it's my home

2020 ISSUE 06

HOME BUYING *MYTHS BUSTED*

☑ *Checklist for*
MOVING HOUSE

Top **TIPS**
FOR BUYING YOUR FIRST PROPERTY

Quiz
IS IT TIME TO UPSIZE OR DOWNSIZE?

OUR GUIDE TO **BUYING PROPERTY** ➤

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WELCOME to the sixth edition of *It's My Home.* Buying a property is one of the biggest financial decisions people make in a lifetime. At Genworth, we understand that it is an exciting time, but also can be a stressful time. We are delighted to present our 2020 edition of *It's My Home magazine*, with its mix of educational and lifestyle articles to assist you along the home buying journey.

For over 50 years our purpose at Genworth has been to support Australians to realise their dream of home ownership and to assist them in getting into their own home sooner by providing Lenders Mortgage Insurance to their lender. *It's My Home* is one of many resources we have created to help you navigate this process, providing you with professional insights and tips to get you started and guide you along the way. Inside this edition you will find information to help you understand different common lending and mortgage terms, a step-by-step guide to buying property, and advice from a real estate agent on what to look for when buying your first property. Also included are checklists for you to use when buying a property and moving home, to ensure your home buying journey is as smooth as possible.

Once you have settled into your home, it's time to think about decorating, so in this issue we share ideas on optimising and decorating small spaces, and a DIY guide to growing a herb garden. Our community partner SecondBite reveals ways for you to reduce your food waste at home, benefiting the environment and your budget.

We hope you enjoy the magazine and let us know what you think of our sixth edition. Feel free to drop us a note at **itsmyhome@ genworth.com** or get in touch via LinkedIn or Facebook.

PAULINE BLIGHT-JOHNSTON, CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR, GENWORTH AUSTRALIA

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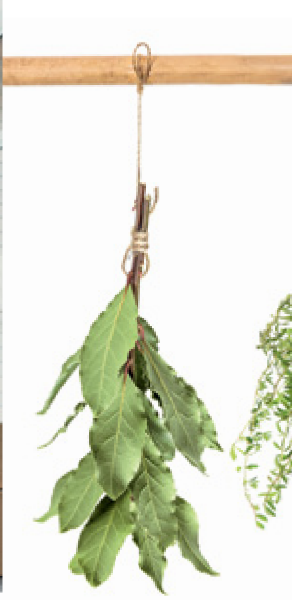

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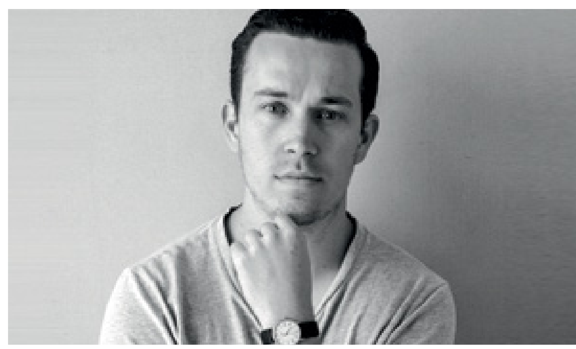

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Step-by-step guide to

BUYING PROPERTY

THE BUYING PROCESS MADE EASY

There is a lot to think about when buying a home. The process can be both exciting and overwhelming. Identifying what you want in your dream property, understanding home loans and navigating your way through all the paperwork can be challenging.

By becoming familiar with these steps and doing some preparation, you can reduce the stress involved in the buying process. You should seek expert advice when making a large financial decision to determine if it is right for you. Becoming a home owner gives you the ability to make your house into a home, and it gives you a valuable asset to build equity upon.

1 SET YOUR BUDGET

First, decide how much you can afford to spend – keeping in mind all the additional costs associated with buying a home. The largest of these is stamp duty or transfer duty, which varies by state and is generally charged as a percentage of the purchase price.

As an example, if you are a first home buyer buying a property in New South Wales for less than $650,000, you can apply for a full exemption. But if you are buying a property valued between $650,000 and $800,000, you may be eligible for a first home buyer partial stamp duty concession.

Various stamp duty concessions are available for first home buyers depending on the location and the type of property you buy.

