

# SO, YOU WANT TO BUY A PROPERTY...

Whether you're just daydreaming, drawing up a budget or already have a mortgage, get closer to your real estate goals with our stress-free guide to owning a home. By Bessie Recep

These days, women are doing it for themselves – buying property, that is. We now make up almost half the sole home loan applications (less than two years ago, the split was 70/30 in favour of men), according to data from RAMS Home Loans.

Rachel Barnes, from [www.property-women.com.au](http://www.property-women.com.au), is not shocked by the shift. "I'm just surprised it's taken so long!" she says. "There are so many women out there who have the skills to buy and invest in property, but often they just don't have the confidence and knowledge to get out there and start."

And there's the real estate rub. As exciting as the thought of owning a home is, just thinking about buying a property can be overwhelming, confusing, and yes, downright scary. So we've done the homework for you ...



## BUYING VS RENTING

Tired of paying someone else's mortgage, but not sure whether owning a home will be worth it? "Renting is often cheaper for you day to day, and you don't have to worry about paying rates, taxes and maintenance costs. You can also generally afford a better class of property to rent than you could buy," says Barnes, adding, however, that buying gives you peace of mind that renting never will.

David Airey, president of the Real Estate Institute of Australia, agrees: "Purchasing a home means that you are putting your money into something that will provide you with a financial return at a later date, while you can never recover any money that you have paid while renting."

So, how can you expect the options to affect your hip pocket? If you rent a house or unit in Sydney initially worth \$300,000 for \$400 a week for 10 years, you'll pay a total of \$208,000, assuming the rent never goes up (yeah, right!). However, if you buy the place instead and repay a \$285,000 mortgage with a 7.8 per cent interest rate†, you'll pay \$266,760 over 10 years, plus homeowner expenses, but you can expect to sell your unit for \$600,000.

Yes, you read correctly. States and cities vary, but property values in Sydney are predicted to double in the next 10 years. So, when it comes to long-term gain, property ownership wins hands down.



## THE PURCHASING PROCESS

**OK, so you've downloaded the realestate.com.au app. Now what? Let's break it down ...**

**Meet with lenders** Almost 90 per cent of Australian home loans are with the big four banks, but there are other options. "If you're nervous about your financial history, go to a broker as they have a broader spectrum to choose from," advises Peter Boehm, author of *The Great Australian Dream: A Guide To Buying Your First Home* (Slattery Media Group, \$25). Then, find out if you're eligible for the first homeowner's grant (visit [www.firsthome.gov.au](http://www.firsthome.gov.au)) or exemptions from stamp duty.

**Save your deposit** "Proof of genuine savings makes you a more attractive borrower," reveals Boehm. Clear debts ASAP, too. "Lenders take into account your credit card limit, not what's outstanding. So pay off the balance or reduce your limit."

**Find a loan that suits you** Fixed rates make budgeting easier, while variable rates are lower, but subject to fluctuation. "Determine which best meets your financial goals," says Boehm. "Do you need flexibility to make extra payments? Do you want a redraw facility that allows you to borrow back? Are you interested in honeymoon [discounted starting] rates or repayment holidays [a pause in repayments]? Don't focus solely on the interest rate; that alone shouldn't be your guiding factor." Once you've settled on a loan, ask about pre-approvals – they'll make it easier to purchase straightaway.

**Find a place you love** You'll need a solicitor or conveyancer to handle your property transaction for you. "Make sure you ask what fee you will be charged to have them look over contracts on your behalf," recommends Airey. Found "the one"? Organise building inspections of the property. "This may save you from

later having to get termites removed or fixing a ceiling that is not watertight."

**Make an offer** If you're buying through private treaty (ie, the property is "for sale" for a set price), you'll need to make an offer to the real estate agent, who'll submit it to the vendor. If the property is going to auction, you'll need to register as a bidder. Offer accepted? Let your lender know so they can do their valuations and provide you with formal loan approval.

**Exchange contracts** "The buyer and seller sign and swap contracts regarding the sale through their respective solicitors," explains Boehm. The deposit is also required at this stage, usually as a cheque.

**Settlement** Congratulations, you're a homeowner! This usually takes place six weeks after exchange. Many lenders expect repayments to start a month later. ▶

PHOTOGRAPHED BY AUSTRAL; GETTY IMAGES. \*ACCORDING TO THE REAL ESTATE INSTITUTE OF AUSTRALIA, MARCH 2011. †ST GEORGE BANK STANDARD VARIABLE RATE AT THE TIME OF WRITING

Average  
proportion of income  
devoted to meeting  
loan repayments\*:  
**35.3%**

## HOW TO PAY OFF YOUR MORTGAGE – FAST!

**Daunted by the prospect of a 30-year debt? Don't be. Follow these simple tips to become mortgage-free much sooner than you thought.\*\***

■ Make additional repayments. "Doing this could save you thousands of dollars in interest over the life of your loan," reveals Andrew Moore, St George Bank's chief operating officer.

