

# FIRST HOME BUYER'S GUIDE

All the tips you need to get into your first home sooner.



# Buying your first home?

## Let's do this

Buying your first home is an exciting time,  
but one that's also filled with questions.

So, we've created this guide to give you an  
overview of how things work, make things simple –  
and ultimately get you into your first home sooner.

If you have any questions about stepping into  
the market for the first time, our Home Finance  
Managers are here to lend a hand, with jargon-free  
advice and dedicated support.



# What's included?

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01

# PREPARING TO BUY

**You've made the big decision to buy your first home. What next? Arming yourself with all the right information is the first step towards securing your first home.**

We've created this guide to help make buying your first home easier. Our experienced team of Home Finance Managers are also here to help you along the way. So if you've got any more questions, don't hesitate to reach out to them.

# Understanding home loans

There are many things to consider in the home buying journey. A good place to start is getting up to speed with some of the key terms you're likely to see.



## Contract of sale.

This is the legal document that sets out the terms and conditions agreed between the buyer and seller.



## Stamp duty.

This is a state and territory government tax based on the purchase price of the property. As it's paid to the state or territory, the amount will vary depending on where you're located as well as on the price of the property and other factors such as whether you're a first home buyer or an investor.



## Comparison rate.

This is a tool to help you understand the true cost of a loan and is used to compare loans from different lenders. It's represented by a single percentage rate which factors in some of the fees and charges relating to the loan, but not all of them.



## Fixed interest rate.

This refers to an interest rate that does not change for a set period of time. This type of interest rate may suit the type of borrowers who like certainty with their regular repayments throughout the fixed term. You may incur break costs if you close a fixed rate home loan before the fixed term ends, switch to a variable rate or make more than the maximum amount in extra repayments.



## Variable interest rate.

This refers to an interest rate which moves in response to market interest rate changes. This means the loan repayment could change during your loan term. This type of interest rate may suit the type of borrowers who prefer flexibility with their regular repayments throughout the term.

Head to the glossary at [westpac.com.au/homeloansglossary](https://www.westpac.com.au/homeloansglossary) for more terminology around the home buying process.

# Home loan calculators

Numbers, numbers, numbers. There's a lot of them to crunch when you're buying your first home. To help you get the estimates you need, we've created a range of handy calculators.

## How much can I borrow calculator.

Get an estimate of how much you could afford to borrow and what your repayments may be.

## Repayments calculator.

Estimate your monthly home loan repayments based on your loan amount.

## Home saver calculator.

See how long it might take you to save for that all-important deposit.

## Stamp duty and upfront costs calculator.

Estimate how much stamp duty you'll pay on your new home and other upfront costs.



## Crunch those numbers.

Head to [westpac.com.au/personal-banking/home-loans/calculator](https://westpac.com.au/personal-banking/home-loans/calculator) to explore these calculators.

# Saving for a deposit

In most cases, you'll need a deposit that equates to 20% of the property purchase price.

If you've started saving, but still have less than a 20% deposit, there's a number of options available that could help you buy a property sooner.

## Lenders Mortgage Insurance (LMI).

If your deposit is less than 20%, you may need to pay what's called Lenders Mortgage Insurance, which enables you to borrow a larger percentage of the purchase price. With Lenders Mortgage Insurance, the lender is protected against the risk of the borrower defaulting on the loan, which means you may be able to apply for a home loan with less than a 20% deposit. This can be included in either your upfront costs or your loan repayments, so that it's spread out over the term of the loan.

### Examples of thresholds for LMI

Property purchase price	Minimum Deposit %		
	LMI not required	LMI required	
		20%	10%
\$600,000	\$120,000	\$60,000	\$30,000
\$500,000	\$100,000	\$50,000	\$25,000
\$400,000	\$80,000	\$40,000	\$20,000
\$300,000	\$60,000	\$30,000	\$15,000



# Family Security Guarantee

Saving for a home deposit is no mean feat. But there's a way to make it more achievable, with a little help from those closest to you.

## What is a Family Security Guarantee?

If you're finding it tricky to reach a deposit of 20% or higher on your home loan, that's where a Family Security Guarantee comes in.

It allows a family member to act as Guarantor to secure your deposit, so you have a bit more borrowing power. This can reduce your Loan to Value Ratio (LVR) to under 80%, which means you can avoid paying Lender's Mortgage Insurance (LMI) on top of your deposit.

That family member can choose cash (like tucked-away savings or term deposit funds) or equity from their home to use as security, and they won't need to give any funds directly to the borrower.

If the family member chooses to use cash instead of their home's equity, this amount will be put in a special Term Deposit account with Westpac, where it could earn interest.