In some cases, this cost may be partially offset by First Home Owner Grants (FHOGs) intended to encourage first home buyers to enter the property market. FHOGs also vary from state-to-state and apply mainly to new homes, rather than established properties.

2 RESEARCH THE MARKET

Once you've set your budget and chosen your ideal property, it is important to research the market in the area in which it is located. When you are considering a particular location, look at infrastructure and amenities such as public transport, educational facilities and shopping centres. Geographical factors should also be considered such as distance to the CBD and any infrastructure that will affect noise levels or the aspect of the property, such as substations or large electricity towers. You can use our checklist for inspecting a property (on page 12) to assist.

Websites that can help with research include **realestate.com.au** and **domain.com.au**. You could also build a relationship with the local real estate agents in the area, so they can let you know of properties that are coming up before they are advertised. The local real estate agent will also have additional information on any properties of interest.

If finding the right property is proving difficult, you might consider using a buyer's agent who can do all the house hunting for you, will work to your budget and negotiate on your behalf. Unlike a real estate agent who works for the vendor/seller, a buyer's agent works solely for the buyer.

3 CHOOSE THE RIGHT HOME LOAN AND GET PRE-APPROVAL

While searching for your dream home or investment property, it's a good idea to get pre-approval for your loan from your lender, mortgage broker or one of the many emerging online options. Having pre-approval will mean you can move quickly when you find your dream home. You will need to provide employment details including income and expenses, assets and liabilities, and some personal details. Mortgage brokers may be able to offer you a range of loan products from various lenders, so they can be a good option for a first home buyer. Usually pre-approvals will be valid for 90 days, however this can vary from lender to lender. As with any financial decision, it's wise to shop around for the best deal.

One important consideration when deciding how much to borrow is the size of your deposit. Most banks and financial institutions generally require you to have a 20 per cent deposit. This means that on a property worth $720,000 you will need to have saved at least $144,000 – plus enough to cover stamp duty and any legal and moving costs.

There are other options available if you don't have a 20 per cent deposit. Lenders Mortgage Insurance (LMI) enables you to buy a home with a deposit as low as five per cent. Rather than having to save a $144,000 deposit on a $720,000 property, your lender may be able to provide a loan with a

IT'S A GOOD IDEA TO GET PRE-APPROVAL FOR YOUR LOAN

Pictures: iStock by Getty Images.

deposit of $36,000. This means you can get into your own home sooner, begin paying off your loan and potentially start building equity. LMI is an insurance policy that protects the lender if you default on your loan. LMI is a one-off premium which the lender will pass on to you to pay. The premium can usually be added, or capitalised on to your loan, with your repayments adjusted accordingly.

To calculate the approximate cost of LMI, you can use the LMI premium estimator on the Genworth website **genworth.com.au/premiumestimator**

4 INSPECT THE PROPERTY

Once you have found the home you want to purchase and before you make an offer, you will want to arrange the necessary inspections. You should consider a:

- **building inspection** (to check for structural damage) – can vary depending on location $300-$700
- **pest inspection** – approximately $200-$500
- **strata title inspection** (if you are buying a unit or townhouse under strata laws) – costs may vary from $250-$350.

You should also consider checking with the local council and state government about zoning issues and future property developments that may affect your home.

Your solicitor or conveyancer should advise you on what inspections are recommended for the type of property you are buying.

5 MAKE AN OFFER AND SECURING FORMAL LOAN APPROVAL

Once the inspections have been completed and you are happy to proceed, it's a good idea to contact your lender or broker to update them on the situation. The next step depends on whether the property is being sold at auction or by private treaty, which is a sale directly through a real estate agent or owner.

Private treaty - All of your research will assist you when negotiating the purchase price, however you probably don't want to be too inflexible. It would be unfortunate to lose the property to someone else for an amount that you would have been happy to pay.

Once your offer has been accepted, a holding deposit of approximately 0.25 per cent needs to be paid. There will be a length of time known as the 'cooling off period', which is a set number of business days that is specified in the contract within which you can walk away from the agreement to purchase the property. Typically, the cooling off period will be five to ten business days, although the availability and duration of these periods vary by state. You may also be asked to waive your right to a cooling off period, which is often also the case under auction purchase conditions. If you decide not to proceed, you will typically have to pay the vendor a termination fee, which is usually around 0.25 per cent of the purchase price. Any holding deposit you have paid above this is typically refunded. If the cooling off period has expired, you will generally not be entitled to any refund of the holding deposit.

