

# 3 STEP BUYER'S GUIDE

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FINANCE**

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## STEP FINANCE

1



### WORKING OUT YOUR BUDGET

Before you can borrow money for your first home, you need to answer two big questions:

#### WHAT'S THE MAXIMUM YOU CAN AFFORD TO PAY?

This is the upper limit of what you can spend. Don't forget to factor in the deposit, fixtures, fittings and other costs you will have to fund before you move in. Your bank will offer a wide range of free online calculators that you might find useful when planning your new home.

#### WHAT ARE YOU COMFORTABLE PAYING?

Now work out a figure that leaves you with some flexibility should circumstances change and interest rates fluctuate.

Think carefully about what you can realistically afford based on your:

- Current income
- Financial obligations
- Credit history
- Current savings
- Living expenses

Many advisors recommend allocating around one third of your gross income to mortgage repayments.

#### DEPOSITS

While you will most likely need a minimum five percent deposit to apply for a mortgage, the larger the figure you put down the lower risk you are to the lender. This means you may be eligible for a lower interest rate or avoid paying Lenders Mortgage Insurance.

#### GRANTS AND INCENTIVES

You may qualify for a range of first home buyer government incentives or energy efficiency rebates (eligibility criteria, conditions and values change from time to time - check relevant agencies departments). In addition, many Peet estates offer additional bonuses and special offers, such as free fencing and landscaping.

### APPLYING FOR FINANCE

By sorting out your finances before looking for your new home, you'll know exactly which house and land packages you can target. What's more, having a pre-approved loan allows you to act straight away, which is a strong position to negotiate from when you buy. Check with your developer if they require a pre-approval letter when you pay the deposit.

Be sure to shop around for the best deal on interest rates, fees and repayment options. Independent mortgage brokers can provide details on behalf of a range of financial institutions.

#### LOAN TYPES

Loans are made up of two components - the principal, or amount you need to borrow, and the interest, which is how much you pay to borrow the money. There are five main kinds of home loan.

- **Fixed interest:** Interest rates and repayments are fixed for a set period, usually three to five years.
- **Variable interest:** Repayments rise or fall in line with interest rate variations.
- **Split:** Interest on a portion of the loan is fixed while the remainder is subject to variable rates.
- **Low-doc:** These loans are mostly for self-employed people who don't have all the financial documents normally required to get a loan.
- **Line of credit, redraw or offset:** Allows you to withdraw funds from your mortgage for other purposes.

#### EXTRA COSTS AND FEES

Be prepared for potential extra costs that come with your mortgage, including lender's fees, mortgage insurance, stamp duty, conveyancing fees, settlement agent fees, property inspection costs and home building insurance.

### FAQ'S

#### WHAT IS A CONSTRUCTION LOAN?

A construction loan is typically short (12 months) and commonly has a progressive draw down. This means you can draw from the loan to pay construction costs as you go. During construction loan repayments are interest-only and payable on the amount that has been drawn down.

#### WHAT IS LENDERS MORTGAGE INSURANCE (LMI)?

If you have a small deposit, Lenders Mortgage Insurance can help you buy your home sooner. LMI is a one-off payment added to your home loan, which protects your lender if you default on your loan. LMI is commonly paid when more than 80% of the value of the property is borrowed.

#### DO I NEED TO PAY STAMP DUTY ON HOUSE AND LAND?

One of the costs you may have to pay is stamp duty. Stamp duty is a government tax paid by the purchaser of property or land. Buying vacant land can save you money on stamp duty. Rates vary between states and territories and exemptions and/or concessions may apply for first home owners. If you are a first-home buyer, check what stamp duty concessions you are entitled to in your state.

#### AM I ELIGIBLE FOR THE FIRST HOME OWNERS GRANT?

If you are buying your first home, you may be entitled to the First Home Owners Grant (FHOG) of up to \$10,000. The grant helps offset the cost of stamp duty, assisting you to get into your own home. In WA, you will generally be eligible if you are an Australian citizen or permanent resident; have never owned a residential property anywhere in Australia before; have not previously received a First Home Owners Grant; are 18 years or older; and plan to buy your home within 12 months of receiving the grant and live in it continuously as your principal residence for at least six months.

#### CAN I GET ACCESS TO KEYSTART?

In WA, the Department of Housing offers a range of home ownership products through its lending provider Keystart Home Loans. Keystart helps people who might not qualify for a home loan from a traditional bank or lender, into a home of their own. Specific loan assistance is available for public housing tenants, sole parents, people living with a disability and Aboriginal borrowers.





