Your HOME
Your MORTGAGE

A home buyers guide

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Property

Introduction

From the moment you turn the key in the lock and take those first few steps through your new front door, the feeling of owning your own home is second to none. But the path to home ownership can be stressful and if you're not fully prepared, it can prove to be a time of great confusion, indecision and hard work – especially when it comes to finance.

Your Home Your Mortgage aims to arm home buyers and investors with essential know-how and proven techniques to ensure you avoid the common pitfalls of financing a property.

With good buying opportunities across most markets – whether you're buying a home to live in or for investment – knowledge and insights into the home buying process can give you a solid head start.

Throughout this handy guide you'll find practical advice and helpful worksheets to steer you through the whole process – from researching the market and securing finance through to negotiating your property purchase and final settlement. We particularly focus on the benefits of securing your mortgage via a Mortgage Manager rather than a mainstream lender.

So whether you're looking for your dream home or your first investment property this guide *Your Home Your Mortgage* provides insight and support every step of the way.

I wish you every success in your hunt for your dream property.

Sincerely,

Phillip Tarrant

Editor

Flexibility, surety and service

Mortgage Managers are a key source of finance for Australians.

They provide mortgage finance services, with some specialising in servicing particular types of borrowers, such as self-employed, first home buyers or those with a tarnished credit history.

Like banks, they offer a range of products to meet borrower needs. However, because they are smaller and have access to different debt solutions they can provide you with a stronger, more intimate service that is personal and more specialised – a service to suit your needs.

Mortgage Managers offer loans for diverse types of properties: residential, commercial, industrial, retail, from a variety of funding sources.

They are responsible for recommending a loan based on your objectives and your circumstances. They can also assist with the application process, help with arranging the funds for your loan and the ongoing, prudent management of customer service through each phase of your loan's life. This can include credit assessment to the monitoring of loan repayments, receiving insurance renewals, interest rate adjustments and loan variations.

Whatever happens through the life of the loan, a Mortgage Manager is there to help.

Are Mortgage Managers safe?

Yes. Mortgage Managers do not lend their own money for home or investment loans – they source their funds from elsewhere, and this has significant benefits.

Importantly, Mortgage Managers do not accept deposits or loan repayments – they are not banks.

Mortgage Managers arrange and service home and investment loans using funds from sources such as unit trusts, superannuation funds, securitised funds and even the banking sector itself.

Some banks use Mortgage Managers to provide loans. This reduces their need to support costly branch networks, and they can allow Mortgage Managers to pass on very competitive rates to home buyers.

> *"Mortgage Managers are with you for the life of your loan; they are responsible for recommending a loan, helping with the application, arranging the funds for your loan and ongoing customer services through each phase of your loan's life."*

MORTGAGE

Who is responsible for the mortgage?

The lender is not the Mortgage Manager; Mortgage Managers provide loans from professional lenders which may be from banks, investment trusts and some of Australia's biggest non-bank lenders. These may be provided by a professional trustee or custodian company, which gives you peace of mind that your mortgage provider is secure and that your mortgage is properly and professionally managed. If your Mortgage Manager ceases trading, the Mortgage Manager or lender could simply appoint another Mortgage Manager and your mortgage would carry on as before, but under new management.

Mortgage Managers are a key provider of non-bank funding and have brought strong competition to the home loan market. They are subject to competition from other sections of the finance industry, which ensures they offer competitive interest rates and service.

How does a Mortgage Manager get paid?

Mortgage Managers receive payments from two main sources: application fees, which help offset the cost of establishing your loan, and management fees paid by the providers of the funds for the ongoing management of the loan. These may be reflected in the interest rate that you pay on your loan.

What is the difference between a mortgage/finance broker and a Mortgage Manager?

A mortgage/finance broker introduces a borrower to a lender but has no ongoing involvement with the mortgage. All ongoing customer service is left to the bank or lender who provides the loan.

The Mortgage Manager is responsible for managing the loan and servicing all your customer needs from the time it is provided, until the borrower's payment of the final repayment of the loan, ensuring that your needs are understood and providing customer service for the life of your loan.

Tips for saving your deposit

Saving for that all important deposit can be tough, but here are three winning tips to help set you on your way to home ownership, fast!

Put your goals in writing:

Setting a financial goal will make it much easier to plan and save successfully. Make a conscious effort to track your expenses so you can see where your money's going and cut back where you can. Small sacrifices, such as taking the bus instead of a taxi, cutting back on buying coffee or bringing your lunch to work can also go a long way towards helping you save.

Beat the credit monster:

Credit card debt, unpaid bills and personal loan repayments can be major setbacks to your saving efforts. As part of your saving strategy get these debts paid off. Start by paying off your debts that have the highest interest rate – typically your credit card. If you can't pay it off in one lump sum, ensure that you pay more than the minimum monthly repayment. You'll not only slash your debt, you'll also have extra funds to channel into other debt commitments or even savings.

Make your savings work harder for you:

Making cutbacks on your lifestyle is one thing, but putting that money to use is another. Remove the temptation to spend your savings by arranging a set amount to be taken out of your pay each month and put directly into a savings account.

Shop around, and seek a high interest rate savings account to get the best returns – many banks now offer an online high interest account.

Why use a mortgage manager?

