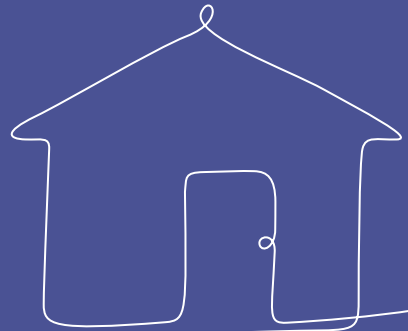


Bank of
Melbourne

You want
to buy your
first home.

We've got a
guide to get
you in sooner.



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Your first steps.

Buying your very first home is an exciting time – but it can feel a little overwhelming. Don't worry, your Bank of Melbourne Mortgage Brokers are here to help with everything you need to bring the dream of your first home to life – whether that's saving for your deposit, understanding how much you can borrow or what your repayments might look like.

They'll also help you understand what to consider when looking for a property, the next steps once you've found one and what to expect during the settlement process.

Handy deposit saving tips.



Set small targets.

Focusing on your end goal can make it seem unachievable. Instead, start with smaller goals. Before you know it, they'll start adding up to big outcomes.



Plan and plan again.

Set up your savings plan to correlate with your pay cycle. It could help you manage your cash flow. Then, if you find you have under or over budgeted, revise your plan for the following pay cycle.



Be realistic.

Setting achievable targets is the secret to a successful budget. Be sure to consider all your income and expenses. Include both living costs and short-term debts.



Make your savings work for you.

Some suggestions to help you save include:

- Save your tax refund rather than spending it.
- Review services and subscriptions such as Pay TV and your mobile or home phone plan.
- Deposit your savings into a high-interest savings account.



Thinking of investing?

To find out more about your first investment property, visit our investor site: bankofmelbourne.com.au/property-investor



How much is needed for a first deposit?

Generally, if you're able to offer a larger deposit, say, 20% of the property value, you could save by not having to pay Lender's Mortgage Insurance (LMI). However, if saving a deposit of this size is not achievable, it's common for home loan providers to offer lower deposit options of up to 95% of the property value, but you would generally need to pay LMI.

Additional fees:

There may be other upfront costs you need to consider including:

- Application and valuation fees.
- Account keeping fees.
- Stamp duty.
- Government fees such as mortgage registration, title search and transfer fees.
- Conveyancing and legal costs.
- Site costs, if you're building a new home.
- Building and pest inspections.
- Home insurance before settlement, and possibly contents insurance when you move in.

There may also be ongoing costs once you move into your new home, including strata fees, utility fees (water, gas and electricity) and council rates. You'll be responsible for them from settlement.



Quick tip: stamp duty.

The cost of your stamp duty is usually charged at settlement and could be included in your home loan.

To calculate stamp duty, upfront costs and other government fees, visit bankofmelbourne.com.au/stamp-duty-calculator

The path to your first deposit.

There are many pathways you can take when saving for your first deposit. The one best suited to you depends on your financial situation.

Lenders Mortgage Insurance (LMI).

LMI is a one-off fee charged by a home loan provider. It's usually needed when you have a deposit of less than 20% and insures the home loan provider in case of non-repayment by the borrower. The amount of LMI varies depending on the amount borrowed and the size of the deposit that you are able to offer. There may be the option to include the LMI fee into your home loan amount, allowing you to pay it off over the life of your home loan.

LMI example.

Property purchase price	Minimum deposit %		
	LMI not required	LMI required	
	20%	10%	5%
\$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

First Home Super Saver Scheme (FHSS).

The FHSS Scheme allows you to save money for a first home inside your superannuation fund. This could help first home buyers save faster with the concessional tax treatment within super. To find out more, search 'ATO First Home Super Saver Scheme' online.

First Home Owner Grant.

If you're buying or building your first home, you may be eligible for a grant or stamp duty concession to help with your property purchase.

To check which grants apply, visit firsthome.gov.au

Family Pledge.