# Family Security Guarantee



## Here's an example of how the guarantee works.

If you wanted to borrow \$270,000 (to cover the loan amount, Stamp Duty, and other costs, but not LMI) for a property valued at \$300,000.

$$\frac{\text{Loan Amount}}{\text{Property Value}} \times 100 = \text{LVR}$$

\$270,000	x100	<b>90%</b>
\$300,000		

**With an LVR of 90%, LMI is applicable, which is an added cost.**

However, if you were to add a Family Security Guarantee of \$40,000 as additional security, the LVR on your loan reduces.

$$\frac{\text{Loan Amount}}{\text{(Property Value + Family Security Guarantee amount)}} \times 100 = \text{LVR}$$

\$270,000	x100	<b>79%</b>
(\$300,000 + \$40,000)		

**With a new LVR of 79%, LMI would no longer be required, which could be a significant saving.**

## Benefits for the borrower.



1

### More borrowing power.

Maximise the amount you can borrow; up to 100% of the purchase price, plus costs like Stamp Duty and legal fees.

2

### More to save.

A guarantee can help you reduce or avoid Lender's Mortgage Insurance, saving you money when you need it most.

3

### More choice.

You may be able to enter the market sooner, with extra flexibility to choose the property that's right for you.

## Benefits for the Guarantor.



1

### More options.

As the guarantee is limited, you can choose the amount you would like to commit, up to 50% of the loan value.

2

### More flexibility.

You can be released from the guarantee as soon as the LVR drops below 80%. No need to wait until the loan's fully repaid.

## Know the risks.

If you're thinking about becoming a Guarantor in the Family Security Guarantee, there are a few things you should be aware of first:

- It's a big decision to make, so ensure you're confident with the borrower's financial situation (and yours) to handle it.
- Keep in mind, a single guarantee is able to represent no more than 50% of the guarantor's security.
- As guarantor, you'll have to choose an asset you own to use as 'security'. That's the property Westpac can claim if a borrower defaults on their loan. If you choose to use a Term Deposit as security, the whole deposit amount could be used, depending on the portion the borrower cannot repay. If you choose to use your home's equity as security and don't have cash to pay Westpac upfront if asked, your house may be sold to cover it.
- While acting as Guarantor, your ability to borrow may be reduced.
- Make sure you read and understand the full Terms and Conditions of the guarantee, and ensure you seek the mandatory independent legal advice before making a decision and signing any documents.

# Upfront costs

On top of the deposit, you'll need to consider other upfront costs involved in buying a property, which may include:



Government fees, including stamp duty.



Conveyancing and legal costs.



Building and pest inspections.



Title search and registration fees.



Home insurance prior to settlement, and possibly contents insurance when you move in.

## Quick tip.

As a first home buyer, you may be eligible for the First Home Owner Grant scheme (FHOG). These are government assistance programs that offer first home buyers' incentives to access the property market. This can include financial assistance in the form of stamp duty concessions.

For the latest state-based information, chat to your Home Finance Manager or go to [firsthome.gov.au](https://www.firsthome.gov.au)

# Know your budget

Making a budget is an important part of the buying process. Understanding how much you can borrow and what your repayments would be can help you plan for success.

You'll also need to consider how much money you need for everyday living expenses and other financial commitments. Your Home Finance Manager can help you to be confident with your plans, every step of the way.





# Researching the market

It's a great idea to research the property market and the areas you're considering.

This initial groundwork can help you narrow your property search and make you a more confident buyer. Below are a few factors to consider.

Our Home Finance Managers can provide you with essential information, such as Suburb and Property Reports, ensuring you have all the right information at your fingertips.



Proximity to town or city centre.



Public or community transport options.



Parks and recreational grounds.



Schools and shopping centres.

# Approval in Principle

To give you a clear indication of how much you can borrow, with the help of your Home Finance Manager you're able to obtain an Approval in Principle. This allows you to look for properties and narrow your search with confidence as you will:

- Know the maximum amount you'll be able to borrow and what deposit you may need.
- Be perceived as a serious buyer by a real estate agent.

Once an Approval in Principle is given, it is valid for 90 days from when it is approved. However, if you don't find a property within this time, you may renew the certificate for a further 90 days by confirming your financial circumstances haven't changed.





# 02 READY TO BUY





**It's such a great feeling when you finally find the property you want to buy and call home.**

Before you make an offer or attend the auction, it's important you carry out all final checks on the property you like. Your Home Finance Manager can help by providing you with a Property Report for the home you're interested in.

# Research the property

Always look at the property closely and make sure it meets your needs.

It's also a good idea to look at comparable properties in the area. Understanding what kind of properties are in demand and what they've sold for can help you negotiate the sales process with confidence. Ask your Home Finance Manager about specific property reports, which generally include estimated valuation and rental estimates, property history and other property attributes.

