



FORT KNOX
home loans



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Welcome to the First Home Buyers Pack

Buying your own home is the single biggest personal investment you are ever likely to make.

It may seem complicated and overwhelming.
But, it doesn't have to be.

Welcome to Fort Knox's First Home Buyers Pack.

This pack will tell you in simple terms what you need to do and who can help you navigate your way through the steps.

Some of the key information covered in this booklet is:

- How to find the best loan
- What incentives are available for first home buyers
- What costs are involved
- Tips for buying your first home

**For more advice call Fort Knox on (02) 8824 5522
or visit www.fortknox.com.au**



How to find the best loan



A broker helps you borrow

When you are busy looking for a home, you don't have time to shop around for the best deals on home loans.

This is where a mortgage broker can help you.

At Fort Knox Home Loans we have a team of home loan experts who will do all the leg work for you.

Our professional mortgage brokers are processing home loans every day so they know about all the latest home loan options on offer from the many different lending institutions.

Our mortgage brokers will also package and present your loan application to a financial institution in the most effective way, giving you the best possible chance of loan approval.

You will need to provide us with some documents to support your home loan application including:

- Recent pay slips
- Tax returns
- Bank statements
- Passport or birth certificate
- Driver's licence
- Estimates of the total value of your assets and liabilities including personal loans, credit card debts etc

Based on the information you provide us we can provide you with a realistic estimate of how much you can borrow and how much you can afford in mortgage repayments.

Brokers versus banks

So why choose a mortgage broker instead of going straight to a bank?

A mortgage broker has your best interests at heart and we are not limited to the products of just one bank or lender.

We actively negotiate on your behalf with major banks and financial institutions to secure you the most competitive interest rates and optimum conditions.

We provide:

- A consultation at our office or at your home or office at a time that suits you
- A loan serviceability assessment to determine how much you can borrow
- Information on the loan options that would suit your circumstances
- Advice about which lender is most likely to approve your application
- Updates on your loan application, its approval and status through to settlement

We do all the paperwork for you, including filling in and submitting the application to the lender on your behalf.

Best of all, there is no cost for any of our services. The bank that provides your loan pays us a fee for our services.

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Incentives for NSW buyers



First Home Owner Grant

Since 2000, the First Home Owner Grant has provided a one-off grant to help people buying or building their first home with \$7000 for an existing home and \$14,000 for a new home.

Currently, due to the introduction of the First Home Owners Boost scheme, the grant is \$14,000 for those buying an existing home and \$21,000 for those buying a new home before 1 October 2009. From October until 30 November 2009, the grant will be \$10,500 for an existing home and \$14,000 for a new home. From 1 December 2009 the First Home Owners Boost scheme will cease, however, the existing First Home Owner Grant will continue to be available to all first home buyers.

If you are buying a house, flat, unit, townhouse or mobile home then you can qualify for the grant. Houseboats and caravans are not eligible. The grant is not available if you are purchasing vacant land.

To be eligible, you must:

- Be buying as a person not as a company or trust
- Be a permanent resident or Australian citizen (at least one applicant)
- Be at least 18 years old
- Not have owned residential property in Australia, either jointly, separately or with some other person. If your spouse has previously owned property then you are ineligible
- Occupy the home as your principal place of residence for a continuous period of at least six months (at least one applicant), commencing within 12 months of settlement or construction of the home

As your broker, we will submit the paperwork for the First Home Owner Grant so it is available for settlement or the first draw down on contracts to build. Alternatively, you must lodge your application for the grant within 12 months of completion or settlement of your home.

Let us also advise you of any other grants, incentives or concessions that you are eligible for.

Stamp Duty Exemption

The NSW State Government has a First Home Plus Scheme which provides exemptions or concessions on transfer duty for people who are buying their first home in NSW.

There is no transfer duty for homes valued up to \$500,000 and a concession on duty for homes valued between \$500,000 and \$600,000.