Family Pledge allows for a family member to guarantee **part of your home loan** – while having the peace of mind to set the guaranteed amount. This option helps reduce the loan to value ratio (LVR) or possibly eliminates the need to pay Lenders Mortgage Insurance.

An example of Family Pledge guaranteee.

David is planning to purchase a \$500,000 property, with a \$25,000 deposit (LVR of 95%)	If David's parents have enough equity in their home, they could provide a guarantee of \$75,000 as additional security on the loan	This scenario would mean David can avoid paying LMI, saving him up to \$15,200
=	=	Tip
LMI would be payable due to the high LVR for this loan.	Reducing David's LVR to 80%	Family Pledge LVR calculation:
		$\frac{\text{Loan Amount}}{(\text{Property Value} + \text{Family Pledge Amount})} = \text{LVR}$



Quick tip.

Talk to the Bank of Melbourne Team about how our Family Pledge option could help you get your home sooner.



How the borrower benefits:

- No additional lending fees (standard guarantee and legal fees apply).
- Helps to reduce or avoid Lenders Mortgage Insurance.
- Gets you into the market sooner. You could borrow up to 100% of the purchase price plus costs such as stamp duty and legal fees.
- Get help from your parents without having to ask them to contribute to your deposit with cash.



Considerations for the guarantor:

- You could help your children buy a home without giving them cash, as the equity in your property is used as security for part of the loan.
- Allows you to act as a guarantor even if your loan is with another financial provider.
- Gives you the flexibility of nominating an amount you're comfortable to contribute.
- Gives you the option to be released when the borrower's loan to value ratio is reduced to the required level.
- Family members who can provide the guarantee may include parents, siblings, sons and daughters.



Risks for Guarantors:

- A guarantor is liable for the amount specified in the Family Pledge guarantee. Your ability to borrow may be reduced if you agree to act as a guarantor.
- It is a promise to pay Bank of Melbourne the amount you nominate to guarantee. If the borrower does not pay the loan, if you do not have the cash to pay Bank of Melbourne if asked, your house may be sold to cover it.

You will need to read and understand the full terms of the guarantee and seek independent legal advice before signing it.

Budgeting with a home loan.

When buying a home, knowing your borrowing potential and repayment costs is a great place to start. You can then work out a budget that includes your everyday living expenses and other financial commitments. Remember, if you need a hand, we're here to help.

Things to consider:



Your financial obligations

Assess your current obligations and consider whether you can pay these off along with a home loan. Include any credit cards, student loan debts or store cards you may have.



Your savings

Consider how much of your savings you could comfortably use as a deposit. If you're buying a property that you are going to live in, home loan providers often accept deposits starting from 5% of the purchase price. However, you'll need additional funds to cover other fees and purchase costs.



Repayments

Determine what you can afford to repay per week, fortnight or month, and then work out your budget based on your pay cycle.



Your job

Consider how long you've been in your job. Make sure you've cleared any probation periods and you're in a financially stable position.



Lifestyle

How much can you give up? Ensure you don't overcommit yourself and include everyday expenses like groceries, transport and entertainment in your calculations.



Family

If you're thinking of having a family, you should consider what impact children could have on your budget and ability to repay a home loan.

Conditional approval.

Also referred to as 'pre-approval' or 'approval in principle', conditional approval is an obligation-free way to estimate how much you could afford to borrow before you make an offer on a property.

Once given, conditional approval is valid for 90 days from the approval date. If you don't find a property within this period, you may renew for another 90 days by confirming your financial circumstances haven't changed and by having your income documents re-verified.

In detail:

'Conditional approval' is our way of approving you for a loan before giving it to you. It's based on certain conditions being met when we give 'unconditional approval'. The conditions could range from information about your current financial position to a satisfactory valuation for the proposed property.



Quick tip: Manage your credit cards.

Having a credit card may affect your borrowing power. Most banks take your credit limit into account, even if you aren't using it. This could reduce your borrowing capacity. Minimising the number of credit cards you have or your overall limit can improve how much you can borrow.