- **Designed for you** – Mortgage Managers grew out of borrower frustration about bank pricing and their customer service proposition. Rather than charging huge margins on the money they lent, the first non-banks sought to share that margin with the customer, which meant lower interest rates and therefore lower repayments – something that resonated with borrowers. Non-banks are today still competitive with the major banks.
- **Service first** – Non-banks are typically boutique businesses compared to banks. They are usually mainly focused on mortgages and are often more nimble than the banks – allowing them to make decisions quickly.
- **Customer focused** – Large lenders typically have rigid lending criteria based on complex risk assessment models. Mortgage Managers on the other hand may be more flexible and willing to look at a client's particular circumstances rather than view them simply as another transaction.

  This boutique approach means they'll work hard to win and keep your business, beyond just looking at your ability to meet repayments to determine your ability to borrow, and providing a personalised service to you for the life of your loan.

Switching for a better deal

Your life never stands still, and neither should your mortgage. If change is afoot, it might be time to search for a more suitable product – and lender.

If your bank loan doesn't suit your lifestyle or personal situation you could be wasting thousands of dollars a year on paying extra interest, fees and features you don't need.

You may be able to find a loan with a Mortgage Manager that's more appropriate for your needs, with more suitable features and a competitive interest rate to match.

Mortgage Managers offer a compelling alternative to the high street banks and you may well find that their products might better suit your needs and situation.

If you think that there may be a better alternative to your present home loan give us a call. Here are some key reasons to prompt a review of your mortgage:

Consolidate your debt

Consolidating debts, such as credit cards or personal loans, into your home loan can save you thousands of dollars in interest charges. Rolling your debts into one monthly or fortnightly repayment can also help make juggling your finances a little easier, while improving your cash flow to boot.

Pay off your mortgage faster!

If you're striving to be mortgage free, there's a good chance there may be a more appropriate product to meet your needs. Some mortgage products are designed to motivate borrowers to repay their mortgages quickly, so now is the perfect time to talk to a Mortgage Manager and consider whether a new loan will see you on the road to financial freedom – fast!

Better interest rates and lower repayments

Rates and mortgage deals are constantly on the move. To make the most of a competitive mortgage market, you might want to evaluate the loan product you currently have. For example, you may want to go for a lower variable-rate, or lock into a fixed-rate. Break costs can be expensive though, so you'll need to check that you'll come out ahead when all costs are considered.

Unlocking equity

As you pay off your mortgage you'll accumulate equity in your home. As long as you are capable of meeting your loan repayments, refinancing your mortgage can help you tap into the value that you've built up, using it for other purposes, such as purchasing an investment property.

Avoid monthly fees and charges

Some lenders charge a monthly service fee – further adding to your debt. Competition between lenders has increased and some now waive administration fees, so refinancing your home loan with another provider can be a smart move to help cut your mortgage costs. You should check with your lender to see if there are applicable break costs, before you switch loans.

> *"If you're striving to be mortgage free, faster, there's a good chance there may be a more appropriate product to meet your needs."*

Capitalise on government incentives

It can be hard for first time buyers to get a foothold on the home ownership ladder, but take heart – there are various government grants and concessions that can help offset some of the expenses when getting started.

Before you start searching for your dream home, take some time out to learn more about the government benefits which you may be eligible for. If you'd like more information about government incentives give your Mortgage Manager a call.

There are some financial advantages to being a first time buyer.

First Home Owner Grant

The government provides the First Home Owner Grant (FHOG) across the various states and territories across Australia. If you are a first home buyer, it is worth checking what is offered in your respective state or territory, to see if you are eligible for the FHOG.

The grant is administered by each state and can differ depending on each state's respective legislation. For more information on the FHOG in your state visit www.firsthome.gov.au or speak with your Mortgage Manager.

Stamp duty breaks and concessions

Some of Australia's State Governments have concession waivers of the stamp duty associated with a property purchase.

Stamp duty is a tax applied to certain property transactions. For example, when land is sold, transferred or leased, stamp duty is generally payable.

It is usually the buyer, not the seller, who is liable to pay stamp duty. Payment must generally be made within three months of the purchase, otherwise penalty interest may apply.

The amount of stamp duty payable depends on which state the property is in, the value of the property and the amount for which it is sold, transferred or leased. If payable, it is calculated on its market value and the price paid by the buyer.

Each State Government has its own rules surrounding stamp duty on property purchases. For this reason, the exemptions and concessions available differ from state to state.

Some first home buyers, vacant land holders and farm buyers may be entitled to some exemption or discount on stamp duty in some states. So it pays to check out whether any apply to you through contacting the revenue office in your state or territory.

Need more information?

For further information on the First Home Owner Grant or details on stamp duty breaks contact your state's relevant government office.