## STEP LAND

2



### CHOOSING YOUR BLOCK OF LAND

Over time, your land investment will return much more than your home, making it crucial that you choose the best block.

#### LIFESTYLE

You're investing in the entire neighbourhood, so matching your lifestyle with the location is very important. Focusing on the lifestyle aspect such as walks on the beach, playing in the park with your kids, great coffee at your local cafe, all make a location a perfect place to live.

#### LOCATION

As one of the most significant investments you'll ever make, it's important to find the right location for your home. Budget, lifestyle, transport needs, accessibility to schools, recreation and other facilities should all be considered when looking for the ideal community to call home.

#### DEPOSITS

This can often limit 'off the plan' home designs, which can add cost and time to the building process. The size of the block will influence the cost, maintenance required and footprint of your home.

- Flute or Terrace: 140sqm to 225sqm, with frontages of less than 8.5m (rear-loaded).
- Cottage: 225sqm to 450sqm, typically with frontages of 8.5m to 12m (rear-loaded).
- Traditional: over 450sqm, typically with frontages of 13m or more (front-loaded).
- Homestead: 1000sqm or more.

### THE BUYING PROCESS

Here's the steps you'll go through when buying land:

#### 1. SIGN A CONTRACT OF SALE

This is the written agreement outlining the terms and conditions of the sale, including the price you are offering and the settlement period. It will be either a conditional offer (containing specific conditions on which the sale relies) or an unconditional offer (when the purchaser has funds immediately available).

#### 2. EXCHANGE CONTRACTS

Once the price and conditions are agreed, both the purchaser and seller sign the contract of sale document.

#### 3. PAY A DEPOSIT

This is held in a trust account and cannot be accessed by the developer until settlement.

#### 4. FIND A SETTLEMENT AGENT

You will need to appoint a settlement agent/solicitor who will handle the paperwork involved with your purchase. At this point you will need to clarify any special terms and conditions of the sale.

#### 5. FINALISE YOUR LOAN ARRANGEMENTS

You will need to finalise and sign all your mortgage documents. Your lender or mortgage broker will assist you with this process.

#### 6. SIGN A TRANSFER OF LAND DOCUMENT

After the exchange of contract you will be asked to sign a transfer of land document. The document is then registered with the Land Titles Office / Register of Titles (by the owner or developer) so the property can be transferred into your name.

#### 7. REGISTER THE LAND TITLE

This is an official record of ownership of the land and is kept by the Land Titles Office / Registrar of Titles. Once the purchase is officially registered, final settlement takes place, your mortgage becomes active and the property is yours!

Peet Sales Representatives will explain all the dates and conditions covered in your contract of sale. However, we strongly recommend you seek professional financial and legal advice before making any offer or entering into any contracts.

### FAQ'S

#### HOW MUCH SHOULD I BUDGET FOR SITE WORKS?

It all depends on what lies beneath your block, how much it slopes and where you are building. Some sites are rocky, sandy or contain heavy clays. Site works include all the work it takes to prepare a site for building and it can be difficult to estimate the exact price. Builders will be able to advise you of an approximate cost based on previous work in the area so make sure you allow for the maximum price advised in your building budget so you don't get caught out.

#### WHAT DOES TITLED LAND MEAN?

For any property to be legally sold including a new land lot, it must have a certificate of title. This is a legal document issued by a state/territory government which details the description of the piece of land and who owns it. When you buy a property the title will officially be transferred to you.