Property Reports and Guides: While such material is published with permission, Westpac is not responsible for its accuracy or completeness.



# Research the property

Get the insights you need with our Property Research Tool.

Our Property Research Tool is designed to arm you with the insight and expertise that could give you the competitive edge when buying your first home.

Whether you're searching a suburb or a specific property, it gives you free access to information including:

- The estimated value of properties you're looking to buy, including sales and valuation history.
- Suburb trends and demographics.
- Recent, nearby comparable sales in the area, mapped out for your convenience.
- Expected rental income and yields.

Head to [westpac.com.au/personal-banking/home-loans/property-research](https://westpac.com.au/personal-banking/home-loans/property-research) to access our Property Research Tool today.



## Knowledge is power.

Having the right info not only helps you have the right conversations with agents and seller, but could also make you feel empowered and confident with your property-buying decisions.



# Pre-purchase considerations

Before you commit to anything, it's essential you do your homework. Here are a few of the big things to cover off:

## **Contract of sale.**

Ensure a copy of the Contract has been reviewed by your solicitor/conveyancer.

## **Cooling-off period.**

Talk to your solicitor/conveyancer to be sure you understand the conditions of the sale. Most states have a cooling off period, except for sales at auction which generally do not have a cooling off period.

## **Building and pest inspection.**

If you want to conduct any building and/or pest inspections, talk to your real estate agent to arrange a time for these inspections to be conducted to ensure the property is in the condition as specified in the strata report and/or contract. A professional inspector can help identify hidden issues such as structural damage and termites – and determine how they may affect the property over time.

## **Zoning changes and proposed developments.**

Double-check your chosen area's zoning and whether it could be impacted by proposed developments that may affect your property long term. You may also need to identify the flood or fire risk for a property. This information can generally be found on the local council website.

## **Protecting yourself.**

It's important to consider protecting your property with home and contents insurance. There's also Landlord Insurance options should you buy an investment property. Your Home Finance Manager can help you understand some of the products available to you and also advise of any insurances you may require prior to settlement. There are different types of insurances depending on your needs to ensure you're protected, so be sure to consider the options and choose what's right for you.

# Choosing the right home loan

We understand that one size doesn't fit all. That's why we have a wide range of home loan options offering you flexibility, certainty and peace of mind.

An important factor when choosing a home loan is to consider whether you would prefer a variable or fixed interest rate or the best of both worlds. Your Home Finance Manager will provide you with the options to help you understand the benefits and make the right decision.







03

# BUYING YOUR PROPERTY

**Some days it may seem like your search will never end, but once you find a place you love, it all feels worth it.**

Whether you're making an offer, knowing what to do once it's been accepted or getting across the settlement process, it's important you understand the final stages of the buying process. A solicitor/conveyancer can help you navigate this part of the purchasing journey.

# Making an offer

Before you consider making an offer, it's important to speak to your Home Finance Manger to ensure your Approval in Principle is still valid.

Once you're ready to make an offer on a property, you'll find there are two main types of sales.

## 01

### Auction

To express your interest as a potential buyer, you'll need to register as a bidder on the day of auction.

If you make the winning bid, you'll need to sign the contract and pay a deposit, generally this is 10% of sale price, on the day.

## 02

### Private sale

You negotiate the sale price with the seller. This is often done through the real estate agent and the negotiation process can take days or weeks.



# Finalise your finances

Once your offer has been accepted, we will need to finalise your home loan application and complete a property valuation.

There are a number of documents required to formalise your loan approval before we make a formal loan offer to you. Your Home Finance Manager will be able to help you understand this process and finalise your home loan application.





# Ahead of settlement

You're now on the home stretch! Property settlement is the legal process of transferring ownership of the property from the seller to the buyer and is facilitated by your legal and financial representatives and those of the seller.

The 'settlement period', from when you sign the contract to when settlement is finalised, is generally 6 weeks, however, it can vary from 4-12 weeks depending on the agreement.

## Settlement period: Generally 6 weeks

(Can vary from 4-12 weeks depending on the agreement)

Sign the contract

Settlement is finalised

This is a great time to prepare yourself for your new property, including organising:



Home insurance.



Speaking with utility providers (gas, electricity, internet etc).



Completing the final inspection of the property prior to settlement day.



Confirming the details of your settlement.

# Day of settlement

Settlement day is a big milestone as this is the day you become the owner of your new property.

Generally, the legal and financial representatives will meet on behalf of you and the seller to finalise the transfer of property ownership. Once this has been sorted, you'll be the owner of your first property. Congratulations, it's time to pick up the keys!





## For more information



Go to [westpac.com.au/firsthome](https://westpac.com.au/firsthome)



Call us on **131 900**



Contact your **nearest branch**