ACT – www.revenue.act.gov.au

NSW – www.osr.nsw.gov.au

NT – www.nt.gov.au/ntt/revenue

QLD – www.osr.qld.gov.au

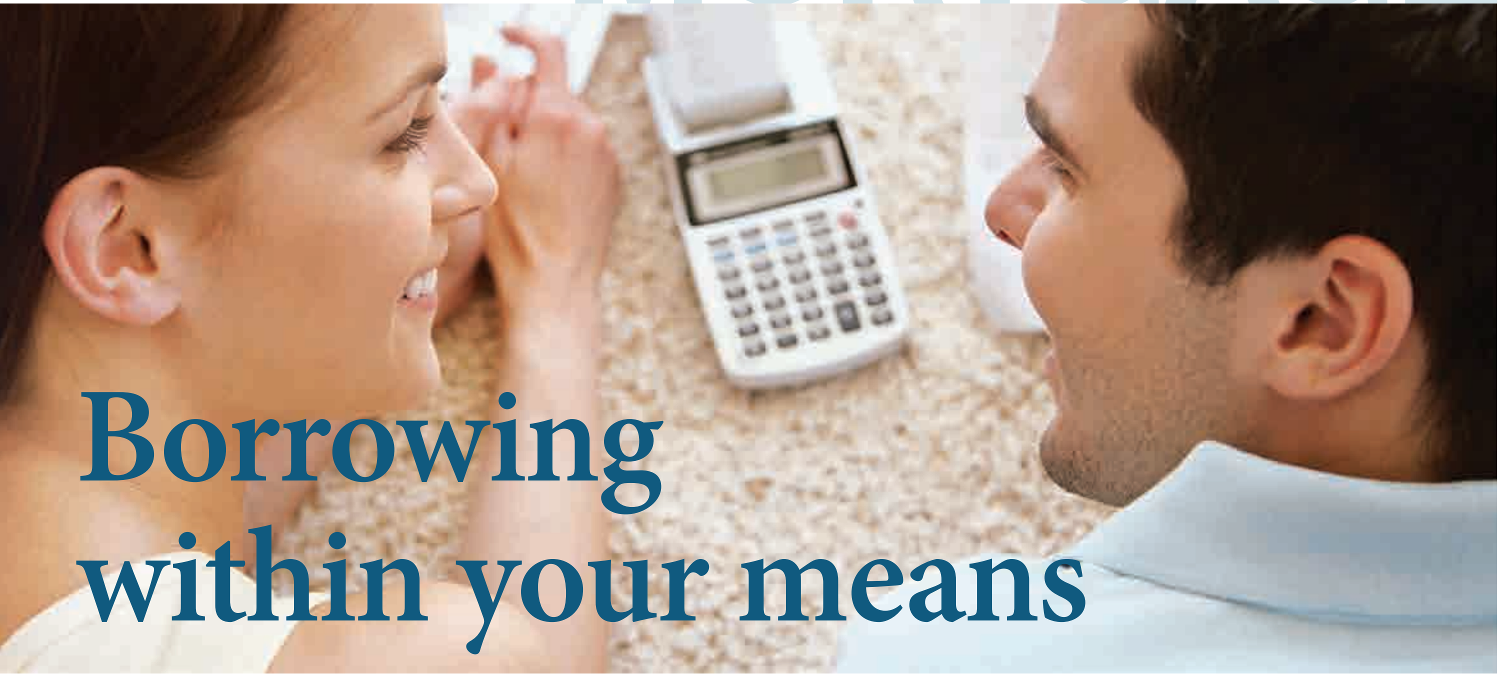
SA – www.revenuesa.sa.gov.au

TAS – www.sro.tas.gov.au

VIC – www.sro.vic.gov.au

WA – www.osr.wa.gov.au

Note: Details are current as at print date and should be confirmed with your local Office of State Revenue or equivalent body.



Borrowing within your means

Your lender will assess your loan and affordability to estimate a maximum borrowing amount. However it's essential that you work out what you can afford and what repayments you feel comfortable with.

The choices you make when taking out a mortgage have long lasting implications – so you need to approach borrowing with a healthy attitude.

When determining your borrowing capability, start by measuring your income against expenses, including potential mortgage repayments. While everyone's circumstances and expenses are different, a good starting point is that no more than 35 per cent of your gross monthly income should go towards servicing your mortgage.

Lenders will also need to assess your circumstances to work out how much to lend you. As a general rule, the bigger deposit you have and the higher your income, the more they should be willing to lend; however they will still need to assess your circumstances.

All lenders will need to determine a loan suitable to your circumstances but Mortgage Managers can get to know your circumstances personally – and may have a little more flexibility than the banks to consider applicants on a case-by-case basis.

Here are some factors to take into account when determining how much you should borrow:

How much debt can I handle?

Don't over commit. Borrowing too much can be a big strain on your personal life and lifestyle. Think about what aspects of your lifestyle you may be willing to give up, and those that you can't.

Am I being realistic?

Houses are like stepping stones – it's probably best to start with something affordable and move towards your dream home as your personal earning capacity and equity grows.

What are my plans?

Think about what the future holds – both personally and financially. Are you a one or two income household and is this likely to change in the future?

What about interest rates?

Consider how any rate rise will impact on your ability to make repayments and factor that in when setting your borrowing limits. And don't forget, there are added extras when purchasing a house, like in some states stamp duty and mortgage duty, relevant property inspections, solicitors and application fees, as well as ongoing commitments including council rates, possible strata or body corporate costs and utility bills – so consider these costs when determining how much you think you should borrow.

> *Ultimately the choice is yours – so be careful not to over commit yourself.*

Interest rates and how they affect your mortgage

While rates move up and down you should always consider the impact they will have on your mortgage.

The rate of interest you'll pay on your mortgage depends on a combination of factors. This can include the Reserve Bank of Australia's (RBA) cash rate movement, your lender and the type of loan you have.

When working through your loan options with your Mortgage Manager there are a number of issues to keep in mind to ensure you're getting the most appropriate mortgage for your needs.

The type of loan

Different loan types tend to come with different interest rates. So if your loan has a range of features, such as re-draw, offsets or early repayment facilities, you'll usually pay a little more in interest.

Alternatively, while a basic loan doesn't have all the bells and whistles of other products the interest rate is typically lower.

When assessing which loan best suits your needs, ask your Mortgage Manager to explain how the different features work to assess whether they are worth paying a higher rate for.

For example, if you're looking to drive your mortgage down quickly or would like flexibility in your repayments, it may be worth paying for the features needed to do this most effectively.

The type of rate

Rates move up and down in line with the economic cycle. When rates look like going up some borrowers choose to fix their home loan rate – or 'lock in' a rate for a set period of time.

