

## Frequently Asked Questions - First Home Owners

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### How much can I borrow?

Every lender will calculate and assess the amount you can borrow in a different way.

How much you can borrow depends on what loan repayments you can afford. Lenders will look at your income and expenditure – they are interested in your uncommitted income that can be used to pay back the loan.

The things that will impact how much you can borrow include:

- The Loan Value Ratio (What percentage of the property value will the loan be)
- Your income
- Type of income (casual, full-time)
- Other loans
- Credit card limits
- Number of dependents

Our calculators will give you an initial idea of how much you can borrow.

### How much deposit do I need?

The deposit you need will depend on the type of home you are purchasing, the type of loan and the lender.

As a first home owner you generally need at least 5% of the purchase price as a deposit.

### Am I eligible for the First Home Owners Grant?

You are generally eligible for the First Home Owners Grant if you meet the following criteria:

- You are an Australian citizen or permanent resident
- You are buying or building your first home in Australia
- The house is your principle place of residence for at least 12 months.
- Any other person that you are buying the house with meets the above criteria.

For more information visit [www.firsthome.gov.au](http://www.firsthome.gov.au)

### What other costs should I budget for?

It's important to keep the following costs in mind when preparing your budget.

- Stamp Duty
- Registration of Mortgage
- Transfer Fee
- Lender Establishment Fee
- Conveyancer / Solicitor costs
- Pest and building inspections
- Council rates
- Body Corporate adjustments if applicable
- Insurances

Your loan consultant can provide you with indicative costs for the property you are considering.

### What is Lenders Mortgage Insurance?

Lenders Mortgage Insurance (LMI) protects the lender from any losses that result from the borrower defaulting on their mortgage. LMI does not protect the borrower if they are unable to make mortgage payments.

You are generally required to pay mortgage insurance if you are borrowing more than 80% of the lenders valuation on your home.

### What type of loan is best for me?

Choosing the right loan type is probably more important than choosing the right lender.

Before choosing the loan type, answer the questions:

- How disciplined am I?
- Do I anticipate any changes to my family arrangements or job?
- Do I think that interest rates will change in the near future?
- How much flexibility do I really need in the loan?
- What other financial or lifestyle goals do I have?

Type	Description	Advantages	Disadvantages
<b>Basic variable loans</b>	A variable rate loan, with a relatively low interest rate and minimal features.	<ul style="list-style-type: none"> <li>• A lower interest rate.</li> <li>• If interest rates fall so will your minimum payment, or continue to pay the higher amount and pay back the loan faster.</li> </ul>	<ul style="list-style-type: none"> <li>• If interest rates rise, repayments may rise.</li> </ul>
<b>Standard variable rate loans</b>	Offers a variable interest rate that is tied to official interest rates. Often associated with a "Professional Package".	<ul style="list-style-type: none"> <li>• Your interest rate will be comparable to other rates in the market.</li> <li>• If interest rates fall, more of your monthly payment will go off the principle.</li> </ul>	<ul style="list-style-type: none"> <li>• If interest rates rise, so will your repayments.</li> </ul>
<b>Fixed rate loans</b>	The interest rate and payments are fixed for a specified period of time. Commonly revert to the standard variable rate at the end of this period.	<ul style="list-style-type: none"> <li>• Security in knowing exactly what your repayments will be for the fixed period.</li> </ul>	<ul style="list-style-type: none"> <li>• If interest rates fall, you do not benefit.</li> <li>• May have limited features and lack of flexibility.</li> <li>• May have restrictions on extra repayments.</li> </ul>
<b>Honeymoon or discount variable loans</b>	Is a standard variable loan that offers a discount on the interest rate for a set amount of time, generally 12 months.	<ul style="list-style-type: none"> <li>• Initial low interest rate</li> </ul>	<ul style="list-style-type: none"> <li>• Repayments increase after the honeymoon period.</li> <li>• May attract high exit fees.</li> </ul>

<b>No deposit loans</b>	<p>You can borrow 100% of the purchase price. Some lenders will go higher than this to also cover stamp duty. Lending criteria is stricter. Only available on certain types of properties.</p>	<ul style="list-style-type: none"> <li>• You can buy sooner</li> <li>• Often have good features</li> </ul>	<ul style="list-style-type: none"> <li>• You'll have to pay mortgage insurance.</li> <li>• Will pay more interest in the long term.</li> <li>• Restricted in the type of property you can buy.</li> </ul>
<b>Low documentation and No documentation loans</b>	<p>Require little or no income documentation for approval. Usually used by people who are self employed or do not have tax returns.</p>	<ul style="list-style-type: none"> <li>• Limited or no financial documents required.</li> </ul>	<ul style="list-style-type: none"> <li>• May attract a higher interest rate or costs if you have limited equity or a deposit.</li> </ul>
<b>Non conforming loans</b>	<p>Non conforming lenders will normally lend money to people who don't meet banks lending criteria – for example people with bad credit history, seasonal or casual workers.</p>	<ul style="list-style-type: none"> <li>• Have attractive features.</li> <li>• Good way to build credit rating</li> </ul>	<ul style="list-style-type: none"> <li>• Attract a higher interest rate than traditional loans.</li> <li>• May attract high exit fees</li> </ul>