Check out our handy Budget Planner to help you get started:

www.bankofmelbourne.com.au/personal/bank-accounts/tools/calculators/budget-planner

Getting set to buy.

Finally found that perfect property? Before you rush to the auction or make an offer, be sure to do your final checks and ask your Mortgage Broker for a Property Report* so you can be completely confident with your decision.



Choosing the right home loan.

There's a wide range of home loan options offering you a mix of flexibility, certainty and peace of mind. Consider whether you would prefer a variable or fixed interest rate – or a bit of both. Your Mortgage Broker can help you understand which option is best for you.

Repayment type options.

1. Principal and interest

- By paying both principal and interest, you'll pay off your property faster.
- You can link an offset account to the loan to reduce interest.

2. Interest only.

- Monthly repayments will be lower for a set period as you're only paying the interest being charged for the loan.
- The amount of money you owe does not reduce during the interest only period.

3. Variable interest rate.

- A flexible interest rate that moves in response to market changes.
- Loan repayments could change during your loan term.
- You can link an offset account to the loan to reduce interest.
- May suit borrowers who prefer flexibility in their repayments.

4. Fixed interest rate.

- An interest rate that does not change for a set period of time.
- There is a partial interest offset available on Fixed Rate Home Loans.
- May suit borrowers who prefer the certainty of regular repayments throughout the fixed term.



Quick tip: Check the comparison rate.

Comparison rates allow you to quickly compare home loan rates from all lenders, taking into account fees and charges applicable. They're usually advertised alongside the interest rate.

* While such material is published with permission, Bank of Melbourne is not responsible for its accuracy or completeness of the data.

10 house hunting tips:



Set your budget.

Know how much you can spend before you start house hunting. Get a conditional approval letter from your home loan provider.



Sign up to property alerts.

Get online alerts about properties up for sale where you'd like to buy using popular websites like [realestate.com.au](https://www.realestate.com.au) or [domain.com.au](https://www.domain.com.au).



Ask around.

Speak with a local real estate agent as they're equipped with a wealth of information, from up-and-coming suburbs to the sale prices of properties in your desired area.

Or visit the Bank of Melbourne Property Research site: bankofmelbourne.com.au/property-research



Word-of-mouth.

Tell your friends and family you are looking for a new home or investment property. They might reveal some surprising opportunities.



Hunt for the right price.

There's nothing worse than feeling like you overspent. Buying at the right price is the cornerstone of any successful purchase.



Negotiate.

Don't be afraid to negotiate the price with the seller. You could save a significant amount and might not need to borrow as much.



Worst-case scenario.

Check on the likelihood of flooding in the area and other environmental risks such as sinking land or different types of pollution.



Structural check.

Don't judge a house by its paint job. Examine what lies underneath. Check for structural damage, sagging ceilings, water stains on walls, smell of damp, fine cracks on walls, evidence of mould, a roof in need of repair or plumbing issues. These issues can appear small but can become very costly problems to fix down the line.



Trust your instincts.

Many real estate agents say that no matter how many floor plans, price charts and structural reports you're equipped with, the decision often comes down to your instinct and how you feel about the property.



Check out our Property Reports*.

Ask us about our comprehensive property reports or visit bankofmelbourne.com.au/property-research for more information about properties in your chosen area.

* While such material is published with permission, Bank of Melbourne is not responsible for its accuracy or completeness of the data.

Pre-purchase considerations.

There are some key steps you may want to cover off when you're preparing to purchase:



Find a conveyancer/solicitor.

They can:

- Make sure your legal rights are protected in respect of the purchase.
- Investigate issues affecting the property, such as local authority plans in the area, or environmental risks, such as flooding.
- Prepare the legal documents that ensure the property is transferred into your name once the sale is completed.
- Ensure the settlement process stays on-track by coordinating the legal representatives of the vendor and any home loan providers.
- Calculate charges including rates, water and body corporate levies.
- Conduct property searches at your instruction. These cover things you may not know about the property from simply viewing it – including title and strata searches.
- Tell you about the conditions of the sale.