If you're considering this option, it's important to remember that a fixed interest rate is usually higher than the current variable rate. However, if rates are on the rise and you're concerned they'll keep going up, fixing your rate will ensure consistency in repayments each month. However, if rates go down you will still be required to make loan repayments at the fixed interest rate until the expiry of the fixed rate period. If you decide to move from a fixed rate to a variable rate loan, you may also be liable for break costs.

Alternatively a split loan can give you the best of both worlds: a part fixed-rate and part variable-rate loan. This means that if rates rise, a proportion of your loan will be protected – minimising the impact of higher monthly repayments. If on the other hand rates fall your fixed-rate will remain higher and the variable part of the loan will fall.

Lessen the impact of a rate rise

On a variable rate loan, should rates rise, there are a number of effective ways to lessen the impact on your finances:

Factor in possible hikes – Leave room for a number of interest rate rises when you assess how much you can afford to borrow – this is essential, particularly as rates are likely to rise at some stage during the life of your loan. You may have to reduce your mortgage amount slightly or purchase property that's at the lower end of your price range as a result.

Interest only – If you have a loan and you are really struggling to keep up with rate hikes, you can consider changing to an interest-only loan for a while. While not an effective long-term strategy for owner-occupiers, it might be an option while you deal with the here and now.

Refinance – Your situation may have changed from when you first took out your mortgage – for example you've now only got one person in the household earning a salary. Rates between lenders are also changing dramatically as competition amongst lenders increases. Ask your Mortgage Manager what products and rates are available that could better suit your situation.

Lenders Mortgage Insurance

Lenders Mortgage Insurance can help you enter the market sooner.

Lenders Mortgage Insurance (LMI) helps Australian homeowners enter the market earlier through allowing you to borrow a higher percentage of a property's value.

For first home buyers, particularly those struggling to save a deposit but more than comfortable to meet their mortgage repayments, it can be a key tool to break free of the rental trap.

Through financing a higher proportion of a property's purchase price lenders take on a higher level of risk should you fail to meet mortgage repayments, and the property needs to be repossessed and resold.

LMI is therefore paid by you to insure your lender against loss should this happen. It is important to be aware that LMI only covers the lender if you default on your loan payments and the lender is unable to secure the full outstanding debt still owing, when they sell your property. LMI does not provide you with any cover.

The bigger the percentage of the property's purchase price you have to borrow, the greater the amount you're likely to pay on insurance. So if your deposit is less than 20 per cent, and especially if you have no deposit at all, you will need to factor LMI into your home loan.

Remember that in some cases lenders may require LMI even if you have a lower deposit, depending on the type and style of property you're purchasing – for example some inner-city apartments or rural land.

LMI is usually paid as a one-off lump sum at the time of settlement but in many cases it can also be added into the loan amount and paid off as part of your repayments over the life of the loan – a term known as capitalising the LMI. Speak with your Mortgage Manager to assess whether this option is right for you.

> *"LMI covers the lender if you default, it doesn't cover you."*

The pick of the bunch

There's a huge choice of home loans available, but to find the one that best suits your situation you'll need to do a bit of homework.

Making yourself familiar with the most popular loan products available will give you a good head start when discussing your loan options with your Mortgage Manager.

Here are just a few of the product types you're sure to come across:

Basic home loans

Basic home loans or 'no frills' loans offer borrowers a loan with a low interest rate. This interest and principal repayment loan is a popular choice among first home buyers. A basic home loan's interest rate can be half to one per cent below the standard variable rate, which is sometimes combined with minimal ongoing fees. Potential drawbacks can include limited features, less flexibility, and additional charges if you decide to switch loans or pay the loan off sooner.

Standard variable-rate home loans

A popular mainstream choice, standard variable-rate interest and principal home loans allow you to borrow money for a set period of time, during which you make regular repayments. The interest rate can vary depending on fluctuations in the official RBA cash rate so it is likely to go up or down depending on the market cycle.

Fixed-rate home loans

Worried about rising interest rates? A fixed-rate home loan will allow you to fix your interest rate for a specific period, usually from one to five years. It's a sound option when interest rates are on the rise, or in times of economic uncertainty.

Should interest rates plummet, however, you'll still have to pay off your mortgage at the fixed-rate until the end of the agreed fixed-rate period. Additionally, keep in mind that there may be break costs if you decide to break your fixed rate term, by repaying your fixed rate loan early or switching to another product.

Split-rate home loans

Want the best of both worlds? A split-rate home loan offers both flexibility and security.

A good product for both first time and existing borrowers, split loans allow you to customise your loan's interest rate as you see fit: fixing a portion of your interest rate to give certainty to part of your monthly repayments should rates increase, but also flexibility through taking out a variable-rate portion.

Interest-only home loans

Interest-only loans offer borrowers lower repayment options, while maintaining many of a traditional loan's features.

This type of loan allows you to pay only the interest component on a mortgage; it does not reduce the principal component. They are a popular choice for investors who may wish to maximise negative gearing benefits of good capital appreciation on their investment property.

Low-doc home loans

If you're self-employed, a contractor or a seasonal worker and do not have a regular income, a low-doc loan may be a solution.

While making home ownership a possibility for a cross section of Australian workers that previously found it difficult to secure a mainstream bank loan, most low-doc home loans typically have higher interest rates.

Low-doc home loans are not as readily available – and tend to have more restrictions – following the global financial crisis as lenders have sought to minimise their risk exposure to these types of loans.

Call your Mortgage Manager to discuss whether your circumstance is suitable for a low-doc loan.

