Finance

Before you can borrow money for your new home, you need to sort out your finances so you know exactly what options sit within your budget. Pre-approval from a bank is not a guarantee; however, it does allow you to act straight away, which is a strong position to negotiate from when you buy. Check with your developer if they require a pre-approval letter when you pay the deposit.

Be sure to shop around for the best deal on interest rates, fees and repayment options. Independent mortgage brokers can provide details on behalf of a range of financial institutions.

LOAN TYPES

Loans are made up of two components – the principal, or amount you need to borrow, and the interest, which is how much you pay to borrow the money.

There are five main kinds of home loan.

- **Fixed interest:** Interest rates and repayments are fixed for a set period, usually 3-5 years.
- **Variable interest**: Repayments rise or fall in line with interest rate variations.
- **Split:** Interest on a portion of the loan is fixed while the remainder is subject to variable rates.
- **Low-doc:** These loans are mostly for self-employed people who don't have all the financial documents normally required to get a loan.
- **Line of credit, redraw or offset:** Allows you to withdraw funds from your mortgage for other purposes.

COSTS AND FEES

Be prepared for potential extra costs that come with your mortgage, including lender's fees, mortgage insurance, stamp duty, conveyancing fees, settlement agent fees, property inspection costs and home building insurance.

It is also a good idea to ensure you know the maximum amount you can afford to pay, recognising you also need to factor in other associated costs such as fixtures, fittings and insurance. You need to be realistic and have enough comfort to be able to manage payments if your circumstances or interest rates change.

Things to consider include:

- Current income
- Financial obligations
- Credit history
- Current savings
- Living expenses

A good rule of thumb suggested by mortgage brokers, is that you should allocate a third of your gross income to paying off your mortgage.

GRANTS AND INCENTIVES

You may qualify for a range of first home buyer government incentives, energy efficiency rebates or developer bonuses, so it is worthwhile checking with your relevant government and your sales agent to see if you are eligible. Peet estates may offer additional bonuses and special offers from time to time, such as free fencing and landscaping.

DEPOSITS

Typically you will require a minimum 5% deposit to apply for a mortgage – the deposit amount varies from bank to bank depending on their loan requirements, however the larger the figure you put down upfront, the lower risk you are to the lender. This means you may be eligible for a lower interest rate or you could avoid paying Lenders Mortgage Insurance.

STAMP DUTY

One of the costs you may have to pay is stamp duty. Stamp duty is a government tax paid by the purchaser of property or land. Buying vacant land can save you money on stamp duty. Rates vary between states and territories and exemptions and/ or concessions may apply for first home owners. If you are a first-home buyer, check what stamp duty concessions you are entitled to in your state.

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