First Home Buyers Guide

realestate.com.au
Home Loans

So you're thinking of buying your very first home...

Congratulations, this can be one of the most exciting times in your life. It can also be quite confusing and stressful, so we're here to help.

Entering the world of property ownership is a big step. It gives you the opportunity to build wealth and security and provide a more certain future for yourself and your loved ones.
But with that opportunity comes new responsibilities, including having to meet ongoing mortgage repayments. It also comes with new risks, such as purchasing the wrong home, taking out the wrong home loan or even buying something you can't really afford.

To help you master these uncertainties and maximise your chances of a successful journey into home ownership, we've created this guide to buying your first home.

You'll find everything you need to know about the home buying process, as well as information on how to get a home loan, how to choose the right home, and how to avoid common mistakes first home buyers make.

If you have any questions we're here to help. After all, we can help you find the right home and the right home loan too.

The home buying journey

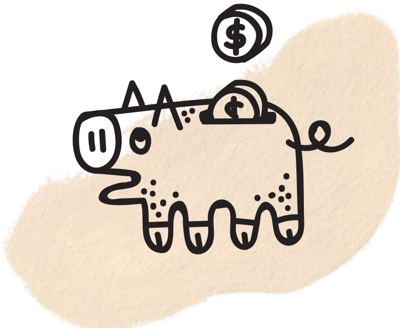
Use this checklist to help you buy your first home

☐ 1. WORK OUT YOUR BUDGET

Use a borrowing power calculator to discover how much you can borrow and what your repayments will look like.

Numbers not looking great?
Start budgeting to get a better idea of your finances. Use a budget or spending tracker on your banking app to look at what's coming in vs. going out and see where you could save.

Get more help here

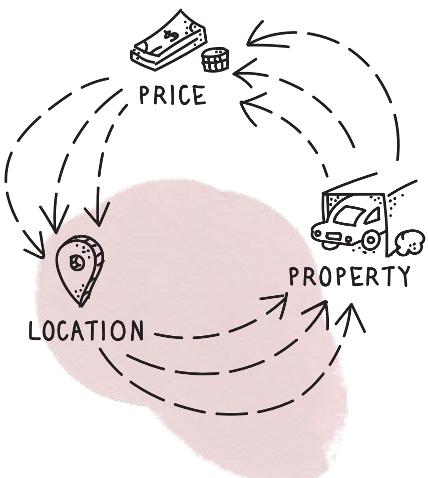


☆ **DO:** Use our borrowing power calculator, which uses bank logic, to determine how much you could borrow.

☐ 2. RESEARCH THE MARKET

Explore which neighbourhoods suit your price range by analysing the data and suburb profiles and seeing what's on the market and what's recently sold.

This is usually the most common area people re-assess their expectations; sometimes moving 5km further out could save a heap.



☆ **DO:** Use our 'value guide' on each property page to see what 'similar' homes have sold for. Visit any property for sale on realestate.com.au and click on mortgage calculator > Value guide.

3. CUT THROUGH THE JARGON

If this is your first time getting a home loan, it's helpful to learn more about common terms that may apply to you and break down all the jargon. Learn about LVR/LMI/P&I and lots more and know what applies to you.

If you want help face to face, a mortgage broker can explain the ins and outs of home finance to you from an independent perspective, so you narrow down your options and pinpoint the right loans for your circumstances.

You can find a realestate.com.au Home Loans mortgage broker here.

DO: Check out our Guides section and head straight to 'Home Loan Basics' or our 'First Home Buyer' section to learn more.

NUMBERS + EXPECTATIONS NOT ADDING UP?

Here's a few places you might want to visit next:

- My deposit is too low.
  How to save for a house deposit
- My expenses are too high
  How to reduce your credit limit

  How to pay off your credit card debt

  How much can I afford?
- I could afford something now if I made some compromises
  Can I afford to buy a home?

DO: You can apply for conditional approval online in as little as 30 minutes with realestate.com.au Home Loans and our banking partner NAB.

4. APPLY FOR CONDITIONAL (PRE) APPROVAL

Conditional approval is a sign from a lender that you're eligible to apply for a home loan up to a certain limit. You're under no obligation to take the loan but it can show vendors you're serious about buying and that you're confident you can afford the property.

Having a conditional approval can help you act fast when you need to, giving you a better chance of locking down a property before someone else does.

Conditional approvals are generally valid for 90 days but if something changes while you're looking for a new home – your financial situation, for example or you need more time to find the one – you can always renew your conditional approval.