Products at a glance

Basic home loans

Pros

Interest rates are often half to one per cent below the standard variable rate.

Cons

Limited features, less flexibility and possible penalty fees for early loan repayment.

Standard variable-rate home loans

Pros

Make regular repayments based on the current interest rate. Effective if rates do not rise.

Cons

Should interest rates increase, your regular mortgage repayments will rise.

Fixed-rate home loans

Pros

Fix your interest rate for a specific period, giving certainty to regular repayment amounts.

Cons

Should interest rates fall you'll still need to repay your mortgage at the agreed fixed rate. There are potentially also high break costs payable of you wish to end the fixed rate term early.

Ending the fixed rate term early includes repaying the loan early and if you switch from one loan to another before the fixed rate term expires. Fixed rate loans may also limit additional repayments that can be made during the fixed rate term.

Split-rate home loans

Pros

Fix a portion of your interest rate to give certainty to monthly repayments while also benefit from a variable-rate portion should rates drop.

Cons

If interest rates do drop you'll be left paying a higher rate for your fixed-rate portion.

If you break the fixed rate period early you may be subject to break costs and you may be limited to extra repayments on the loan.

Interest-only home loans

Pros

Pay only the interest component on your mortgage for a set term. An ideal option for borrowers with an investment properties.

Cons

Repayments do not reduce the principal component of your mortgage.

Low-doc home loans

Pros

Can help you enter the property market if you're a self-employed, contract or seasonal worker without regular income or proof of income.

Cons

Typically have higher interest rates. You may also have to pay LMI.

Boost your buying power through co-ownership

Buying through co-ownership is quickly becoming a popular strategy for budding investors hoping to enter the property market but without the capacity to do it alone.

Through pooling resources with a friend or family member you can increase your buying power. There are a number of other benefits as well.

A joint purchase, for example, can help ease the deposit burden as you'll only need to pay a portion of the deposit. There are also other costs that can be split, such as stamp duty, legal fees and maintenance.

However, there are a number of pitfalls that you need to be aware of when purchasing via co-ownership. Importantly, you need to pick your partner carefully and ensure you have the same overall goals and objectives. You and your partner should seek independent financial and legal advice to understand your position.

Key to this is a firm legal document outlining the partnership and the conditions for selling the property, plus other associated issues. There are also a number of different options for financing the investment – give your Mortgage Manager a call to discuss what strategies are available to you.

Get a head start with a pre-approved loan

Competition for property can be fierce. Put yourself ahead of the pack with a pre-approved loan.

What's pre-approval?

Sometimes referred to as an approval-in-principle, pre-approval is a general indication of how much you're able to borrow based on the information you provide to your Mortgage Manager.

Although subject to terms and conditions, a pre-approval basically gives you the green light on your home loan even if you've not yet decided on a particular property.

The amount of the pre-approval is usually determined by your ability to meet the loan repayments. Most pre-approvals are valid for up to three months.

Just remember that even with your pre-approval, your purchase must still meet all of your Mortgage Manager's requirements prior to obtaining final approval (including valuations, if applicable).

How do you get pre-approval?

To kick start the pre-approval process you'll need to give your Mortgage Manager some key documents.

These should include proof of your income – such as a letter from your employer or copies of your pay slips – proof of identity and details of any assets you own.

Other paperwork might include details of any existing loan commitments and limits on credit cards. Once your documents and financial status has been given the tick of approval by your Mortgage Manager, you'll receive a pre-approval notification that will see you on your way to home ownership in little or no time at all.

> *"A pre-approval basically gives you the green light on your home loan even if you've not yet decided on a property."*

Why secure a pre-approval?

- **Peace of mind** – A pre-approval gives you the confidence of knowing how much you can borrow when buying a property.
- **Jump the queue** – Having your home loan pre-approved enables you to seize the opportunity and act quickly when you find the property you want.
- **Stronger bargaining power** – A pre-approval can sometimes help you negotiate a better price with the seller, especially if there are fewer stringent conditions upon the sale.
- **Ability to bid at auctions** – Under the conditions of most sale contracts, a pre-approval can allow you to bid at auction for the property of your choice. However you will be responsible to meet the rest of your obligations under the contract including if unconditional approval is not obtained. You should seek advice on the contract before bidding at an auction.

How to manage your mortgage more effectively

While there's no getting out of your mortgage repayments (unless you strike a financial windfall and can pay it off!) there are ways to make paying off your loan easier.

Here are five proven tips to better manage your mortgage.

Set a budget

Work out your expenses (fortnightly or monthly) and factor in your mortgage repayments. You might need to cut back on spending in certain areas to make sure your mortgage is a priority. Keep a diary of your spending and stick to your budget.

Cut your debt

Reduce the number of credit cards you have (ideally down to one), reduce credit limits and use your cards sparingly. Having a mortgage means taking control of your spending.

Pay more than the minimum

Making fortnightly repayments can have a big impact, minimising on interest over the long term. Through this strategy you essentially make 13 monthly repayments over the course of a year, rather than 12.

This extra month's repayment helps reduce your principal, which can potentially save thousands in interest repayments over the life of your loan. When extra funds come your way, like tax refunds, put them straight into your home loan as well – it can really make a difference in the long term. Just keep in mind that you may be charged a fee for making additional payments on your mortgage depending on the type of loan you have.

Direct debit

Arrange for your mortgage repayments to be direct debited from your pay, so you always make them on time.

Don't be late

If you're struggling to meet your repayments, speak to your Mortgage Manager. It may be possible to restructure your repayments or consolidate other debts into your home loan under certain circumstances.