Help you understand cooling off periods. Most states have a cooling off period, except for sales at auction, which generally do not have any cooling off period.



Check zoning changes and proposed developments.

Double-check your chosen area's zoning. Make sure it won't be impacted by proposed developments that may affect you 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.



Consider home and contents insurance.

Your Mortgage Broker can discuss some of the options available to you and advise of any insurance you may require prior to settlement. There are different types of insurances depending on your needs, so be sure to consider what's right for you.



Conduct a building and pest inspection.

These will help ensure the property is in the condition specified in the strata report and/or identify hidden contract issues in the case of structural damage or termites. Talk to your real estate agent to arrange these inspections.

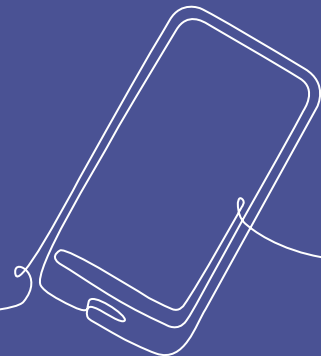


Review the Contract of Sale.

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

Buying your home.

From making an offer to finalising your home loan and the settlement process – the final stages of buying a home can be confusing. That's why it's a good idea to have a solicitor or conveyancer help you to navigate this part of the process.



Making an offer.

Once you're ready to make an offer, it's time to determine which type of sale yours will be.

1. Buying at auction:



Before the auction:

- Set a budget to know how much you want to spend.
- Do your homework and research property sales in the area.
- Carry out pest and building inspections prior to auction day.
- Ask any other questions you might have.
- Arrange any agreements with the selling agent.
- Have a conveyancer/solicitor look at the Contract of Sale.
- Have finance approval and access to deposit funds arranged.



During the auction:

- Remember your competition is not the auctioneer but the other bidders.
- Be visible, stand out from your competition.
- Use uneven numbers for bids – this could give you an edge.
- Start with a strong first bid.
- Don't bid more than your finance approval (including all purchase costs).



After the auction:

If you are the winning bidder, you are generally required to pay a deposit (usually 10% of the purchase price) on the spot, with the exchange effective immediately (no cooling off period normally applies).

2. Purchasing through a private treaty sale:



If you're interested in purchasing the home, contact the seller's real estate agent after the open house. You may want to make a verbal offer and set any conditions of the offer for the real estate agent to present to the vendor.



Find out whether there's any competition by asking the real estate agent whether any offers have been made. It's also good to ask how soon the vendor is hoping for settlement as it could help you to negotiate a price.



Find out from the agent as much as you can about the vendor's situation. If the vendor has already purchased elsewhere, then they may be in a hurry, so they could consider dropping the price.



It's important to understand the vendor may not accept your first offer and you may need to make several offers before reaching final agreement.



Don't start with your highest offer.

You may not know what offers have already come in, if any. You'll also be left with no room to negotiate.



Try not to show the agent how much you like a property. Remember they are working for the seller. If they detect your enthusiasm they may try and drive a higher price.



If you're buying through a private treaty sale you are usually initially required to pay a holding deposit, which in turn will initiate a cooling off period, during which the seller cannot accept another offer from a different buyer.



Quick tip: Double check your conditional approval

Before you consider making an offer, it's important to speak to your Mortgage Broker to make sure your conditional approval is still valid.

Finalising 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 and make a formal loan offer to you. Your Mortgage Broker will be able to help you understand this process and finalise your home loan application.

Preparing for settlement.

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

The 'settlement period' (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 between you and the seller.



This is a great time to organise things like:

- Home insurance
- Utilities (gas, electricity, internet etc.)
- Final inspection of the property
- Final details of your settlement

Settlement.

Settlement day 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 that's done, all that's left to do is pick up the keys!

How to save once you've started repayments:

Pay fortnightly.