☐ 5. ATTEND OPEN HOMES

It's time to get serious about your search and get to know local real estate agents. Almost every property search has some compromise. So work out your non-negotiables and look for homes that tick most of the boxes.

☆ **DO:** Use the inspection and auction planner at realestate.com.au to help you map out a plan for a successful open home trip.

☐ 6. HOME IN

When you find a property you like, organise a building and pest inspection and have a solicitor or conveyancer look over the contract (this step will help save you a lot of hassle before making an offer). If you haven't got conditional approval on your loan now is the right time to apply.

☆ **DO:** You can apply for conditional approval online 24/7 with realestate.com.au Home Loans; if you prefer to chat to someone you can speak to our team on 132 732.

☐ 7. MAKE AN OFFER WITH CONFIDENCE

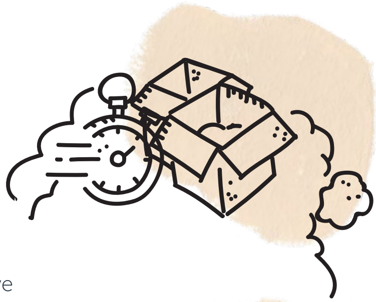
If everything looks good, it's time to put your best foot forward by bidding at auction or making an offer 'subject to finance' unless you're prepared to lose your deposit in the event your finance gets declined.

If your offer is accepted or you're the highest bidder at auction, you'll need to sign the contract and pay the deposit – this is usually 10% of the purchase price but can sometimes be negotiated.

You can find a realestate.com.au Home Loans mortgage broker here.

☐ 8. FINALISE YOUR LOAN

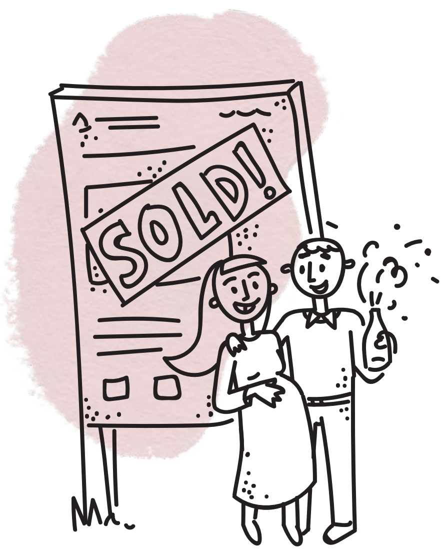
Your lender will run final checks before giving what is called an 'unconditional approval' on your home loan. Meanwhile, your solicitor or conveyancer will be taking care of the rest of the documents.



☐ 9. GET READY TO MOVE IN

Start packing. Also, make sure you've arranged everything you need to move in, such as removalists or cleaners. Don't forget to connect or transfer your utilities and investigate home and contents insurance.

☆ **DO:** Use our connection service to get everything up and running before you move in.



☐ 10. SETTLEMENT DAY

Your solicitor or conveyancer will arrange settlement with the vendor's solicitor or conveyancer – this is usually 30-90 days after the sale. You generally won't need to be present. This is also when your lender provides your finance and the day your mortgage and life as a property owner begins.

Congratulations! You're officially a home owner.

Can you afford to buy your first home?

Buying real estate for the first time is usually the biggest financial commitment you'll ever make. So how do you know whether it's time to step onto the property ladder?

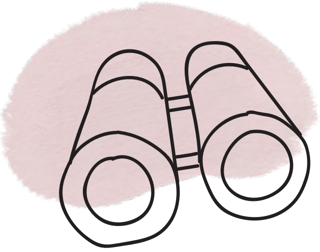
How much can you borrow?

The starting point for working out whether you can afford a home is to understand how much you can borrow. A borrowing power calculator can give you a helpful estimate of how much a lender is likely to let you borrow, as well as what your loan repayments might be.

You should only use this as a guide. When you apply for a loan a lender will look at your credit score, employment history and other factors to determine the exact amount they'll lend.

The best way to get an indication of your borrowing power is a conditional approval where a credit check is run.

Use the realestate.com.au Home Loans borrowing power calculator now



What's your budget?

Now that you know what your repayments might look like, you can see how a home loan would work with your current budget. It's important that you have some money to enjoy yourself and maintain a lifestyle, so if you feel that it would be too much of a commitment, you can always reduce the size of your loan and the value of the home you're willing to buy. This also allows for some flex in the event interest rates go up or if your circumstances change.

What's on your horizon?

Paying a mortgage off requires consistency, so if you're planning to leave your job soon - or if you're planning to take a considerable time away from work for children - you should factor this into your planning.

