



Servicing a first home buyer

How to turn a newbie into a client for life.

First home buyers are great news for brokers.

They're at the beginning of their property journey and if they have a good experience with you as they make their first purchase, you have the potential for a customer for life. Chances are that their first home won't be their last, and if they trust and value your advice, they'll come back when they trade up, or when they branch out into an investment property.

But the appeal doesn't stop there – first time buyers are likely to have friends at the same stage of life, looking to buy their first home, so they can be an excellent referral opportunity.

With the churn in the lending market, and tightening up of rules and regulations, first home buyers need brokers more than ever – 40% of all loan applications are rejected, but working with a broker is the best chance of being a successful borrower.

What makes first home buyers different?

First home buyers do have different needs to more experienced buyers – going through any process for the first time means not having the knowledge to avoid pitfalls. They don't even know what they don't know. With a mortgage, pitfalls can be costly, so first timers need a high level of advice and guidance.

They tend to be from a younger demographic – 'digital natives'. Their natural 'go to' for research will be Google – which can give them overload of generic information, when mortgage advice needs to be specific. Enter you – with listening ears and tailored loan options designed for their exact situation.



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What do you need to do differently to service a first home buyer?

Quite simply, it's about remembering that a lot of the things that you, and more experienced buyers, take for granted are all new news to the first home buyer. It's a case of ensuring that you don't take any prior knowledge for granted, explaining things clearly and arming them with all they need to know.

Check it out.

When you have a first home buyer client, here's a checklist of some of the things which you might need to explain to de-mystify the borrowing process for them:

- **Your role** – exactly what a broker does, and how you can increase their chances of a loan approval.
- **How you are paid** – first timers may not realise that brokers are paid by the lender, and if they do, they may have questions about they can be sure you're working for them. Address these questions head on and explain your qualifications, and the checks and balances in the industry that ensure you've got their interests at heart.
- **How to work out what they can afford (what they can really afford)** – and why this is not necessarily the same as the amount the banks are willing to lend. First home buyers can very easily be seduced by the high multiples on offer, so you may need to steer their thinking to affordability, rather than availability.
- **Budgets** – first time buyers may not have had to work out a budget before. You can help with advice on how to document their income and outgoings, work out where they can make savings (and what they're not willing to sacrifice).
- **How to prove what they can afford** – once they've planned what they can afford, they need to prove it to the lender. You'll be able to explain the importance of getting every detail right in the loan application to prove their credibility.
- **The myth of the 20% deposit** – many new purchasers believe that without a 20% deposit, they can't buy. You may need to explain that, whilst it's certainly advantageous in terms of costs to have 20%, it's by no means a showstopper and there are lenders who will go above 80%.
- **Lenders' Mortgage Insurance** – hand in hand with the possibility of a >80% loan, you'll be explaining LMI, ensuring your buyers know what it's (including the fact that they pay it, but it insures the lender!) and whether, for them, it's a price they're willing to pay for having to save less of a deposit.
- **First home owners grant** – first home buyers may be eligible for a grant. You'll be able to advise them on the rules for your State, how much they can get, what the conditions are and how to apply. If you can help them get some free Government money, they'll love you forever!
- **Different types of loan** – you may need to explain what fixed and variable loans are, the risks of each and the impacts if, for example, they make overpayments or pay off early.
- **Loan account types** – the option for offset or redraw facilities and the pros and cons of each.
- **What is (and isn't) pre-approval?** Many first time buyers mistake pre-approval for unconditional approval and don't understand that the property still has to meet the lender's requirements.
- **The conditions of purchasing at auction** – alongside understanding the limits of pre-approval, first time buyers need to understand the binding nature of an auction sales contract, which doesn't allow for 'subject to...' conditions.

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- **Fees associated with a loan** – first time borrowers may not be aware of all the fees that are part of organising their loan. You're certainly not aiming to put them off, but forewarned is forearmed and they will need to have a realistic view of the full range of potential costs, and the fact that some lower rates may come with higher fees:
 - Application/establishment/start-up/set-up fees.
 - LMI
 - Valuation fee
 - Title search
 - Service fees
 - Early settlement fees
 - Re-draw fees
 - Switching fees – fixed to variable
 - Discharge fees
- **Other costs** – while you're on a roll, make sure they understand the other costs of purchasing the property, all of which impact their budget:
 - Legal fees
 - Stamp duty
 - Insurance – from purchase date
 - Conveyancing
- **Risks** – you can help your first time buyers reduce their risk by making sure they understand building inspections, the need for insurance during the settlement period, and the importance of a pre-settlement inspection, to make sure that what they're buying is what they thought they were buying.

Buying a first home is an exhilarating but daunting process. Your role as their broker and advisor is to guide them through the home buying maze to the other side where the key to their very first home awaits.



And for you, the key
to a client for life.

We're here to help.

 Talk to your BDM today

 1300 130 928

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