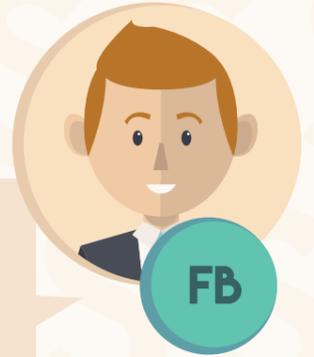
Hi, I'm an experienced finance broker who can help choose the right financial option for you.



FINANCE BROKER



Q2: What deposit will I need?



FB

A2: Again, this varies from person to person depending on the cost of their house and land. Generally the banks and other lenders will want you to contribute 5% of the total cost.

To make things a little trickier, they say this money needs to be 'genuine savings'. By that, they mean they want you to have saved, or held onto, your deposit money for at least 3 months.

Keystart, which is an initiative of the WA State Government, will look at as little as 2% in genuine savings, but the flip side of this is that Keystart's qualifying conditions are much stricter.

There are a couple of lenders who will waive the requirement for genuine savings if you've been renting a home through a real estate agent for 6 months or more.

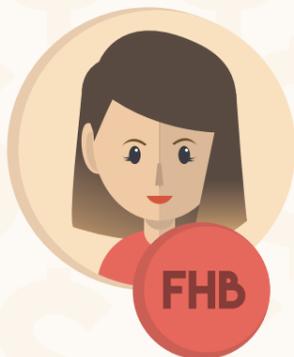
Bear in mind that on top of your deposit, you'll need money to cover costs such as stamp duty and settlement fees.

Most first homebuyers apply for the First Home Owners Grant, which offers stamp duty waivers up to certain amounts.

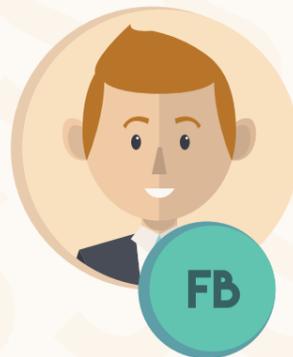
The Plunkett and Domain by Plunkett consultants are all full-bottle on the grant. Just ask them!

You can also find out more here:

www.domainbyplunkett.com.au/first-home-buyers



Q1: How much can I borrow?



FB

A1: I see you've kicked off with the number 1 question that first homebuyers ask us!

Well, the answer varies from person to person and depends on two things.

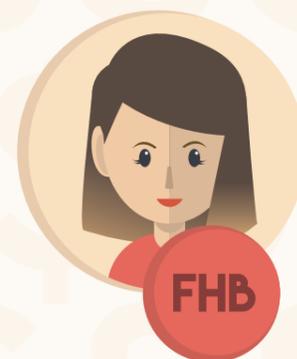
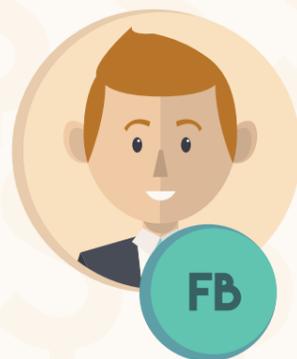
First we find out how much you can put down as a deposit – that's how much you can contribute upfront as a lump sum – and then we work out how you'll repay the money that you borrow.



Q3: What if I don't have a deposit? Can't I just borrow 100% of what I need?

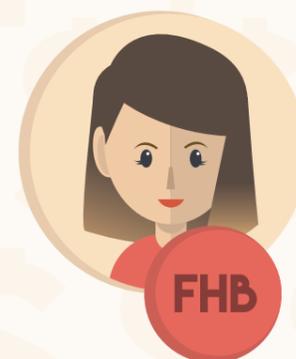
A3: Unfortunately not. But if you really can't get a deposit together then there are ways you might be able to provide a different form of what's known as 'security' for your home loan.

For example, there are loans that allow your parents to provide the deposit. There's also Keystart's Shared Ownership Home Loan Scheme, but again there are qualifying conditions. Generally speaking, it's best to aim for a deposit of 5% genuine savings if you want to purchase on your own.



Q4: I've heard friends talk about LVR. What's that?

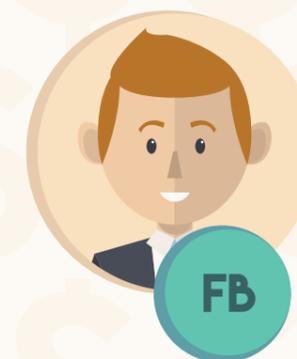
A4: LVR stands for 'loan to value ratio'. It's just one of the calculations the banks and lenders will use when they're working out how much they will lend you and how much deposit you have to provide. They'll simply divide the amount you want to borrow by the value of the house and land you want to buy. The answer is your LVR and it's expressed as a percentage. The absolute maximum LVR that any of the banks will consider is 95%.