> *"A small change can really make a difference to your loan over the long term."*

Are you ready to move in?

Your step-by-step checklist for being home owner ready!

Arranging your finances

- [ ] Contact your Mortgage Manager to explore financing options
- [ ] Arrange supporting documents (i.e. pay slips, group certificates, credit card statements and other relevant documents)
- [ ] If using a mortgage broker ensure to ask them about the products offered by Mortgage Managers and how they may better suit your needs
- [ ] Submit loan application with all supporting documents
- [ ] Obtain pre-approval

Note: Finance can be secured before or after you find a property. However borrowers should consider a pre-approval so that they have a true measure of their borrowing capacity before they commit to a purchase. Pre-approvals are usually always subject to further conditions.

Buying your house

- [ ] Engage a solicitor or conveyancer to check sale contract
- [ ] Place offer for home/bid at auction
- [ ] Complete building and pest inspections, strata and title searches
- [ ] Sign contracts and submit agreed deposit
- [ ] Arrange insurance (contents, building and/or income protection)
- [ ] If applicable, process first home owner grant (FHOG)
- [ ] Complete settlement
- [ ] Pick up keys

Moving in

- [ ] If currently renting, advise landlord that you're moving
- [ ] Collect bond from rental agency
- [ ] Arrange disconnection of utilities and cleaning of old premises (if required)
- [ ] Arrange quotes from removalist companies/schedule moving times
- [ ] Connect the gas, electricity and other utilities
- [ ] Connect pay TV and internet
- [ ] Connect new phone line
- [ ] Redirect mail (can be arranged through your local post office)
- [ ] Redirect newspaper delivery
- [ ] Advise family and friends of new address/phone details
- [ ] Clean up home before you move in
- [ ] Move the family in!

Better buying

Arm yourself with some essential buying skills for purchasing property via auction or private sale.

Both private sale and auction have positive and negative points from a buying perspective. Once you've found your dream home, keep these points in mind when purchasing under either situation.

Buying via private treaty

A private sale is popular from a buyer's perspective for several reasons, but top of the list would have to be the control and flexibility it can offer.

Note: Terms and conditions of this buying method may vary according to state.

Pros

In a private sale, as a buyer you may be in a strong position to negotiate the terms and conditions of the purchase to suit you.
You may be able to make several offers over a period of time, without rushing or being locked into a binding contract.

There is often a cooling-off period after your offer has been accepted, which also gives you the chance to pull out of the purchase should you change your mind.

Cons

On the flipside, one of the downsides of a private sale is the possibility that multiple offers may be made to the vendor without your knowledge. This can work against you if another party makes a higher offer that is accepted by the vendor, when you might have been willing to make a similar offer eventually.

Buying at auction

Purchasing a property at auction involves bidding against other parties, and the competition can get fierce! For this reason, purchasing at auction is often preferred by experienced or confident buyers.
Less experienced or first time buyers can purchase at auction too with the right approach.

Pros

Buying a home at auction allows you to see your competition face-to-face, and get an idea of how many other parties are interested in the property. It also gives you the chance to make a higher offer than a competing buyer, something a private sale doesn't always give you the scope to do.
Moreover, there's the advantage of knowing the property is yours there and then, rather than having to spend weeks or months in negotiation.

Cons

One of the disadvantages of buying at auction is the limited scope to negotiate the terms and conditions of the sale contract.
After a final bid is accepted, there is no cooling-off period – you must put the deposit down immediately. The other possible downfall is the tendency for competition to drive up the purchase price.
Be careful that you don't get tempted in the heat of the moment into making a bid that's beyond what you can afford, or have budgeted, to spend.

Buying tips for private sale and auction

Private purchase

- **Get a mortgage pre-approval** – it will establish your credentials as a serious buyer and may give you leverage to negotiate.
- Do not sign any contracts **without the approval of your solicitor**.
- **Insert an acceptance date into your offer** by which time it will lapse if it is not officially accepted.

Auction

- Attend a few auctions to **familiarise yourself with the process** before you take the plunge.
- Obtain a copy of the auction rules and conditions and make sure you understand them well. Also **have your solicitor review the contract before you attend the auction**, and ask them to negotiate conditions on your behalf – for example longer settlement terms or a smaller deposit.
- **Thoroughly examine the property before bidding at auction**, including pest and building inspections.
- Most importantly, **set your maximum bidding limit and stick to it.**

Before you buy – inspections and pre-purchase checks

Use this checklist to make sure your new home doesn't contain any hidden surprises.

Check required	Completed
Have a qualified builder inspect your property and provide a professional condition report and highlight any structural problems or issues, such as rising damp or old wiring. Obtain quotes for repair.	
Organise pest inspection.	
Check the local council's building regulations should you plan to renovate and determine any restrictions that may apply before you buy.	
Have all legal aspects relating to the land and title checked by your solicitor or conveyancer.	
Check with the council on zoning or any upcoming developments nearby – particularly those in your immediate neighbourhood, such as new roads and highways or high-rise, high-density unit developments.	
Ensure all appliances work (i.e. dishwashers, stoves, hot water systems).	

What are you looking for?

Searching for your ideal property is so much easier, when you have clear picture of what you need and what you want.

Finding a property can be a challenge, especially when you have so many different considerations to take into account.

Give yourself a head start through determining your 'must have' features compared to those you could possibly live without.