Could you handle an interest rate rise?

Interest rates have been at historic lows but they're likely to rise at some point in the future. While a lender will factor this into how much they're likely to lend to you, you should also make sure you'd be able to meet your loan repayments if interest rates rose by, say, two per cent.

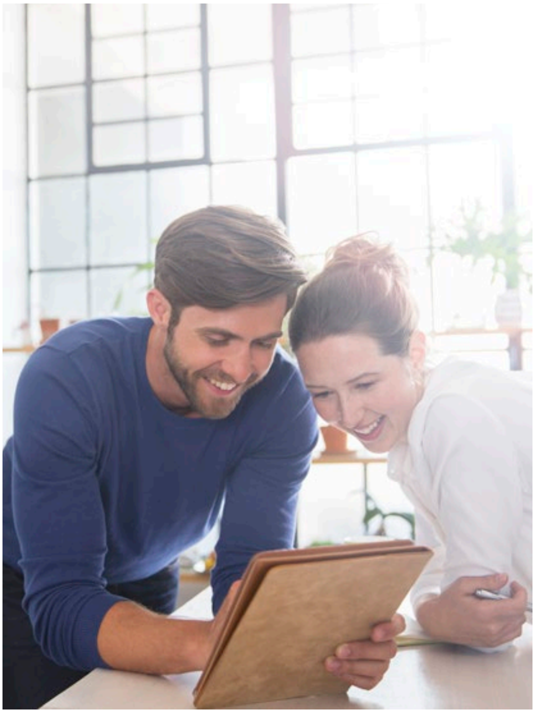
What's your deposit?

How much you have saved and can use as a deposit will go some way to determining how much you can borrow, what you can afford and whether you're ready to buy. While you can take out a home loan with as little as a five per cent deposit, you're likely to face the added cost of lenders mortgage insurance (LMI).

You may be able to avoid paying LMI if you have the support of a family guarantee, however this will depend on whether your lender provides for this option.

What grants and concessions will you receive?

Depending on which State or Territory you live in - and the value and type of property you buy - you may be entitled to a First Home Owner Grant (FHOG), as well as a stamp duty exemption or concession. These can help you get onto the property ladder sooner by reducing the amount you need to pay up front.



DO I QUALIFY FOR THE FIRST HOME OWNER GRANT?

The First Home Owner Grant (FHOG) provides a one-off payment to people who are buying or building property for the first time. The rules about who can access the FHOG vary from state to state. Depending on where you live, these grants generally range between $7,000 and $26,000. In most cases these amounts apply to new or substantially renovated properties. If you're buying with someone else, you must both meet the eligibility requirements listed by your state or territory government.

Your mortgage specialist or lender can help you gather the documents you need for your application and lodge it. For more details on first home owner grants, visit the government's guide on firsthome.gov.au or check your state or territory revenue office website for full details:

ACT

NSW

Northern Territory

Queensland

South Australia

Tasmania

Victoria

Western Australia

WHAT OTHER COSTS ARE YOU UP FOR?

When you buy a home you usually have to pay some upfront costs which you'll have to meet out of your own pocket. You should budget for these on top of any deposit you put towards the cost of your home.

The biggest of these upfront costs is usually stamp duty, or transfer duty as it's now known in some states.

The good news is that, as a first home owner you may qualify for a concessional rate or even a stamp duty exemption, depending on where you live and the value of the home you buy.

Here's a rundown on some of the costs you may need to pay up front:

Pest and building inspections (before settlement)

If you're serious about buying, you should always obtain a professional building and pest inspection before exchanging contracts for sale. After all, the $300-$600 you can expect to pay for these is far cheaper than dealing with extensive repairs you weren't aware of before buying. The report may also give you some leverage when negotiating a purchase price, if significant repairs are required.

Legal fees (at settlement)

You should always have a lawyer or licensed conveyancer review the contract for sale. They will also check the title of your land, calculate rates and taxes, and liaise with your lender. Solicitors' or conveyancers' fees can run from the hundreds to the thousands, depending on who you chose to use and the complexity of your purchase.

Bank fees (at or around settlement)

Bank fees will vary depending on your loan but may include:

- Establishment fees, also known as start-up, set-up or upfront fees.
- Ongoing fees, sometimes referred to as service or administration fees.
- Fees for changes to your mortgage, such as early exit fees, refinancing fees or fees for making changes to a fixed-rate mortgage.
- Lenders mortgage insurance (LMI) What is LMI?, which may be payable if you're buying with less than 20% deposit. In many cases this cost will be rolled into your monthly home loan repayments so you don't have to pay the full amount upfront.