#### WHAT IS A REAR-LOADED BLOCK?

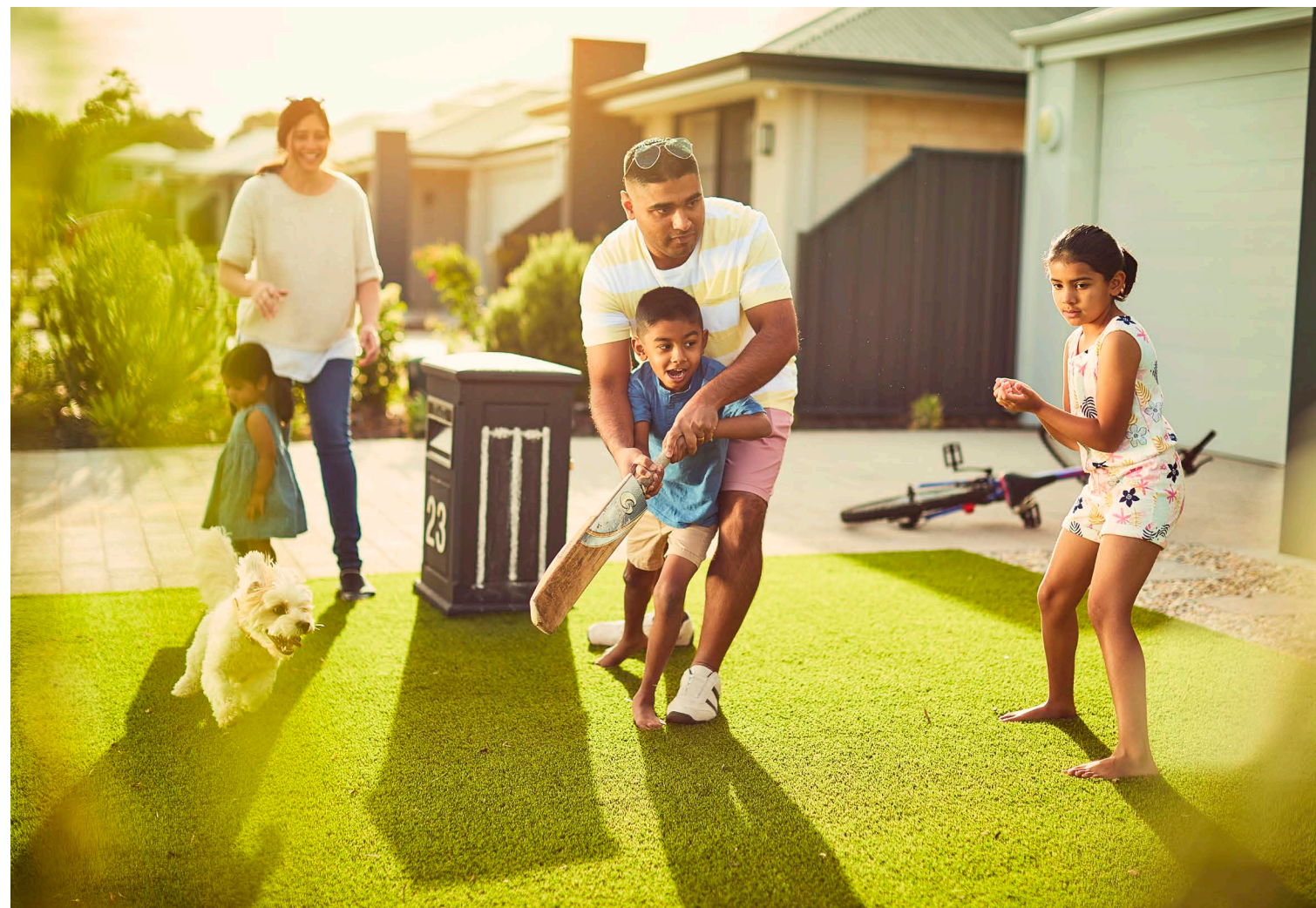
A rear-loaded block offers vehicle access or accommodation from the rear. This generally means your garage is located at the back of your house. This has the advantage of creating walkable, more intimate neighbourhoods, free of driveways with more attractive streetscapes.

#### WHAT IS A SETBACK?

A setback is the distance from a boundary to a building. The setback of buildings from the street has a significant impact on the character and feel of a neighbourhood. The ideal setback for your neighbourhood will depend on the lot type and style of the estate. Large rural blocks will have bigger setbacks encouraging a sense of privacy whereas smaller, cottage style lots will have smaller setbacks to allow for the creation of friendly street frontages.

#### WHY IS THE FRONTAGE IMPORTANT?

How wide the front of your block is will determine the style and size of the home you build. It may also impact on whether the garage is placed at the front or rear of the block. Most estates have building covenants and guidelines to protect your investment and ensure a quality street appeal throughout the entire neighbourhood. For more information, talk to your builder or architect before choosing your home design.





## STEP HOME



### CHOOSING YOUR NEW HOME

Now that you know what you can afford and where you would like to live, it's time to choose your new home design.

There are two main options:

#### 1. PROJECT HOMES

Building companies provide a selection of designs that can be chosen as-is or varied slightly depending on your needs. Project homes are cost effective and sometimes presented as house and land packages.

#### 2. CUSTOM-BUILT HOMES

Architecturally designed to your brief with a home builder or contractors employed to construct the home.

#### VISIT DISPLAY VILLAGES

Display homes allow you to see what designs fit your requirements. Talk to builder representatives about your needs and take plans away so you can review the concepts at home. Builders can often vary existing designs or offer optional extras to suit different lifestyle needs.

Peet has display villages at many of its communities – ask your Sales Representative for details or view our website for locations.

