




First home buyer's guide

Getting you into your first home sooner.

You've got questions? We've got time to talk.

-  Call **13 33 30** to talk with a St. George Lending Manager
8.00am to 8.00pm Monday to Friday (AEST)
-  Speak to a St. George Lending Manager at your nearest branch, Monday - Saturday
-  stgeorge.com.au/homeloans

Accessibility support

At any time, you can inform us how you would prefer to be contacted. If you are deaf and/or find it hard hearing or speaking with people who use a phone, you can reach us through the National Relay Service (NRS). To use the NRS you can register by visiting accesshub.gov.au/about-the-nrs

Visit stgeorge.com.au/accessibility for further information on our accessible products and services for people with disability.



Things you should know: Credit criteria, Terms and Conditions, fees and charges apply. The information in this brochure is current as at August 2023 and does not take into account your personal objectives, financial situation or needs. For this reason, you should consider the appropriateness of the information and, if necessary, seek appropriate professional advice.

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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 St. George Lending Managers are here to help with everything you need to bring your dream 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:

stgeorge.com.au/personal/home-loans/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
- 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 can vary depending on which state or territory you are purchasing your property in. It's usually charged at settlement and could be included in your home loan.

To calculate stamp duty and other government fees, visit stgeorge.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%	15%	10%	5%
\$600,000	\$120,000	\$90,000	\$60,000	\$30,000
\$500,000	\$100,000	\$75,000	\$50,000	\$25,000
\$400,000	\$80,000	\$60,000	\$40,000	\$20,000
\$300,000	\$60,000	\$45,000	\$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. Most states and territories have their own scheme and the offers, qualification criteria and processes for applying vary accordingly.

To check which grants apply in your area, visit your relevant state or territory information at 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 guarantee

David is planning to purchase a **\$500,000** property, with a **\$25,000** deposit (LVR of 95%)
=
LMI would be payable due to the high LVR for this loan.

If David's parents have enough equity in their home, they could provide a **guarantee** of **\$75,000** as additional security on the loan
=
Reducing David's LVR to 80%

This scenario would mean David can avoid paying LMI, **saving him up to \$15,200**

Tip

Family Pledge LVR calculation:
$$\frac{\text{Loan Amount}}{(\text{Property Value} + \text{Family Pledge Amount})} = \text{LVR}$$

Quick tip

Talk to the St.George 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.



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 St.George the amount you nominate to guarantee. If the borrower does not pay the loan, if you do not have the cash to pay St.George 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.



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.



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.

Don't forget:



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.

Check out our handy Budget Planner to help you get started: stgeorge.com.au/budget-planner



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.

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.

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.

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 Lending Manager 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 Lending Manager can help you understand which option is best for you.

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.

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.

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.

Fixed interest rate:

- An interest rate that does not change for a set period of time.
- 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 all fees and charges applicable. They're usually advertised alongside the interest rate.

* While such material is published with permission, St.George 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 or 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 St.George Property Research site: stgeorge.com.au/personal/home-loans/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.

Quick tip: Speak with a Lending Manager

Our Lending Managers can help you with important information, including Seasonal Buyers Guides, Suburb Reports and Property Reports*. Ask us about our comprehensive property reports or visit stgeorge.com.au/personal/home-loans/property-research for more information about properties in your chosen area.

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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 Lending Manager 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 ask a solicitor or conveyancer to help you 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



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 will apply).



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)

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 Lending Manager 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 Lending Manager 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.

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.

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.

Review your home loan every few years

Consider arranging a home loan health check with your Lending Manager 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 Lending Manager to see whether you can arrange a better deal.



Home loan application checklist

To help make the process a smooth one, have this checklist handy when you apply for a home loan with St. George. Keep in mind that this checklist is a guide only, so some of the points may not apply to you.

- Proof of identity**
(Such as a licence or passport)
- Two of your most recent pay slips**
or, if you're self-employed, two years' full financials and tax returns
- Financial statements for your assets**
(such as savings, deposits and investments), that are less than 6 weeks old
- Financial statements for any money you owe** (include mortgage statements, personal loans, credit cards etc.) that are less than 6 weeks old
- Details about your lifestyle and fixed expenses**
- Centrelink payment recipient**
 - And a letter from Centrelink
- Commission/Bonus recipient**
 - Documents from your employer
 - Copies of your tax return
- Maintenance recipient**
 - A copy of the court order
 - A current statement from the Child Support Agency
 - Copies of current statements

If you are building a house or renovating

- Council approved plans**
- Copy of itemised tender quote**
- Copy of the deposit receipt**

If you are purchasing an existing property or vacant land

- Copy of the Contract of Sale**
- Copy of the deposit receipt**

Other documents

- Written confirmation of any deposit gift or loan** you've previously received for this purchase, and details of any co-borrower or guarantor commitments
- A copy of the registered strata plan**
- Evidence of any assets sold**