Moving costs (around settlement)

These range from paying for removalists to setting up a new internet connection or energy provider.

Check out our moving home checklist to help take the stress out of the moving process.

Stamp duty (at settlement or soon after)

Stamp duty, sometimes known as land transfer duty, differs between states and territories and is calculated based on a percentage of your property's value. Most state and territory governments provide stamp duty concessions to first home buyers and sometimes waive the need to pay stamp duty altogether. While stamp duty is one of the largest costs associated with buying property, other government fees and charges may also apply to your purchase. You can use our Stamp Duty Calculator to get an estimate for your location.

DO I QUALIFY FOR A STAMP DUTY EXEMPTION OR CONCESSION?

Use our Stamp Duty Calculator (5 mins) to estimate what you might need to pay and what grants you may be eligible for.

For more details on stamp duty exemptions or concessions, visit the government website in your state or territory:

NSW

Victoria

Queensland

Western Australia

South Australia

Tasmania

ACT

Northern Territory

GETTING INTO YOUR FIRST HOME SOONER

When you're a first home buyer, saving for a home deposit can seem to take an eternity. And, in a fast-moving market, by the time you've saved what you thought you needed, you may end up finding you need even more.

With that in mind, here are some tips to getting into your first home sooner.

Buy in an up-and-coming area

Instead of buying exactly where you want to live, consider buying in an area that's nearby but not yet as popular. This could be a smart financial move too. Suburbs that are "catching up" to established ones often experience greater capital growth as they become more popular with buyers like you.

Downsize your expectations

If you've been looking at houses, have you considered an apartment or townhouse instead? Could you lose a bedroom and save money? Buying a smaller home may even give you the chance to add value by extending when you can afford to.

Buy off the plan

If you buy off the plan there's a longer gap between paying the deposit and settlement because you usually won't have to pay the full amount until your property is completed. Use that time to save more. While you do, in a rising market you may find you've made a capital gain. And to top it off, because you're buying a new home you may even be entitled to a First Home Owner Grant and some stamp duty concessions.

Buy to rent

If your home has a spare room could you rent it out to a housemate to help cover the mortgage? Or would you even consider "rentvesting" where you buy in an area you can afford and rent out your property, while you continue to rent in the area you'd like to live? It's important to understand the impact choosing this route will have on your eligibility for any first home owner concessions and grants.

Team up

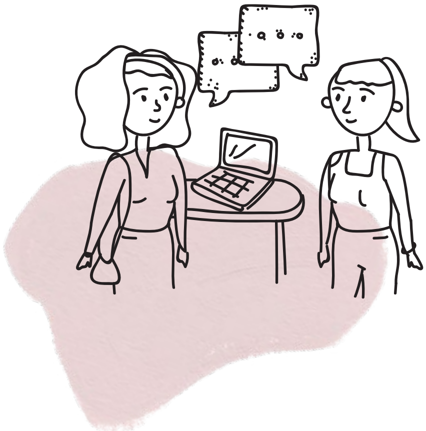
Buying a home with a family member or friend may mean you can afford more than you'd otherwise be able to. Make sure you both receive independent legal and financial advice before you sign.

Get a family guarantee

Many lenders offer you the opportunity to have a close family member guarantee a limited part of your loan, giving you the chance to buy a property with a lower deposit and potentially save on lenders mortgage insurance. It is important your guarantor seeks independent financial and legal advice and properly understands their obligation.

Take out Lenders Mortgage Insurance (LMI)

Many lenders will let you borrow as much as 95% of a property's value with Lenders Mortgage Insurance (LMI). This insurance will make your home loan more expensive, as its cost will be added to each of your mortgage repayments if not paid upfront. But it can be an effective way to get into your first home sooner. It can also make economic sense in a rising market, where increases to property values mean you'd pay more in the long run by holding off.



UNDERSTANDING LENDERS MORTGAGE INSURANCE (LMI)

Think you can only buy property with a 20% deposit? Think again. With Lenders Mortgage Insurance (LMI) you may be able to buy a home with as little as a 5% deposit. And, if you qualify for the First Home Owner Grant, many lenders will even let you count this towards your deposit.

Generally, you'll need to take out LMI in a borrowing scenario where there's a Loan to Value Ratio (LVR) of 80% or more. Lenders calculate your LVR by dividing the amount of your home loan by the value of your property. So if your property is valued at $600,000 and your home loan is $480,000, your LVR is 80%.