There is also no duty on vacant land valued up to \$300,000 and a concession on duty for land valued between \$300,000 and \$450,000 if you intend to build your home on the land.

Your conveyancer or solicitor or broker can help you lodge your application for the First Home Plus Scheme when your mortgage documents are submitted to the Office of State Revenue for stamping.

Supplement from the NSW State Government

If you are eligible for the First Home Owner Grant and are buying a newly constructed home or building your first home then you are eligible for the NSW New Home Buyers Supplement Scheme – which is an additional \$3000.

The Supplement applies to contracts dated between 11 November 2008 and 10 November 2009 (inclusive). For owner builders construction must have commenced between those dates.

If you are buying off the plan, the contract must specify a completion date on or before 10 May 2011 or the contract must be completed by this date to qualify.

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Funding your home owner dreams



As a result of the economic crisis, banks have become far stricter about who they will lend to and how much they will lend.

As a first home buyer, you will need a deposit of at least 5% before you consider purchasing property. Some banks won't lend to you unless you have a deposit of 10%.

For lenders, a deposit is important because it demonstrates a good pattern of saving.

There are incentives available for first home buyers to help you save your deposit but there are also additional expenses, not just the deposit, that you need to be saving for.

First Home Saver Account

Since October 2008, a new type of investment account has been available to make it easier for first home buyers to save for a deposit.

The First Home Saver Account is a superannuation-style, low tax savings account.

Under the scheme, you must contribute at least \$1000 annually for four financial years and the money can't be accessed for four years.

Funds can only be withdrawn to put towards purchasing your first home, or building your first home to live in, and the withdrawal is tax free.

To open a First Home Saver Account you must be aged 18 to 65 and not previously have purchased or built a first home in Australia to live in. Accounts can only be in the name of an individual.

There is no annual limit on contributions to the account but there is a cap of \$75,000 after which no further contributions can be made.

Two individuals who want to purchase a property together can pool their funds as long as one of the account holders meets the four-year requirement.

Like super, the earnings or interest that accrues in the accounts will be taxed at 15 per cent – much lower than tax paid on interest earned in regular savings accounts or managed investments which are taxed on the individual's income tax rate.

The Government will also contribute 17 per cent (or a maximum of \$850) on the first \$5000 of private contributions. This contribution will be tax free.

If the account holder doesn't use the money to purchase a home, or buys a home before the minimum four year contribution period has been reached, the funds must be transferred to a superannuation fund.

About 20 lenders currently offer the First Home Saver Account.

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Funding your home owner dreams continued...

The costs involved

In addition to your deposit you will need to set aside further funds to cover other fees and charges.

Mortgage costs

- Bank fees including a loan application fee and ongoing lender fees
- Mortgage Lenders Insurance (if you borrow more than 80 per cent of the valuation of the property)

Legal fees

- Solicitor and/or conveyancing fees
- Survey and building certificate
- Building inspection and pest report
- Valuation

Moving costs and ongoing expenses

- Moving costs including removalist, phone, electricity and gas connection fees
- Ongoing costs including council and water rates, insurance and redirection of mail

Loan options

Every week there is a new loan product or feature being offered to home buyers.

The right loan for you may be the one with the lowest interest rate or it may be the one with useful features which suit your individual circumstances.

Some of the key features to consider are:

- Interest rates – fixed or variable or a bit of both
- Offset or all-in-one accounts – let your savings reduce the interest you pay on your loan
- Redraw facility – access extra payments you have made
- Early repayment options
- Exit fees

For every benefit a loan may have, there could also be features you don't need or costs you don't want including higher interest rates, higher fees or minimum balance requirements.

We will explain the pros and cons of the loan options available to you so you can make an informed choice.

Home loans at a glance

Basic – cheapest loan with few frills

Standard – common loan

Fixed – interest is fixed throughout the term

Split – Some of the loan is variable and the rest is fixed. Choose your own mix.