Auction - If you are buying at auction, be sure to have a pre-approval in place, and that all of the legal work and inspections have been completed prior to the auction. If your bid is successful you are obliged to go through with the purchase as there is no cooling off period. So, make sure you really want the property before you start bidding and, most importantly, that you don't exceed your maximum spending limit.

Speak to your solicitor regarding the amount of the contract deposit required to be paid when contracts are exchanged. This can often be reduced to five per cent, instead of the typical ten per cent however needs to be agreed with the vendor or their solicitor prior to auction.

There are a number of things to consider when it comes to finalising the details of your home loan. One important decision is whether you choose a variable interest rate loan, in which the interest charges and your regular repayments may go up and down, or a fixed rate loan which locks in your interest charges and regular repayments for a set period of time. Both types of loans have their pros and cons and some borrowers hedge their bets by choosing a combination of fixed and variable rate loans. It's a good idea to discuss your personal circumstances with your lender, broker or financial adviser to ensure that the loan is configured in a way that best suits your needs.

Don't forget to ask about any

LMI CAN ENABLE YOU TO PURCHASE A HOME WITH A DEPOSIT AS LOW AS FIVE PERCENT

additional benefits – most lenders will provide home loan customers with extras such a fee-free transaction account.

6 ARRANGE THE CONTRACT DEPOSIT

If you are paying the contract deposit from your own funds, you can generally use a personal cheque or a bank cheque. If part of the contract deposit is coming from your home loan (e.g. your lender is using LMI and you have less than the ten per cent contract deposit usually required when contracts are signed), you may need to use a deposit guarantee (sometimes called a deposit bond). This is a substitute for the cash contract deposit and is a guarantee issued by an insurance company to pay the contract deposit to the vendor should you default under the terms of the contract or fail to proceed with the purchase. Deposit guarantees can be organised at the same time as your home loan so speak to your lender or broker who will help you to arrange this.

7 CONTRACTS AND LEGAL WORK

Do your research and speak to several real estate agents to find a reputable conveyancer or solicitor that meets your needs.

Your, and the vendor's conveyancer or solicitor, will check the documentation and begin to draw up the contract for the property transfer. Ask your solicitor or conveyancer to explain the contract so that you understand its contents before signing.

DIY conveyancing kits are available, but most people leave it to the experts and use a solicitor or a conveyancer to do the work for them as there is a lot at risk. Conveyancers will have completed hundreds of property transactions and know the hidden traps to watch out for, like finding out that someone has planning permission to build a ten storey office block next door!

The contract will contain a settlement period which is the length of time before you take legal ownership of the property. This can be negotiated but will need to be agreed to by the vendor before the auction or signing contracts. Many lenders will require home insurance to be taken out from the time contracts are signed. Even if your lender doesn't require it, it can be a good idea to take out home insurance at this time to help safeguard your interest in the property.

Once all questions have been answered, your conveyancer or solicitor will organise for you and the vendor to sign contracts and pay your contract deposit. The contract deposit is usually placed in the real estate agent's trust account until settlement.

8 SETTLEMENT

Settlement is usually four to six weeks from when contracts are exchanged. This is the date you take legal ownership of your new home.

Your solicitor or conveyancer will arrange a time and place for settlement to occur with the vendor's solicitor and any other interested parties, such as your lender. The balance of the purchase price will need to be paid on the day of settlement. Your solicitor or conveyancer will arrange this with your lender who will take the balance of funds to settlement.

Generally, the contract of sale will require the vendor to deliver the property to you in the same condition it was in on the day of sale, except for fair wear and tear. It's a good idea to ensure your contract allows you to conduct a final inspection just before settlement. You can arrange this inspection with the real estate agent. If anything is not working or has been damaged, discuss it with the real estate agent and your solicitor or conveyancer prior to settlement.

Once settlement has occurred, the vendor's solicitors will contact the real estate agent who sold you the property and advise them to give you the keys. Your solicitor or conveyancer will also contact you and confirm settlement has taken place. You are then the home owner of the property and can enjoy your new home.