LMI protects a lender in case you can't meet your repayments and shouldn't be confused with mortgage protection insurance, which covers you if you're ill or injured and can't meet your home loan repayments.

Read more about LMI

Getting the home and the loan

HOW TO CHOOSE THE RIGHT HOME LOAN

One of the most important decisions you'll make in buying your first home is choosing your home loan. After all, you'll be making loan repayments for some time - perhaps up to 30 years - so it's vital you choose a loan with features that suit your goals and lifestyle.

Below we've set out some of the more important decisions you'll need to make.

Should your home loan be principal and interest or interest only?

The principal is the amount you borrow and the interest is what your lender charges you for borrowing the principal.

- **Principal and interest** loans are more common and, as the name implies your repayments go towards both the loan amount and the interest charged on it. At the beginning of the loan, the majority of the payment goes to the interest component. But as the loan progresses, the proportion of the payment that goes toward reducing the principal increases.
- **Interest only** loans allow you to pay just the interest and not the principal amount. This makes your repayments lower but you won't build any equity in the property unless its value rises. Most interest only loans revert to principal and interest loans after a set period, so you need to make sure you can continue to cover the cost of the loan when this happens.

UNDERSTANDING INTEREST RATES

Before you can understand home loans, you first need to understand interest rates. Your interest rate is the fee your lender charges for letting you borrow money. It's usually expressed as a percentage of the total amount of the loan, and will affect how much you pay towards your home loan each month. Your lender will determine your home loan interest rate based on the official cash rate set by the RBA as well as a number of other factors.

As well as a headline interest rate, lenders are required to show a comparison rate. This shows the real rate you'll pay based on the interest rate and most other fees and charges. This means it's usually higher than the headline interest rate. Looking at the comparison rates across a number of different home loan providers will help you see how much you'll likely pay over the life of your loan and will help you to better compare lenders.

Read more about interest rates

What type of loan is right for you?

There are different types of home loans you can take out, all of which can be useful in different situations.

- **Variable home loan:** Your interest rate will go up and down depending on factors such as the official interest rate set by the Reserve Bank of Australia. A variable rate loan can offer flexibility and benefits like an offset account or redraw facilities.
- **Fixed interest rate home loan:** This allows you to set your interest rate for a fixed period of time – usually between one and five years. A fixed rate loan offers certainty on your monthly repayment amounts. However, you may be restricted as to how many additional repayments you can make to pay down the loan faster and "break costs" often apply for exiting the loan before the fixed rate period ends.
- **Split loan:** A combination of variable and fixed, allowing you to fix part of your home loan and leave the other part open to changes in your lender's variable rate. A split loan provides the certainty of fixed repayments with the advantage of features such as an offset account or redraw facility.
- **Line of credit:** A line of credit home loan is a pool of funds you can access and repay. You apply for it in the same way as a home loan, but it operates a little like a credit card, in that you only pay interest on what you use, not on the whole loan amount. A line of credit can be useful if you need to access cash for big expenses. It gives borrowers flexibility on the amount they borrow and how often they want to make repayments, so it can be useful for things like minor renovations. However, a line of credit usually comes with a higher interest rate than more traditional home loans.

What features do you need?

Many home loans come with additional features that, used well, can help you save money, protect your finances or pay off your home loan sooner. Here are some of the more common features you may want to consider when choosing a home loan.

- **Redraw facility:** This lets you make additional repayments into your home loan and then access those funds when you need them. Of course, if you withdraw money from your redraw facility, the amount owing on your loan will increase.
- **Offset account:** This lets you "offset" the money you hold in your everyday account against your loan amount to reduce the amount of interest you're charged. While this won't reduce your repayments, it will mean you'll pay your principal faster.
- **Repayment holidays:** Many loans now come with the option of a repayment holiday. This happens when you arrange with your lender to have a break from repayments or to have your repayments reduced for a period of time. This could be for many reasons - maternity leave, change of career, or illness - it shouldn't be used as a long-term solution for financial stress.

SHOULD YOU USE A MORTGAGE BROKER?

When you're applying for a loan, it may be tempting just to speak to the financial institution you already bank with. But it usually pays to look around. The mortgage market is competitive and you may be able to get a much better rate by going elsewhere.

A good mortgage broker has access to more loan products than the general public, from a large number of lenders and knows their lending application processes. This should save you time and money and give you the best chance of getting your mortgage when you need it.

They also should be able to advise you on which home loan is right for you given your own personal circumstances. Best of all, a mortgage broker won't usually cost you anything. Instead, they generally receive a commission from the lender you choose to go with.

