



# FINANCE NEWS | VIEWS | CLUES

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### 6 STEPS IN PLANNING A PROPERTY PURCHASE

The first step towards home ownership involves a lot of planning. When looking to make that property purchase whether it is your first time or not, the size of your deposit is a significant factor in your preparation. The following guide is designed to take you through the steps to reach one of life's big moments.

#### 1. WORK OUT YOUR DEPOSIT TARGET

Having a good habit of saving and budgeting is the best way to get going. But it can be hard knowing exactly how big your deposit should be. Take a look at the area you hope to buy in, recent sales prices and the average percentage price increase year on year. That will give you a good idea of what you need to aim for. With the help of the First Home Loan Deposit Scheme the minimum deposit to take out a home loan is 5 per cent of the total purchase price of the property. This applies to first home buyers only. Generally however any deposit less than 20% of the value of the property will require Lenders Mortgage Insurance. If possible it is best to avoid this as it is an additional cost to the loan.

#### 2) START YOUR BUDGET

If you don't have a monthly budget already then now's the time to work out exactly where your money's been going – and where you want it to go. Sounds simple but it is the heavy lifter when it comes to saving up for deposits. It's only when we see how much gets spent on coffees, drinks or takeaways, that many of us realise and we can start to keep some money back each month. The lenders do a significant analysis on expenses and what people actually spend compared to what they declare they spend. Get your expenses under control and it will assist you in the serviceability of any loan.

#### 3) GET CREDIT READY FOR LENDERS

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When looking to buy a home, it's really important that your credit history is in as good a shape as possible. First, pay off any outstanding debts if you can. Clearing your debts plus a history of regular savings in your bank account, combined with a good record of employment, will really help you secure a home loan in the future. It'll also stop you paying over big sums in interest; credit card debt eats up money. If you have large limits on credit cards think about whether you use all that limit. Lenders charge a set fee each month depending on the size of the limit and this affects your borrowing capacity.

Second, check your credit rating. Companies that give credit (like banks, insurance companies and power companies) want to know if you have a good financial track record. Credit agencies collect that information to help those companies make decisions about lending to people. They gather information about your credit history and, on the basis of what they find, they give you a credit score – a number between 0 and 1,000. Most credit scores are between 300 and 850. The higher the score, the better your credit rating is. Have a look at the report and make sure everything is accurate. If you see any mistakes, now is the time to correct them. If you've never applied for credit, you probably won't have a credit score but most people have a credit history of some sort. As your broker we can access your credit report and discuss with you your rating.

#### 4) UNDERSTAND THE COSTS INVOLVED WHEN BUYING A PROPERTY

There are lots of small extra expenses and fees that are part and parcel of applying for a home loan. These have the potential to add up, so it's super important to do your research into the details of any offer you look at. Hidden costs include establishment fees, legal fees, government and registration fees all add to the overall expense.

#### 5) GET A FEEL FOR THE MARKET

Other important things to think about are the average price for where you want to live and home loan interest rates – both of which can change in a changing market. Speak to the real estate agents in those areas you are interested in. Engage a property buyer if you do not feel confident in the information you receive from agents. These property buyers are experienced professionals who deal in the real estate market everyday and have a strong understanding of value. You could also think about going to some property auctions to get a feel for how the market is going and what the demand is.

## 6) DECIDE WHAT ADVICE YOU NEED

Buying a property will most likely be the single biggest expenditure you will make in your lifetime. It is imperative that you get the right advice to guide you through the process. Whether it is a buyers agent, an accountant, conveyancer or your finance broker. These people are there to provide the expertise and assistance.

## SEEK EXPERT HELP FROM US

These steps are there to help you in getting ready to make that property purchase. Once the planning is done and the decision has been made knowing you can finance the purchase becomes critical. Here at M Point Finance we work with a field of experts to assist our clients to be buyer ready. Seek out a pre-approval now so you are ready to go on that next property.

Reach out to Andrew ([alennon@mpoint.com.au](mailto:alennon@mpoint.com.au)) and we can assist with your new financing needs.