Honeymoon – 12 month special offer that reverts to standard – or higher – rate

Professional – usually about 0.7% discount off a bank's standard rate.

Light or Low Doc – for self-employed or non-PAYG earners. Usually costs more.

Offset – Money in the bank is offset against the loan



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In the market for a home



Tips to get a fair deal at auction

Auctions – love them or hate them – are a fact of life when it comes to purchasing property.

The number of properties up for auction far outweighs those with an asking price, demonstrating the continued and some would say growing popularity of auctions among sellers. For the seller, the possibility of a higher sale price is an almost irresistible lure.

For buyers, on the other hand, auctions can make it more difficult to get a fair price or even a bargain. But don't be deterred. If you can follow these simple tips you may be able to shave thousands off the sale price.

BEFORE AUCTION

- **Be prepared.** You need to familiarise yourself with recent comparable sales in the suburb you want to buy in and the surrounding area to ensure you don't spend too much.
- **Go to lots of auctions.** By attending auctions you will become familiar with how auctions work.
- **Make a pre-auction offer.** This is where the seller's motive for selling and your research can come together and deliver you a saving. If accepted, you have removed the risk of the property selling for more than you want to pay.
- **Negotiate.** To be in the best bargaining position you need to know as much, if not more, about the property than the seller and the agent. What are council's plans for the area, are there any development applications which may affect the value of your property.
- **Don't rely on the price guide.** Your research will help you determine the market price and prevent you from spending too much.

- **Know your competition.** The kind of people bidding against you at auction will affect the price. You don't want to get into a 'bidding war' with someone who is prepared to pay top dollar. One way to find out who your competition is is to go to every open inspection.
- **Timing is important.** The seller's reasons for selling, for example are they committed elsewhere, can have a huge impact.
- **Get to know the seller.** Probe the agent for information such as how long have they owned the property, do they live there or is it an investment or inheritance, why are they selling, have they bought elsewhere, is it a divorce settlement, how long has it been on the market etc. The agent may not give too much away but it doesn't hurt to ask.
- **Go through the contract in detail and get legal advice.** The contract, in addition to giving you information about easements and land size, may also show whether it is a mortgagee sale or deceased estate.
- **Be flexible.** If the seller wants a short or long settlement – use this as a bargaining chip.

There are no right or wrong ways to bid at auction but how you behave does tell your competitors something about you, whether this is intended or not. There are some recommended ways to perform at auction.

AT AUCTION

- Be confident
- Bid like you have plenty of funds
- Have a plan and stick to it
- Don't be the one to stop the flow of the auction
- Write down the maximum price you are willing to pay for a property on a piece of paper prior to the auction and carry it with you, so that this helps you stay within your budget

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In the market for a home continued...

Buying: don't get too emotional

If you've done your research and been to plenty of home inspections, odds on you'll know in minutes whether the property you've found is "the one".

But it's times like these that you must ensure your head, not your heart, rules the day.

It can be tempting to rush into the purchase of a property that you've fallen in love with. Things like your budget and checklist can go out the window.

Some simple tips are:

- Inspect the property more than once. You'll be amazed at all the things you miss during the first inspection and what you'll pick up during the second and third inspections. Be sure to visit at different times of the day and night to get a better idea of traffic and other neighbourhood noises.
- You won't get everything on your checklist but you should ensure you get the majority of 'must haves'. List these items in order of importance whether it's the number of bedrooms, a lock up garage or proximity to parks or transport. Don't underestimate the true cost of renovations if your dream house needs a new kitchen or bathroom. It might be double what you think.
- Don't forgo building and pest inspections to rush into a sale. These inspections are vital for uncovering damp, shifting foundations, faults with wiring and plumbing etc.
- Stick to your budget. Do your research and find out what houses in the area sold for so you are looking in suburbs where you can afford to buy. If you miss out there will be other houses you'll fall in love with; and
- Keep searching in the meantime. You don't want to put all your eggs in one basket. There is always the chance that you'll be outbid or miss out.

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