Find out more about the benefits of using a mortgage broker

Find a local realestate.com.au mortgage broker here

APPLYING FOR A HOME LOAN

Applying for a home loan doesn't have to be daunting. In fact, if you know what a lender is looking for in advance, the process can be smooth and efficient, and could take very little time.

With that in mind, here's what any lender will usually want to see before approving your home loan.

1. Income

First and foremost, a lender will want to know that you have the capacity to repay any loan they give you. If you're an employee they'll usually ask you to prove this by providing payslips, bank statements showing your salary being deposited, or a letter from your employer.

If you're self-employed they'll ask for your accountant's details and your last two years of financial statements, as well as your personal tax return and company tax return, if you have one.

If you receive money from other sources – such as rental properties, shares or government payments – you'll also need to provide evidence of this.

2. Evidence of what you own

A lender will always want to see evidence of any assets you hold. This may include your superannuation balance, bank account details and a list of any shares, property or other assets in your name.

3. Savings history

Some lenders will also want to see that you have a history of saving money. That's because they believe having the discipline to acquire "genuine savings" means you're more likely to have the financial discipline needed to meet your ongoing repayments. Each lender will have its own definition for what qualifies as genuine savings and how long you need to have held onto the money for before applying for a loan.

4. A sound credit history

Lenders will always look at your credit history before they provide you with finance. Your credit score is a mark out of 1,000 and is based on your history of paying loans and bills, as well as how often you've applied for credit. This takes into account all of your credit cards, even if you don't owe money on them, as well as details of any other debts you have. If you've ever been declared bankrupt or have any judgments against you, this can have a serious impact on your credit score.

DID YOU KNOW?

Owning a credit card with a $10,000 limit even it is fully paid off could reduce your borrowing capacity by up to $55,000. It could be a good idea to close your credit card if you're about to buy your first home.

5. Your expenses outside of the home loan

A lender will also take into account your living expenses. This includes providing details of what you spend on groceries, eating out and other day-to-day expenses, as well as ongoing costs such as utilities, childcare or education, insurance premiums and more.

They will also factor in any money that you need to keep paying on accommodation after you buy the property, such as rent or another mortgage. Your bank and credit card statements will provide your lender with an accurate overview of money in and money out.

6. Details of any gifts, grants or exemptions

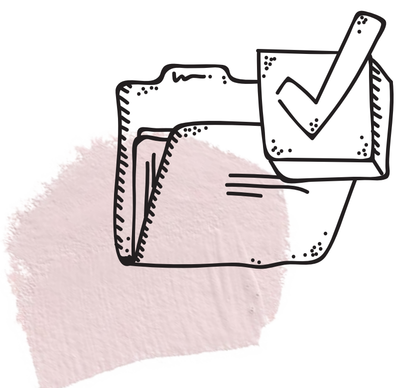
If a family member or friend is helping you buy the home, be prepared to provide the lender with evidence of this. This may be by providing evidence of the money in your bank account or handing over a signed letter showing evidence of the loan or gift. You should also have details of any grants or exemptions you're eligible for, such as any First Home Owner Grants or Exemptions that apply in your state or territory.

7. Details of the property you're purchasing

Before you're given final approval for your home loan, your lender will usually ask for a copy of the signed contract for sale. If you're building, they may also want to see a fixed price builder's contract and approved construction plans. Often a lender will organise a valuation of the property you're purchasing.

8. Identification

Finally, a lender will always need formal identification, such as a passport, driver's licence or other photo ID. If you don't have these, you may be able to provide an original birth certificate, Medicare card or some other forms of identification.



APPLYING FOR CONDITIONAL OR PRE-APPROVAL

Before you go through the formal process of applying for a home loan, you should always speak to your lender about conditional, or pre-approval. This is a lender's agreement that you should be approved for a home loan up to a certain dollar limit, so long as you can provide formal proof of what you tell them in your application and the property you purchase meets the requirements.

Also sometimes known as "approval-in-principle", conditional approval usually comes with a timeline in which it is valid, for instance, "90 days from application".

There are several benefits to seeking conditional approval

- Conditional approval gives you a clearer idea of how much you can borrow and therefore your budget.
- It shows real estate agents and vendors that you are serious and genuine in your property search.
- Conditional approval gives you a realistic idea of what type of property you can afford, and so helps focus your property search on what is achievable.
- It gives you the confidence to make offers on private sales and to bid at auction.

You can apply online for conditional approval. Once you have it and you've found the perfect property you should check with your lender about which documents you'll need to provide to turn your conditional approval into a proper home loan.