Q5: Can you give me an example of how LVR works?

A5: Sure.

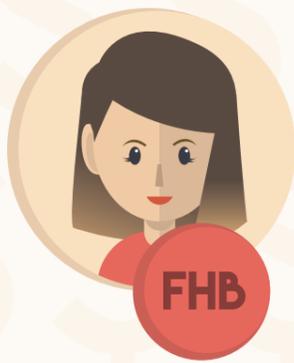
Say you want to buy a block for \$300,000 and you want to build a house for \$200,000. All going well, we'd expect the initial valuation to come in at \$500,000. If you were looking to take out a loan with, let's say one of the banks, then they would lend you up to 95% of the total – that's their maximum LVR. That would mean you'd be looking at borrowing \$475,000. The other 5% you'd have to find as a deposit, which would be \$25,000.



WHAT IS LVR

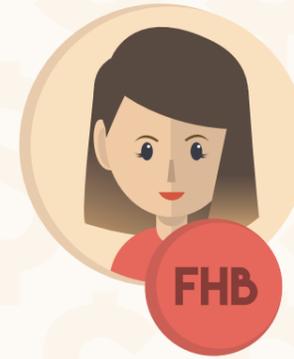
LOAN TO VALUE RATIO

LVR stands for 'loan to value ratio'. LVR is calculated by how much of a deposit you have towards your home's purchase price. Simply divide the value of the property by the amount of the loan.

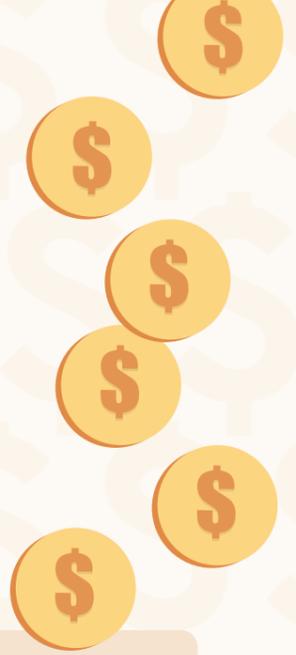


Q6: Someone told me I should get my finance in place before I start looking at display homes.

Are they **right?**



Q7: So, am I best off looking at house and land packages then?

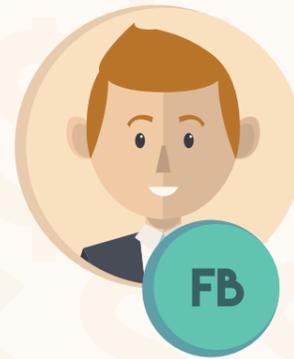


A6: Yes, they're spot on!

Working out how you're going to pay for your new house and who you'll get your home loan from is absolutely the first thing you should do. That's before you look at land and well before you start falling in love with a house you want to build.

Let's be honest, there's no point looking at house and land packages that cost \$800,000, only to find out that you can only afford something that's \$400,000.

It's easy to apply to a bank or other lender to get what's called '**pre-approval**' so you know where you stand before you start house hunting.

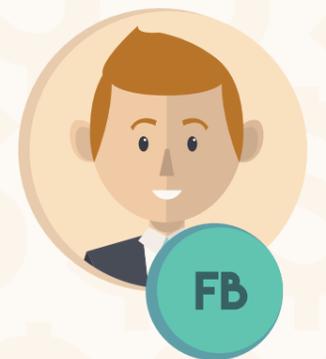


A7: Choosing a house and land package is certainly an excellent option, especially if you're a first homebuyer.

Not only do you know where you stand on the total cost, but also selecting a house and land package can often get you into your new home sooner. That's because all the design work has already been done, and the house and land are already a perfect match.

It usually makes for a more streamlined process all round, which means you can start building quicker and move in sooner. What's more, you only have to do your finance once – no need to do two separate loan applications.

A house and land package makes everything so much easier!



WHAT IS

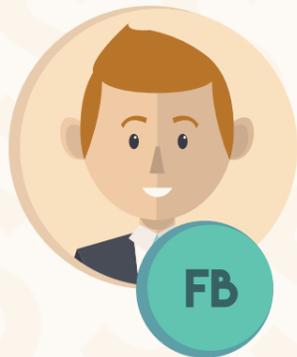
PRE-APPROVAL

Pre-approval basically means you've been assessed as a suitable candidate and given a pre-approved spend limit. It's a great position to be in as you and your builder can go to the next step with confidence.





Q8: Who do I talk to about getting pre-approved?

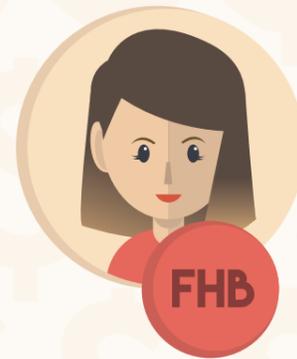


A8: Talking to a professional and reputable mortgage broker will save you a lot of time as you won't have to do all the running around getting quotes and being told by lenders that their loan is the best.