By dividing your monthly payments into two and paying fortnightly, you'll squeeze in one extra repayment each year. Over time, that will reduce the amount of interest you could potentially pay.

Make additional repayments.

If you are on a variable rate home loan and your minimum monthly repayments drop due to interest rates being reduced, you may want to consider maintaining your existing repayments. It could help you pay off your home loan sooner by reducing the amount of interest you pay.

Pay extra.

Making higher than minimum repayments can make a big difference. However, you need to ask your home loan provider if this is possible as there might be conditions and/or fees involved, particularly if you have a fixed-rate loan. Some fees, such as fixed-rate break costs, can be substantial.

Take advantage of bonuses.

You may also wish to increase repayments with any pay rise and allocate your annual bonus, tax return or other windfalls to your home loan.

Offset your mortgage.

Consider making your savings work harder, by 'offsetting' them against your home loan. An interest offset account will give you the flexibility of accessing your money when you need to, with the benefit of paying off your home loan sooner.

Stay disciplined.

Think of your equity as a deposit for your next home or savings, not something to spend on holidays or entertainment. If you're having trouble managing debt, speak to a financial advisor and contact your home loan provider about your loan options.

Review your home loan every few years.

Consider arranging a home loan health check with your Bank of Melbourne Mortgage Broker every few years. You're likely to have a home loan for many years and your circumstances or needs could change during that time. Contact your Bank of Melbourne Mortgage Broker to see whether you can arrange a better deal.

Home loan application checklist.

Here is a checklist to have handy when you apply for a home loan with Bank of Melbourne. This checklist is only meant as a guide, as all of the points may not relate to you. Bear this in mind when working through the checklist.

Savings history.

You may need to provide us with a copy of your passbook or all statements of your savings account(s) held with other banks or financial institutions – covering a period of the last three months.

Proof of income.

You will need to provide us with the following documentation for proof of income to support your application:

Salary/wage earner.

Your last two consecutive payslips which contain the following:

- Details of each component of your income
- Current and year-to-date gross and net income
- Your name and your employer's name.

Or alternatively, any two of the following:

- Salary/employment letter from your current employer confirming length of employment, your gross basic wage together with any other components relating to your salary
- Most recent employment contract which identifies your name, employer's name and gross basic wage together with any other components relating to your salary
- Latest payment summary/group certificate, tax assessment notice or tax return
- Evidence of consistent income amount regularly deposited to your bank account
- Latest payslip which identifies your name, employer's name and your gross and net income.

Self-employed applicants.

You will need to provide us with copies of your personal income tax returns and full financial statements for the past two years, and the most recent financial year's Assessment Notice, which is no older than 18 months at the date of application.

Rental properties.

If you are purchasing a rental property, provide us with a letter from a real estate agent indicating the anticipated rental income.

If you have a property which is already tenanted, you will need to provide us with a copy of the current Residential Tenancy agreement and recent bank statements showing rent payments or a rental statement from the managing real estate agent.

Centrelink payments.

A letter from Centrelink (or Department of Social Security, or equivalent) detailing current entitlements..

Commission/bonuses.

Details from your employer confirming payments received over the last two years, plus copies of your tax returns for the corresponding two-year period.

Maintenance.

A copy of the Court Order and a current statement from the Child Support Agency showing amounts received, together with copies of current statements showing payments over a six-month period.

Commitments.

Loans and cards with other financial institutions.

Provide us with supporting documents for all existing debt(s) such as housing/investment loans, personal loans, car loans, margin loans, tax debts, buy now pay later, credit card and/or store card debts not being refinanced by this loan:

- Current statements covering at least 1 continuous month prior to the application (most recent no more than 6 weeks prior)

Rent/board.

