

# THE TOP 4 MISTAKES THAT FIRST HOME BUYERS MAKE

## & HOW TO AVOID MAKING THEM





**BUYING A NEW HOME CAN BE A COMPLEX PROCESS AND THERE ARE MANY WAYS THAT BUYERS CAN GET CAUGHT OUT. WE SEE THE SAME MISTAKES TIME AND TIME AGAIN, HERE ARE SOME TIPS ON HOW TO AVOID THEM.**



Firstly, thank you for downloading our free booklet.

My name is Will Turner, Director of Kallea. I have been in the industry for over 30 years and continue to see First Home Buyers making the same costly errors, resulting in a stressful and expensive process.

I've created this booklet to share my tips with you on how to avoid such mistakes so that your transition from renter to buyer is as smooth as possible. Purchasing a property is often the single largest investment a person or family will make, but it can be a bewildering experience if you don't really know what's going on. Some things might seem self-explanatory or obvious to people who already own property, but I have found there is a lot of contradictory information out there for first time buyers who are trying to understand the ins and outs of buying a property. There's nothing more exciting than buying your first home. But while you're busy imagining the perfect décor or dreaming of your kids playing in the yard, you may be overlooking some important financial aspects of home ownership that could end up turning your dream purchase into a disaster.

**To ensure your first home purchase doesn't cause you a whole lot of hardship or put your financial future at risk, it's essential that you avoid these 4 home buying mistakes.**

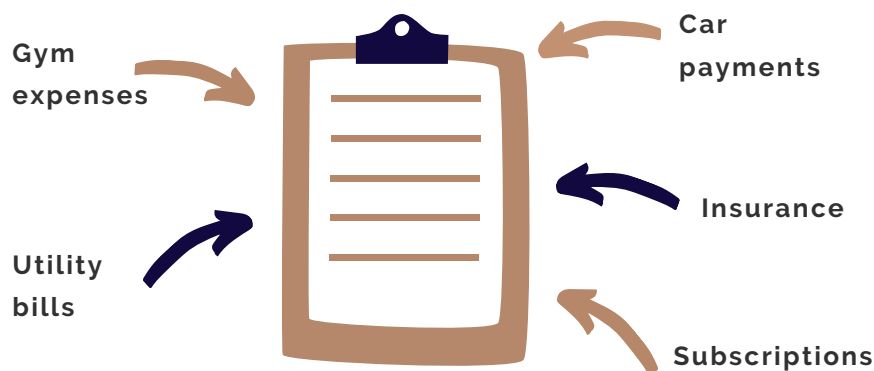


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## BE SURE ABOUT THE FINANCE

Knowing what you can afford and knowing what you are comfortable paying can often be quite different. Make sure you have a budget in mind - draw up a list of all your monthly expenses, including travel costs, credit card payments, health insurance etc. Don't forget about those yearly costs that crop up like insurance premiums or your annual holiday.

Once you've listed these, subtract them from your monthly income to let you see just how much you have to spend on your new home.



**As hard as it is, there's no point dreaming of a home that is out of your price range at present. Sometimes you need to cut your cloth to suit your means.**

## QUALIFYING FOR A MORTGAGE

Sometimes what you think you can afford is not always what the bank is willing to lend you, especially if your credit limit is poor or if you have an unstable income.

Make sure your new home and land contract is subject to approval of the loan you are applying for. The last thing you want is to sign a contract for a new home and then discover that the bank won't lend you the money. It is also important to remember that once you have a pre-approved loan you don't do anything to alter your credit score.

Financing a new car, changing your job or increasing your credit card debt may result in your loan falling through at the last minute.

First time buyers often forget about any additional expenses that may occur when you become a home owner such as house insurance, rates, repairs and maintenance costs. Make sure you keep these factors in mind when planning your budget or applying for your loan.

## CONSIDER OTHER ADDITIONAL EXPENSES

# 2

## AVOID BEING TOO FUSSY

It's fine having a vision of your perfect home, but sometimes to make that step onto the property ladder and get out of wasting money renting you may need to compromise.



You might have to forgo that extra bedroom, look at a smaller garden or consider a unit. Whatever your decision, you have to decide if being a home owner is more important than renting.

Something important to understand with your first home is that it won't be your last, which is why you must use it as a stepping stone to your next property. That way, you can use your very first home to build your wealth. You should choose a home that will suit your family and lifestyle needs, but also one that will appreciate in value. For example, a home that is built around new infrastructure such as shops, schools and transport links with growing communities. This will help you to secure your investment as it is likely it appreciate in value as the area becomes more populated. Your home should become an asset, not a liability.

Compromise is inevitable when shopping for a property, and especially your first one. First-home buyers are often told not to set their sights too high, and that they shouldn't expect the world on a silver platter for their deposit. That doesn't mean you need to settle for something that doesn't meet your needs. Things such as your daily commute to work, proximity to locals schools and number of bedrooms are all important things to consider, particularly if you plan to start a family or grow your existing one. Put together a list of non-negotiables and see if you can stick to it within your budget.