Features

Location	Essential	Preferable	Handy
Close to work	☐	☐	☐
Close to schools	☐	☐	☐
Close to parks	☐	☐	☐
Close to shops	☐	☐	☐
Close to amenities (i.e. hospitals)	☐	☐	☐
Close to sports grounds/ local clubs	☐	☐	☐
Close to train station/bus routes/ public transport	☐	☐	☐
Close to family and friends	☐	☐	☐
Close to leisure and entertainment (i.e. cinemas)	☐	☐	☐
Internal features			
Separate dining room	☐	☐	☐
Separate children's rumpus room/parents retreat	☐	☐	☐
Open plan layout	☐	☐	☐
Guest room/area	☐	☐	☐
Additional toilet/bath	☐	☐	☐
Study	☐	☐	☐
Modern kitchen	☐	☐	☐
Built-in heating/cooling system	☐	☐	☐
Built-in wardrobes	☐	☐	☐
Additional storage	☐	☐	☐
External features			
Fully-fenced yard	☐	☐	☐
Double/lock-up garage or workshop	☐	☐	☐
Gas cooking/heating	☐	☐	☐
Outdoor area	☐	☐	☐

	Essential	Preferable	Handy
Off-street car parking	☐	☐	☐
North facing	☐	☐	☐
Swimming pool	☐	☐	☐
Security system	☐	☐	☐
Fully renovated/landscaped – no work required	☐	☐	☐
Requires renovation/landscaping – work required	☐	☐	☐
No steps	☐	☐	☐
Low maintenance	☐	☐	☐
Street lighting	☐	☐	☐

How to use the equity in your home to finance an investment property

Realise your property investment goals through capitalising on the equity built up in your home.

The idea of property investment is one that appeals to many Australians but is sadly often overlooked because of the misconception that it is only within the reach of the wealthy.

The reality is that with the right finance, planning and strategy, owning an investment property may be easier to achieve than you think.

Ease the deposit burden

One of the key challenges to breaking into property investment is raising a deposit, but there are solutions. Property buyers are typically required to contribute 20 per cent of the property's value, and for some this can be a stumbling block. But existing home owners may be able to unlock equity – or the increased value – that's built up in their own home to cover some or even all of the down payment on an investment property.

The following scenario illustrates how borrowers can capitalise on the equity in their homes to purchase an investment property.

Example

Dan and Jessica bought their four bedroom family home in Rockhampton in 2003 for $247,000 putting down a $49,400 deposit and taking out a loan for $197,600.

The couple recently decided that they'd look at breaking into the investment market so they contacted their Mortgage Manager to discuss potential finance.

Their Mortgage Manager suggested that they get a valuation of their home, and they discovered that it was now estimated at $480,000.

Over the years Dan and Jessica had paid $48,000 off their original loan leaving $149,600 owing on the property.

Today's valuation of the property, less the outstanding loan, left them with $330,400 worth of equity.

Their Mortgage Manager suggested that they consider refinancing their own home to the loan ratio of 50 per cent to free up some equity for an investment. Based on the current property value that would give them a loan of $240,000 – making an additional $90,400 available for investment purposes.

This strategy appealed to Dan and Jessica because otherwise they would have needed to liquidate their managed funds to raise the deposit for the investment property and this was not a viable option as these fund balances were low due to recent poor performance.

They decided to put down a 20 per cent deposit on a $350,000 two bedroom apartment and take out an 80 per cent loan.

The deposit came to $70,000 leaving a further $20,400 to cover stamp duty and other expenses while a $280,000 loan covered the rest of the purchase price.

Now that Dan and Jessica had a bigger loan on their home their repayments had gone up, but they were pleased to discover that the repayment on their investment property was almost completely covered by the $385 weekly rental the investment property was generating.

And because the couple managed their investment themselves they reduced the overheads against the gross rent. By taking out an interest-only loan they also minimised their monthly outgoings and improved their cash flow.

> *"You may be able to realise your investment goals by putting your current property to work for you."*

First time investors

First time buyers can also crack the investment market without having to scrape together a huge deposit.

Traditionally lenders would look for a 20 per cent deposit from property buyers but today it's possible for certain types of applicants to borrow up to 95 per cent of a property's value with the help of lenders mortgage insurance (LMI).

LMI essentially protects the lender against the risk associated with providing borrowers with a higher percentage loan in the event that they default.

The cost of LMI can often be added to the overall loan amount, reducing the overall initial outlay.

Ready, set, buy – the role of buyer's agents

It's well known that real estate agents act on behalf of the vendor, but did you know that there are also professionals that provide a service to buyers?

Buyer's agents are gaining popularity with time poor buyers and those with less experience or confidence in the market. They can be engaged to identify suitable properties and even take on the negotiations with real estate agents or vendors.

They are particularly handy in markets where there's a certain amount of uncertainty, such as the current climate where prices are climbing rapidly in some areas and stagnant in others.

Some buyers seek the services of an agent to avoid trawling through property listings, pounding the pavement visiting open houses and haggling with estate agents.

But for others, engaging a buyer's agent can take much of the emotion out of negotiating, which some buyer's agents claim can result in a better purchase price. It is important to check that your agent is licensed.

Buyer's agents are experienced in dealing with real estate agents and have an in-depth understanding of the market as well as the sales process – which can certainly be an advantage for those who lack confidence.

For investors it's worth noting that the cost of engaging a buyer's agent may be tax deductible, as with many of the other associated costs involved with a property purchase; however owner-occupiers will probably have to absorb the full cost.

Charges can vary from a flat fee to a percentage of the property purchase depending on the services provided. You may be able to pay a smaller amount if you are only after representation at an auction.

If engaging a buyer's agent appeals to you, look for a recommendation from friends or your broker and make sure you check their credentials, fees and charges carefully before engaging them.