BUYING YOUR FIRST HOME

Once you've found the right home, it's time to put your best foot forward and make an offer on it.

There are generally two ways to purchase a home: at auction or via private treaty. Auctions are often popular in fast-moving markets such as Sydney and Melbourne's inner city. In regional areas and other capital cities, it's often more common for properties to be sold by private treaty.

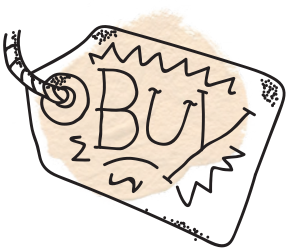
Buying a property by private treaty

The process: The owner sets the price they'd like to sell for and their real estate agent negotiates with each potential buyer to reach a sale as close to this price as possible (or higher).

Benefits:

- Less stressful than bidding at auction
- You can negotiate the price you're willing to pay

TIP: Before you make an offer, request a copy of the contract of sale for your solicitor or conveyancer to review. Once the sale price has been agreed you sign and exchange contracts and pay the deposit.



THREE STEPS YOU SHOULD ALWAYS TAKE BEFORE YOU BUY

Before you buy a property it's important to make sure everything is as it appears. That means taking these three steps before you buy:

1. Have a solicitor or conveyancer look over the contract and carry out any relevant title searches. They will make sure everything is properly documented and that you're buying what you think you're buying.
2. Get a professional building and pest inspection done. These should uncover any potential defects or damage that could end up costing you thousands.
3. Conduct a strata search. If you're buying into a strata building you should conduct a strata search and check the minutes for any upcoming levies or work. Your solicitor or conveyancer should be able to do this for you.

Buying at auction

The process: Auctions generally run on a four-week campaign, with the auction held after the final open house. The vendor sets a "reserve" price with the agent and auctioneer. Once bidding is opened you then compete against other bidders until the reserve is reached and the highest bid wins. In SA and QLD, you have to register to bid at an auction.

Benefits:

- The buying process is open and transparent
- You can still make an offer to buy the property pre-auction
- If the property is "passed in" and not sold at auction you can also negotiate to buy it

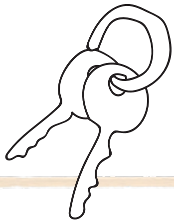
TIPS: At auctions there is no 'cooling off' period in which you can change your mind, so you need to stick to your budget.

You should have your solicitor or conveyancer review the contract and have completed all pest and building inspections before you bid.

You'll also need to have your finances in order and your deposit ready to pay on the day.

If you're attending in person, get there with enough time to register your interest as a potential buyer (in SA and QLD you need to register to bid with the auctioneer or agent on the day).

Getting the keys



UNDERSTANDING SETTLEMENT

Settlement is the legal term for what happens when the vendor hands over ownership of the property to the buyer.

Once your offer has been accepted and you've exchanged contracts with the vendor, you're in what's known as the settlement period. This is the time between signing the contract and the day you get the title deeds.

The settlement period usually lasts between 30 and 90 days, but can be longer or shorter depending on the contract. Sometimes settlements can fall through. This may happen because of issues securing a loan, problems with the final inspection, difficulty selling another property, vendor delays or issues with paperwork.

WHAT HAPPENS ON SETTLEMENT DAY?

Settlement day is the day you finally take ownership of your new home. The reality is that, as a buyer, you don't have to do much on settlement day - although you may wish to carry out a final inspection before settlement to make sure the property is in the condition you agreed.

Traditionally settlement involves the vendor and buyer's lawyers and banks getting together and swapping documents. This is gradually changing as digital settlement (e-conveyancing) becomes more popular.

Once all the paperwork is in order your solicitor or conveyancer will call to let you know everything is finalised. You can then get the keys to your new home from the real estate agent and start moving in.

Congratulations. You're now a home owner.

HOW TO PAY OFF YOUR HOME LOAN SOONER

When you take out your first home loan, you usually sign up for between 25 and 30 years. But that doesn't necessarily mean it should take you this long to become mortgage free. Here are some tips for paying off your home loan earlier so that you own your home outright.

1. Set up a redraw account
2. Have your salary paid into a mortgage offset facility
3. Increase the amount of your regular repayments
4. Increase the frequency of your regular repayments by adjusting the payment cycle (eg: fortnightly or weekly instead of monthly)
5. Check in on your home loan rate to make sure you're still getting the best deal
6. Channel any extra money, refunds, or lump payments into your home loan
7. Decrease the term of your loan

Read more about how to pay off your home loan early

If you still only have conditional approval for your loan, the settlement period is when you finalise your home loan with your lender. You will begin making loan repayments after settlement day.