A mortgage broker will give you an independent view of all the loans on offer and they'll shop around for the best solution for you. It's not always about simply finding the lowest interest rate.

You might want to factor in flexibility, or reduced fees on your day-to-day banking.

By letting a mortgage broker do all the leg work for you, you'll be using all their knowledge and getting independent advice. And it's free! (Just don't use a broker that will try to charge you a brokerage fee.)



Q10: How much will I have to pay in fees?

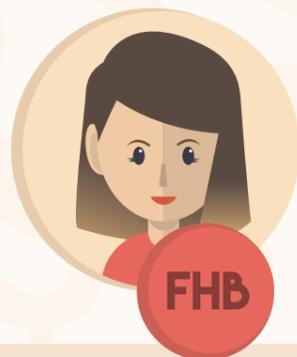
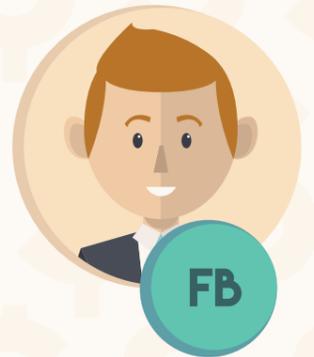


A10: The biggie when it comes to fees and charges is stamp duty.

It's charged by the WA State Government and varies according to the price of the property you're buying. The good news is that if you're building, stamp duty is only payable on the land you're buying, and not on the house you're building.

If you buy an established property, the stamp duty you have to pay is based on the full price of the home. Here's another handy calculator. This one calculates stamp duty for you.

www.stampduty.calculatorsaustralia.com.au



Q9: So, how much will my repayments be?



Q11: How long does it take to get a home loan?

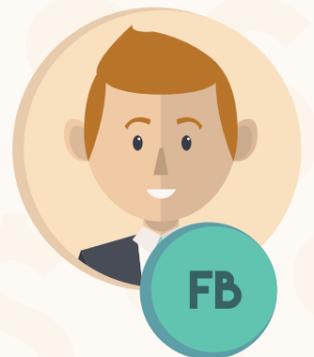
A9: Another tricky question as it depends on how much you've borrowed and what your interest rate is. It will also depend on whether you want to pay monthly, fortnightly or weekly.

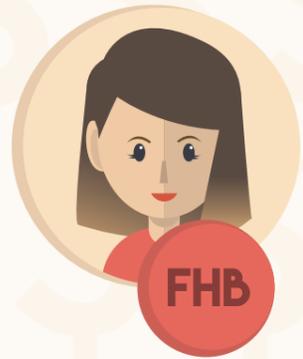
You might want to schedule your payments to coincide with when you get paid, for example. This handy mortgage repayment calculator will do the sums for you.

www.domainbyplunkett.com.au/calculator



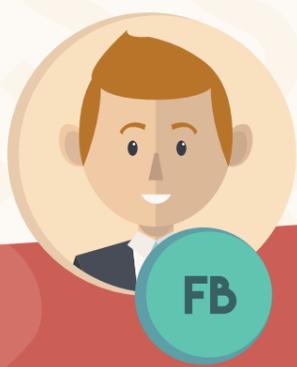
A11: If you have all the information we require, then we generally allow two weeks between submitting your loan application and receiving formal approval. Settlement of your loan will usually take place two to three weeks after formal approval to allow time for signing and returning documents.





Q12: When do I start making payments?

Q12: If you're building a new home, most lenders generally ask you to make monthly interest-only payments on just the money you use – or 'draw down' – from your home loan funds during construction. You'll probably be paying your builder in stages, so for a short time the monthly amount will be smaller than it will be when your full principle and interest repayments kick in at the end of the construction period.



And that's it in a nutshell! We hope this quick guide has given you an idea of how to go about getting finance to build your first home.



Remember, our friends at Swan River Finance, who kindly worked with us on this e-book, are always on hand and happy to help you.

You can give them a call on 0459 988 8080, email them at rhys@swanriverfinance.com or find out more at www.swanriverfinance.com



Or visit a Plunkett or Domain by Plunkett display home to chat to a design consultant. Or you can simply call 08 9366 0414 to arrange an obligation-free chat.



Q&A

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THANKS FOR READING

KEEP IN TOUCH!



**Plunkett
Homes**

**Domain
By Plunkett**

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Albany Office

344 Middleton Road, Albany
08 6819 5919

South West Office

18/42 Strickland Street,
Bunbury
08 9780 9333

**Busselton House &
Land Centre**

3/64 West Street, Busselton
08 9944 8200

Mid West Office

12 Bayly Street, Geraldton
08 9921 8835

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