#### SELECT YOUR BUILDER

Selecting your builder is one of the most important decisions you'll make. There's a wide range of expert builders who can help turn your ideas into reality. Here are some questions to ask when choosing the right builder or architect:

- Are you registered?
- How long have you been building?
- How many homes have you built?
- Can I see a finished home?
- Have you won any awards for your work?
- What warranties do you provide?
- Do you have insurance?
- What is included in the price?
- What is excluded in the price?
- What are my payment terms?
- How long will construction take?
- Do you offer any building incentives?

### BUILDING PROCESS

Here are the stages you can expect to go through on your exciting journey toward new home ownership:

#### 1. CONTRACTS, PLANS AND SPECIFICATIONS

You start by deciding on detailed home designs, elevations, plans and specifications, which are incorporated into a building contract, along with time frames and costs.

#### 2. SECURE APPROVALS

Before starting work, your builder will apply to the relevant local authority for a building licence and other approvals.

#### 3. PRE-START MEETING

This is your final opportunity to ensure you're comfortable with the details (such as types and colours of fittings and materials) before construction commences.

#### 4. CONSTRUCTION

Work begins! Your builder's appointed site manager will manage the building process, but it is important to stay in regular contact and raise any questions or concerns.

#### 5. PRACTICAL COMPLETION

Once the building is complete, the building surveyor or inspector will make a final assessment. You will also be invited to conduct your own inspection to satisfy yourself that your home is as you specified in the building contract.

#### 6. HANDOVER

At handover, you should receive the keys to your house and a copy of all relevant warranties and certificates. It is now time to move in and enjoy your new home!

The Consumer Affairs Division of the WA Department of Commerce publishes a Home Buyers Survival Guide, available from [commerce.wa.gov.au](http://commerce.wa.gov.au)

### FAQ'S

#### WHAT IS A BUILDING COVENANT?

Covenants are guidelines that require structures in a particular development to conform to specific standards. Building covenants can control the way houses are built by determining such things as height restrictions, the type of materials used, the time within which construction is to be completed, and the type and size of fencing allowed.

#### WHAT IS AN ENERGY RATING AND WHY IS IT IMPORTANT?

The Nationwide House Energy Rating Scheme (NatHERS) is a national framework for rating Australian houses for energy efficiency. The costs and environmental impacts of heating and cooling a home can be reduced through good design and construction. Under the scheme, homes are given a star rating between zero and ten. New homes are required to meet six star energy efficiency standards. Your builder can explain these requirements so make sure you talk to them about energy efficiency when choosing your home design.

#### WHAT DOES THE PRESTART PROCESS ENTAIL?

This is the fun part! At prestart you get to choose the finishes for your home – from tiles to bench tops, door handles and paint colours. While exciting, facing so many decisions can also be a little daunting. Your builder will usually appoint a prestart consultant to guide you through the process and help you choose what's right for your new home.

#### WHAT DO I NEED TO CONSIDER WITH SOLAR ORIENTATION OF MY HOME?

Orientation simply refers to the way your home is placed on the site to take best advantage of climatic features like the sun and cooling breezes. Good orientation can make your home more energy efficient, more comfortable to live in and cheaper to run. Talk to your architect or builder about the ideal placement for your home so it's warm in winter and cool in summer.

#### CONSIDER A NEW HOMES COURSE

The Home Base New Homes course is designed to empower you with the knowledge of how the building industry works to allow you to negotiate with new home builders on your terms. Check out their website at [homebaseperth.com.au](http://homebaseperth.com.au)



# PEET

## HELPFUL LINKS

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### **[asic.gov.au](http://asic.gov.au)**

Details on your personal credit file from the Australian Securities and Investments Commission.

### **[commerce.wa.gov.au](http://commerce.wa.gov.au)**

The Department of Mines, Industry Regulation and Safety's Consumer Protection Division has a helpful portal of information to know when buying a property.

You can also check if your builder is registered with the WA Building Commission, simply navigate to this via the most viewed links for Building and Energy.

The Consumer Protection Division also provides useful guidelines about working with builders and building contracts.

### **[mbawa.com](http://mbawa.com)**

The Master Builders Association provides details of builders operating in WA.

### **[hia.com.au](http://hia.com.au)**

The Housing Industry Association also provides details of builders operating in WA.

### **[firsthome.gov.au](http://firsthome.gov.au)**

Up-to-date information about first home buyer grants and incentives.

### **[mfaa.com.au](http://mfaa.com.au)**

See if your finance broker is registered with the Mortgage and Finance Association of Australia.

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**To find out more about Peet Limited, visit [www.peet.com.au](http://www.peet.com.au)**

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