During the settlement period, your solicitor or conveyancer will be working hard behind the scenes, organising the signing of documents and liaising with your lender. They'll also deal with the vendor's solicitor or conveyancer on your behalf to make sure everything is set for settlement day. This includes working with them to apportion the cost of council and water rates between you and the seller.

10 common mistakes buyers make - and how to avoid them

Beware of the following common mistakes to ensure your home buying journey is a smooth as possible.

1 NOT HAVING A HANDLE ON YOUR CREDIT HISTORY

Make sure you do what you can to maintain a good credit history by paying bills and debts on time and not making too many applications for credit.

2 BORROWING TOO MUCH

Never borrow more than you can afford to repay, allow a buffer for a change of circumstances, eg. parental leave, loss of income or an interest rate rise.

3 NOT FUTURE PROOFING YOUR HOME

Buying, selling and moving can be expensive so make sure you think ahead for the next few years so you don't lose money.

4 NOT FACTORING IN UPFRONT COSTS

Upfront costs can't be covered by your home loan. You'll need to factor them into your budgeting. This includes any deposit, stamp duty, bank fees and charges, building and pest inspections, conveyancing or legal fees.

5 TAKING OUT THE WRONG HOME LOAN

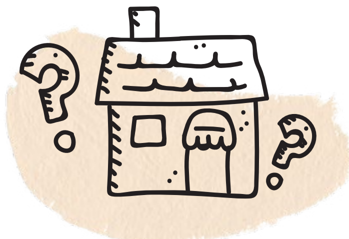
Home loans come with a variety of features so it's important to choose the right one for you.

6 WAITING TOO LONG THINKING THE MARKET WILL CHANGE

There's an opportunity cost to waiting too long to enter the property market particularly if prices are rising. Once you're on the property ladder you'll start reaping the rewards.

7 TRYING TO FIND THE COMPLETELY PERFECT PROPERTY

The perfect property doesn't always exist - no matter what your budget is there's always a compromise to be made so know what you can and can't give up.

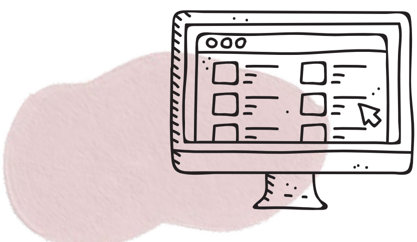


8 IGNORING HOME LOAN FEATURES THAT COULD GET YOU AHEAD

From fixed or variable interest rates to features like offset accounts, redraw facilities, or interest only periods - make sure you work it to your advantage.

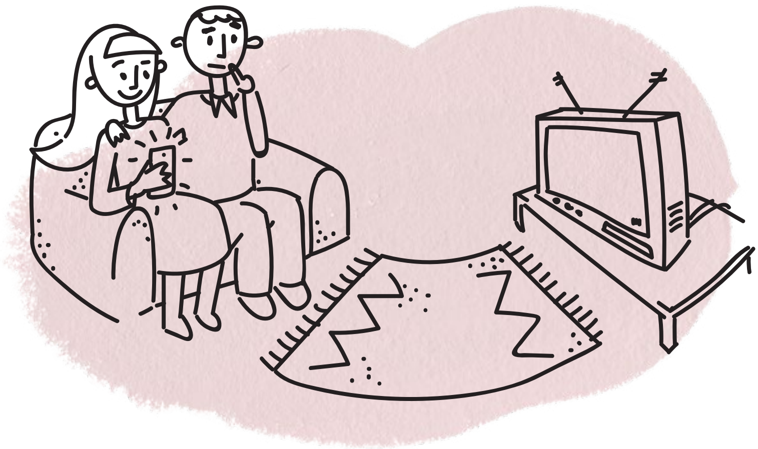
9 BEING TOO CAUTIOUS

It's important to understand the current market before you make an offer or bid at auction. But don't let caution hold you back completely from making an offer when you see the right property.



10 STICKING WITH YOUR EXISTING LENDER

It always pays to shop around when you're looking for a home loan to find the lender and home loan that's right for you - make sure you check home loan features as well as the comparison rate.



Now you've got a handle on what it takes to buy your first property it's time to get out there and start hunting for your first home.

realestate.com.au Home Loans is here to help you find the right home and the right home loan. Be sure to check back in regularly to arm yourself with the most up to date information for your property search.

Good luck!

GET MORE FIRST HOME BUYER HELP:

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Online

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