You will need to provide us with any one of the following:

- Current signed and dated lease/rental agreement (no older than 12 months) detailing the rental amount, frequency/ cycle, property address and name(s) of tenants
- Letter from licensed property manager/agent (no older than 3 months) detailing the rental amount, frequency/cycle, property address and name(s) of tenants
- Rental ledger from licensed property manager/agent (no older than 6 weeks) detailing rental amount, frequency/cycle and name(s) of tenants
- Bank statement or transaction listing (no older than 6 weeks), covering 2 payment cycles, with a detailed narrative which aligns to the rental outgoing and detailing the rental amount and payment date. Account number/account name must be able to be matched to the applicant
- For Board only – Statutory declaration made by the relevant applicant(s)

Child support/spouse or de-facto maintenance.

You will need to provide us with a copy of any one of the following:

- Court order or child support agency letter dated within last 12 months confirming the amount of the ongoing obligations
- Bank statement or transaction listing covering 2 payment cycles

Tax Debts.

You will need to provide us with one of the following, evidencing the formal payment plan with the ATO:

- Australian Taxation Office (ATO) letter or
- Printout from ATO Portal

Expense details.

Provide details of all ongoing expenses:

e.g. childcare fees, clothing/personal care, groceries, higher education & vocational training costs, insurance (excluding life, health, sickness and personal accident), insurance (life, health, sickness and personal accident), investment property costs (including insurance), medical/health (excluding health insurance), owner occupied primary residence land tax, body corp & strata fees, primary residence costs (including insurance), private schooling & tuition costs, public or government primary & secondary education costs, recreation/entertainment, secondary residence/holiday home costs (including insurance), telephone/internet/ pay TV/media streaming subscriptions, transport, other regular or recurring expenses.

Borrowing purpose.

Housing construction/renovation.

You will need to provide us with a copy of an itemised tender/quote signed by the licensed builder, showing the builder's licence number. This tender must be dated within the last 14 days and must state that the price will remain firm for at least 60 days.

Where a deposit has been paid, you will also need to provide a copy of the deposit receipt.

Plans and specifications.

You will need to provide us with council approved plans and specifications before building starts.

Purchasing an existing property or vacant land.

Provide a copy of the Contract of Sale from the selling agent. If a valuation is required, Bank of Melbourne will arrange it. You will also need to provide a copy of the deposit receipt, showing the full agreed purchase price and balance owing or a copy of the front page of the signed Contract of Sale.

Refinance.

You will need to provide us with supporting documents for all debt(s) being refinanced by this loan:

Secured debt such as mortgage:

- Current statements covering at least 6 continuous months prior to your application (most recent no more than 6 weeks prior)

Unsecured debt such as credit card or personal loan:

- Current statements covering at least 3 continuous months prior to your application (most recent no more than 6 weeks prior)

Borrowing against the equity in your current home.

Provide copies of your latest water and council rates.

Paying out a joint owner.

Provide a copy of a solicitor's letter stating the amount required to pay out the other person. You will also need a copy of the Court Order, if Orders under the Family Law Act or Defacto Relationship Act are to be complied with.

Other documentation.

First home owner grant details.

If you are eligible, we can help you with your application, and lodge it on your behalf.

Strata title.

If you are buying a strata title unit, you will require a copy of the registered Strata Plan.

Company title.

You will need to provide us with:

- A copy of the constitution of the company
- A copy of the minutes of the last three meetings held by the shareholders
- The name and telephone number of the company secretary
- A copy of the share certificate.

If your loan will be in a company name or trustee.

You will need to provide us with:

- A copy of the constitution of the company
- A copy of the share certificate
- A Copy of your current Family/Unit Trust Deed
- Proof of deposit.

Gifts from family and friends.

Any gifts of money must be deposited into your Bank of Melbourne savings account before you lodge your home loan application. A letter of Gift is to be provided.

Sale of assets (other than real estate).

You will need to show evidence of the sale and deposit the proceeds into your Bank of Melbourne savings account before you lodge your home loan application.



Bank of
Melbourne

**You've got some questions.
We've got time to talk.**

Speak with your Bank of Melbourne
Mortgage Broker today about your first
home options.

 **Bank of Melbourne**