SETTLEMENT IS THE DATE YOU TAKE LEGAL OWNERSHIP OF YOUR NEW HOME, USUALLY FOUR TO SIX WEEKS FROM WHEN CONTRACTS ARE EXCHANGED

Pictures: iStock by Getty Images.

The first HOME BUYING EXPERIENCE

INSIGHTS FROM RECENT FIRST HOME BUYER LAURA

Buying your first home can be an exciting and challenging time. For Laura from Perth, the experience went smoothly when she bought her first home - a four bed two bath house with a big backyard and a pool. She talked us through her property journey and shared some tips and tricks for other first home buyers.

WHAT MOTIVATED YOU TO BUY YOUR FIRST PROPERTY?

A switch flipped in me one day and I decided I was going to buy. It felt like it was now or never as house prices dropped, and I was ready to become a home owner. I have a stable job and I was making good money so I could afford to buy. I like to move fast, the process took six months from when I decided to buy through to ownership. Starting with a Domain search, I knew timing was important to me and I was too impatient to build. I didn't even consider going to an auction.

I only looked at four properties!

HOW DID YOU RESEARCH THE HOME BUYERS' MARKET?

I researched the market by doing some internet research and recommendations from everybody who had used the product or service, including buyers' agents and mortgage brokers. I don't buy anything or go to any restaurant without word-of-mouth from others. Why would you give your money to someone who is less than the best? I was willing to pay extra for the best mortgage brokers and buyers' agents after researching. While it was an extra cost in the short-term, the long-term benefits from hiring the best made my experience buying a house much easier.

I knew what I wanted, and I acted quickly

ARE THERE ANY SPECIFIC THINGS FIRST HOME BUYERS SHOULD KNOW?

A lot of things happen on specific days. When buying a property, there are last available days to do specific things such as get the house inspected, last chance to have a professional look at the property for damage, and the property closing date. I was lucky to have friends help inspect the property on my behalf when I wasn't able to.

HOW COULD YOU AFFORD TO BUY?

Once I decided to buy, I cut back on my lifestyle expenses. I saved for six months to afford the five per cent deposit, because that made more financial sense to me than waiting two to three years to save the twenty per cent. I would have found it very difficult to save for a more prolonged period to get a 20 per cent deposit because that would be pushing my cutbacks for too long. It was a short burst: six months for something you can

I wouldn't have my house now if I was still saving for a 20 per cent deposit

have for the rest of your life. I had some savings, but most of my deposit came from my own saving over six months. I paid the deposit solo, without any help from my family.

DID YOU KNOW ABOUT LMI BEFORE BUYING YOUR FIRST HOME?

I had heard of LMI but didn't understand it. Once I was buying a house and calculating how much I needed, LMI came up and it was the only thing that made sense to me. Yes, it is an additional cost on a mortgage, but how much would I have spent on rent in the next two years or so trying to save up a 20 per cent deposit? It would have been much more than the cost of LMI. It made financial sense to me to use LMI, because I wanted to buy a house quickly while prices were low, instead of renting.

ARE YOU HAPPY WITH YOUR DECISION TO BUY?

Very happy - I absolutely love it here. It was a risk buying a house with a pool because of the maintenance, but I'm so glad I did. I spent all of last summer in the pool, my sisters came over from the UK and we spent days playing like kids!

WHAT ADVICE WOULD YOU GIVE TO FIRST HOME BUYERS?

First home buyers might be surprised by the costs that come with buying a house – it's quite a lot extra. To best tackle this, you need to find the right people. It is easy to hire the people initially offered to you, but keep in mind that there may be other brokers/buyers' agents who are better. If you find the right people, they will outline the cost of everything. Also search everything online. The Internet is your friend. Everything is available online.

Start saving straight away. Find out how much you're willing to pay, and how much of a deposit you have. It's important to understand the buying power you have based on what you can afford to spend, more importantly, don't buy outside your means. If you are a first home buyer, you might have to trade off on certain elements, so knowing what you want and being aware of what you're willing to compromise on in a property will help you make a decision faster.

You'll know the one when you see it. When I saw my house, I knew it was the one I was getting.

DIY
HERB GARDEN

MARK VALENCIA, OWNER OF YOUTUBE CHANNEL 'SELF SUFFICIENT' ME EXPLAINS THE BENEFITS OF GROWING YOUR OWN HERB GARDEN.