First-time homebuyers tend to be more picky about their purchase than second and third-time homebuyers. This may be difficult for you to avoid - you're buying your first home after all. You'll likely be planning to live in it for a long time and you don't want to be stuck with a home that you hate. Just keep this in mind: nothing is as permanent as it seems.

If you've ever watched house-hunting reality TV shows, you should already know nobody ever gets everything on their list when searching for a home, and that's okay. The money you save today could be saved for home improvements tomorrow. You may even discover things about your new home that you never expected to love.

**You also must never let fear of missing out be a reason to buy a property, because it will often lead to paying too much. Likewise, being too exuberant when negotiating to buy a property will generally just lead to making expensive mistakes that can take years to unwind.**

**TRY NOT TO BUY OUT OF FEAR OR EMOTION**



# 3

## THINK AHEAD, DO YOUR RESEARCH

It can be hard not to let emotions get the better of you when inspecting a property you like. Some people immediately begin picturing themselves living there, maybe with their future children, family and friends.

The tendency to get too far ahead and caught up with the aesthetics of a property often distracts people from considering other essential points.

None of us know what the future holds but knowing what plans are in place around the development to your new home can be very important.

- Are there any new roads or cycle paths planned?
- How big is the development you are moving in to?
- Have you had a look at the local schools in the area?
- Does the community and neighbourhood suit your lifestyle?
- Where is the nearest convenience store or supermarket?
- Are there any parks or leisure centres nearby?
- How long will it take you to get to work?
- How has the suburb been trending over the last few years?
- Where is the closest petrol station, cafe, restaurants etc.?
- What are the options for public transport? (Are there bus stops or a train station nearby?)



**Some research can go a long way.**





Buying your first home can be stressful and overwhelming but as long as you are aware of the questions to ask and the things to look out for, it can be one of the most rewarding and exciting investments you will ever make.



**Monitor the market closely and look at a range of different properties so you can get a solid understanding of what is good value and why.**

**Decide on the style of house you want by looking at a wide range of display homes, be realistic about size and the number of rooms you need, and check cost-saving options in terms of fittings and finishes.**

**UNDERSTAND  
WHAT YOU  
ACTUALLY WANT**

# 4

## DON'T GIVE UP BEFORE YOU REACH THE FINISH LINE

When you embark on the journey of purchasing your first home you should expect some bumps in the road along the way. Whether you miss out on a house that you loved, or you get a knock back on your mortgage application it's important to remember that it's all part of the journey.

It's normal for first home buyers to become overwhelmed by the complexity of the process – calculating your borrowing capacity, understanding your mortgage options, and claiming the latest government incentives can be stressful if you're doing it for the first time. That's why choosing the right finance broker is essential. In particular, one who has experience working with first time buyers. A knowledgeable broker will be able to provide expert advice on a range of borrowing options and guide you through the loan application process. Remember – don't be scared to ask questions if you don't quite understand everything.



It's also not uncommon for first time buyers to develop what we refer to as 'buyer's remorse'. One minute you're filled with excitement and celebrating with friends, and then the next minute doubt settles in. You start questioning everything and begin to wonder: 'What in the world did I just do?'. If this is you, don't panic because you're not alone.

Buying your first home is an emotional purchase, so it's normal to be anxious and excited at the same time. Often it's helpful to toss around different ideas and scenarios with your real estate agent to discuss the pros and cons. A good agent will be able to help support you through this range of emotions – they'll be your rock, your sounding board, and hopefully, a person you can trust.

The process of purchasing a home is a lengthy one, so be prepared for the journey – have patience, stay positive and know that it will all be worth it in the end.

**IT'S A LONG  
JOURNEY, BUT IT'S  
A REWARDING  
ONE.**



# I WANT TO STOP RENTING AND BUY MY FIRST HOME, WHAT DO I DO FIRST?

## I want to stop renting and buy my first home, what do I do first?

Before you start searching for a property you need to work out how much you can afford to spend on your first home. This is often referred to as your borrowing capacity. Our professional financial consultants can help you calculate your borrowing capacity as well as your monthly repayments. You can get started by calling our team on 0433 145 090 or visiting [www.kallea.com.au](http://www.kallea.com.au). Simply fill out the form and one of our team will get back to you.

## How do I know if I qualify for the FHOG?

To be eligible for the grant:

You must be an Australian citizen or permanent resident (or applying with someone who is).

You or your spouse must not have previously owned property in Australia.

You must be at least 18 years of age.

You must be buying or building a brand new home, valued under \$750,000 (Qld)

## How much deposit do I need?

This depends on your borrowing capacity and the value of the home you buy. In most circumstances lending institutions require a minimum of 5% of the value of your home. However if you are eligible for the First Home Owners Grant (FHOG), which is \$15,000 (QLD) or 10,000 (NSW) and the Homebuilders Grant of \$25,000 this amount could cover your deposit.

## What is Lender Mortgage Insurance (LMI)?

LMI is a fee charged by finance lenders. It's generally charged when you have a deposit which is less than 20% of your property's purchase price. LMI allows the lender to have confidence in offering you a home loan, even if you haven't quite reached that 20% deposit. With LMI in place, some lenders will allow you to borrow up to 95% of the purchase price of your home.







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