Extra monthly payments	Time saved	Interest saved
\$50	2 years, 7 months	\$46,682.53
\$75	3 years, 8 months	\$65,795.49
\$100	4 years, 8 months	\$82,802.27
\$150	6 years, 5 months	\$111,875.79
\$200	7 years, 10 months	\$135,946.48

Lump sum (one-off) payments	Time saved	Interest saved
\$500	3 months	\$4625.26
\$1000	5 months	\$9166.53
\$2000	10 months	\$18,007.83
\$5000	2 years	\$42,773.12

■ Make your repayments fortnightly instead of monthly. "It's a great tip for home buyers – and a simple one," comments Moore. You'll save a whopping \$120,711 in interest over the life of a 30-year average first mortgage, plus slice six years and 11 months off the length of your loan.

■ Save and pay less interest. "A home loan with a 100 per cent interest offset facility lets you offset your savings against the balance of your home loan," says Moore. In other words, every dollar in that offset account will be taken off the amount owing on your home loan, which is used to calculate the interest you pay every month. The more savings you have in the account, the lower the balance, which means that you pay less interest and can pay off your loan more quickly.

■ Have your salary paid into your offset account. Explains Moore: "For interest-offset loans, the interest charged to your home loan is calculated on your daily home loan balance, less the amount in your savings account." Therefore, if you have your salary paid into the offset "savings" account, you'll maximise the benefits.

## THE DEAL WITH DEPOSITS

Most lenders only require a five per cent deposit, but experts recommend you aim for 10 per cent to save money in the long run. How? "You'll be paying less interest because you're borrowing less and a larger deposit will also reduce the cost of the lender's mortgage insurance [which protects the lender if you default on your home loan, and is usually applicable when you borrow at least 80 per cent of the purchase price]," explains Boehm.

**Saving a deposit comes down to budgeting, says Boehm.**

**Here's his five-step-guide:**

- 1 Set yourself a goal including both a time frame and amount, for example: "I want to save \$30,000 in five years."
- 2 Tot up all outgoing (groceries, rent, bills) and deduct from your income to see how much spare cash you've got.

- 3 Search for savings. Look over all your outgoing and separate your needs from wants.

Consider term deposit accounts, which have high interest rates and keep your money "locked away" for a fixed period – great if you want to avoid the temptation to dip into your savings.

- 4 Get a separate savings account. Think "out of sight, out of mind" and set up a direct deposit from your everyday account on payday, so there's no temptation to spend those savings.

- 5 Review your progress monthly. Not where you need to be? Reconsider whether your goal is realistic, or if there's more you could be doing to achieve it.



## WORDS OF WISDOM FROM WOMEN WHO'VE BEEN THERE

**Be realistic** "I had a 'list' in mind when looking and had to compromise a little on location – but I remind myself that I've got my foot in the door of the competitive property market and can only work my way up from here." *Natalie Schulz, 33, bought a two-bedroom townhouse in Brisbane in 2008.*

**Shop around for the right home loan** "I chose a deposit-free option, but when I noticed I wasn't getting anywhere in my payments more than 12 months later, I refinanced and had to pay significant fees for breaking my loan contract so early on. In hindsight, the home loan product I was sold was probably not the best option." *Jaci Thorne, 30, bought a two-bedroom unit in Adelaide in 2006.*

**Keep an eye on the market** "Every week, check the sales results for locations that you're interested in. Whenever I saw a property that I liked the look of, I could go back to my pile of data and make an educated offer based on previous sales." *Jackey Swiecicki, 27, bought a one-bedroom unit in Melbourne in 2011.* ■

Visit [www.marieclaire.com.au](http://www.marieclaire.com.au) for more expert tips on how to be a savvy home buyer.



PHOTOGRAPHED BY GETTY IMAGES. \*ACCORDING TO THE REAL ESTATE INSTITUTE OF AUSTRALIA, MARCH 2011. \*\*CALCULATIONS BASED ON THE AVERAGE FIRST HOME-BUYER LOAN OF \$276,900 WITH A STANDARD VARIABLE INTEREST RATE OF 7.8 PER CENT AND A 30-YEAR LOAN TERM. VISIT HOME LOAN CALCULATORS AT [WWW.STGEORGE.COM.AU](http://WWW.STGEORGE.COM.AU)