> *"Buyer's agents can provide services such as assistance with finding suitable properties, negotiating the purchase terms – ideal if you are pressed for time or lacking experience."*

Preparing the family for the big move

While moving into a new home can be very exciting, it can be a bit challenging for some families.

One of the most daunting parts of moving can be sharing the news with the kids. Communication is the key to a smooth transition, so keep some of these tips in mind when the time comes!

Share from the start

If you have children, it's best to break the news early on. They will feel involved and it will also give them time to get used to the whole idea. Chat about their fears and uncertainties and try to be understanding.

> *"Give your children plenty of opportunities to ask questions and share their thoughts."*

Be positive

Your attitude will influence your family, so be enthusiastic. Be realistic – adjusting could take time and not every family member will be as excited about the move as you are.

Be prepared

Make a list of the positives about the new house or neighbourhood, so you can mention these when you break the news. Think about the possible negatives as well so you can be prepared to tackle those head on.

Inform them

Provide your kids with lots of information about the new house and area, and what they can expect. If they will be attending a local school, find out as much information about it beforehand and pay a visit before the move. This should help them feel more secure and make the adjustment easier.

Keep them involved

Younger children may be frightened if they have not experienced a move before. Giving them the opportunity to help pack a special "moving kit" of their own, with prized toys and activities for the road or to keep them busy while you unpack, gives them a sense of control and security, as well as being a lot of fun.

Older children could enjoy the opportunity to be involved in decoration of their new living space – which room, where their furniture would look best or selecting a new colour for the walls!

Protecting your purchase

When it comes to buying your new home, the insurance is just as important as the home itself.

When it comes to buying your new home, insurance is just as important as the home itself. There are a number of types of insurance you'll need to consider: building or home insurance, contents insurance and mortgage protection insurance to name a few.

Building or home insurance

Depending on the type of loan you've taken out under your loan contract, it may be compulsory for you to take out building or home insurance to safeguard the lender's interest in the property. You should check your loan contract to see if it is a condition on your loan. Even if this is not mandatory, it is strongly advisable.

Building or home insurance may cover you for damages to your property or its fixtures. You should check the various levels of cover with your insurer and also refer to their terms and conditions for any inclusions and exclusions. Depending on your level of cover, you may be able to protect yourself for anything from fire and storm damage to burglary.

Essentially, home insurance covers the cost of restoring your property to its present condition if it is damaged. Make sure you don't underestimate these costs, as you may end up seriously out of pocket in the long run should disaster strike.

Contents insurance

Contents insurance is designed to protect you in the case of loss or damage to your personal belongings and items in your home, such as whitegoods, clothing and furniture. While you may already have contents insurance, it's a good idea to update it after a move into a new property – especially if you've decked out your new house with brand new furniture and appliances.

You'll usually have a choice between two types of contents insurance: a policy that replaces the old goods with new ones or you can opt for an indemnity policy, under which you'll receive the depreciated value of what was damaged. The choice is up to you!

Mortgage protection insurance

Mortgage protection, while not mandatory for borrowers, can be an effective tool to help cover your mortgage should you find yourself unable to work through injury or are diagnosed with a serious illness. Typically mortgage protection insurance goes towards the cost of your mortgage repayments, providing you time to re-enter the workforce or focus on regaining your health.

Speak with your Mortgage Manager if you'd like more information on any of these types of insurance – in many cases they may be able to recommend a qualified adviser that can assist you with your insurance needs.

Tips to finding the right insurance

Take time to shop around: Compare the price of each policy with the cover offered – don't go for a cheap deal with very little cover or pay top money for cover you don't really need.

Engage specialists: Speak with your Mortgage Manager for options on the insurances related to your new property purchase – they may well be able to recommend a professional who can arrange the policies for you.

Keep documents secure: Remember to keep copies of your insurance policies, receipts and photographs away from the house, as they won't be much help to you if they are damaged. Leave a set at your parents or a friend's house, for example.

New home, new community

Moving house can be one of life's more exciting experiences, it can also be one of the most stressful. To help ease the transition into a new home, it pays to think ahead.

Moving house can be one of life's more exciting experiences, it can also be one of the most stressful.

- **Mail:** Keeping on top of bills is a must, so make sure your post is redirected to your new address as soon as possible. Make sure you remember to notify your bank and any other service providers or regular billers about the move. The last thing you want is to be late in paying an account or to miss out on any important news.

> *A smooth transition will leave you and your family free to enjoy your new home.*

- **Utilities:** Find out about utilities (water, gas, electricity and phone) and what you need to connect (including costs) before the big move to ensure your life continues to run smoothly once you're in your new home.
- **Schools:** If your move involves a change in school for your children make sure this is sorted out well before the move. Include them in the decision process to help them get excited about the move, rather than being upset and anxious.
- **Amenities:** To help your family settle in, find out as much as you can about your new community so you can explore and discover it together. Establish the locations of any facilities that would appeal, such as sporting clubs, gyms, parks and even video shops.
- **Neighbours:** Pop over and say hello to your new neighbours. It's always handy to have a good relationship with the people in your neighbourhood, and they might have some tips to help you settle in quickly to the area.
- **Budget:** Moving into a new home is as good a time as any to take a look at the family budget and reassess your spending priorities, as well as factor in any changes that might have occurred now that you've moved. Keep in mind that rates are likely to rise in the future – so make sure you factor this into your budget.

The best advice when making a move into a new home is to be organised and not to take the move too seriously. Enjoy discovering your new neighbourhood and make the most of that new home feeling!

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