Creating a DIY herb garden can be easy and I'm going to give you some information that will hopefully convince you to spice up your home and grow a herb garden.
One of the main reasons I love growing herbs is that for a food crop you don't need much to make a big impact. In other words, herbs (and spices) can be grown just about anywhere in even the smallest spaces and you only need to harvest a minimum amount to bring maximum flavour to your food.

When you buy fresh herbs from the supermarket, you generally only use a small portion of them. It would make more financial sense to grow your own fresh organic herbs, harvesting what you need and then regrow them back!

Most herbs and spices are extremely easy to grow – much easier than it is to grow regular fruit and vegetables and that's why you often see them grown in quirky places such as wheelbarrows and on windowsills.

Herbs will grow best in good fertile soil in a free draining garden bed or use a premium potting mix in containers, small raised beds and large pots. With regular water and reasonable sunlight your herb garden should flourish. Having said that, most herbs will do just fine if somewhat neglected, which makes them an ideal food crop for a busy gardener.

All herbs can be used separately or combined to create the base for many of the world's most famous dishes. Or, if you're like me, you can experiment and make your own unique combinations, that will impress your family and guests.

GROWING A SMALL CONTAINER OR RAISED BED HERB GARDEN MAKES IT EASY TO GRAB A HANDFUL OF BASIL FOR A PASTA, A SPRIG OF ROSEMARY TO SPRINKLE OVER POTATOES, OR PICK A FEW CHILLIES TO SPICE UP A CURRY.

Most herbs grow well in containers or together in a small garden to make a spectacular edible display. In a smaller garden setting (or even a larger one) dedicating a specific area for your herbs can make them easier to manage and harvest when required.

Perennial herbs or continuous herbs like Thai basil, galangal, cardamom leaf, bay leaf, rosemary and native Australian ginger will grow all year in most places so using them for food and as ornamentals can be the perfect addition for an urban setting.

Annual herbs such as basil, coriander and dill will readily self-seed and then grow back next season in the same area often germinating at the best growing time for the plant. I tend to let the seedlings grow where they come up or sometimes, I'll dig them whilst small and replant to other areas of the garden.

Finally, remember this, it was the herb and spice trade from Java to China into the Middle East and Africa all the way to Europe that first opened the world thousands of years ago to discovery, sharing of knowledge and cooperation between nations. So, why not grow some of that ancient history in your very own space (no matter what size) and experience the organic flavour and fragrance of home-grown herbs.

SOME OF THE BEST HERBS AND SPICES TO GROW ARE: BASIL, ROSEMARY, THYME, MINT, CORIANDER, GARLIC CHIVES, OREGANO, GINGER, TURMERIC, CHILLIES, DILL, PARSLEY, FENNEL AND SAGE

MARK VALENCIA

Mark retired from the Australian Army in 2008 after 21 years of service and is married with two children (boys). He has always been passionate about self-sufficiency (even as a child) and he is now enjoying the opportunity to communicate this passion through his blog and YouTube channel, Self Sufficient Me. It is about self-sustainment by growing fruit and vegetables and keeping animals. Visit **selfsufficientme.com**

Pictures: iStock by Getty Images. Self Sufficient Me.

✓Checklist FOR INSPECTING A PROPERTY

THINGS TO CONSIDER IN THE INSPECTION PROCESS

Use this checklist when inspecting properties so you can compare the pros and cons. Happy house hunting!
A detailed checklist can be downloaded from **genworth.com.au/lmitoolkit**

THE LOCATION

- Does the area have the local amenities you might need?
  - Shops
  - Schools and child care
  - Doctors and hospitals
  - Public transport
  - Food and entertainment
- Are there any local council planning changes or planned infrastructure developments in the near future?
- How long will it take you to travel to work?

INSIDE THE PROPERTY

- Check what is included – carpets, curtains, blinds, light fittings, air conditioning, heating and any appliances
- Are there enough bedrooms and bathrooms?
- What is the condition of the electrical wiring?
- Does the plumbing work?
- Are walls, ceilings and floors in good condition?
- Is the kitchen in good condition?
- Do all the windows and doors open?
- Is there enough storage space?
- Is there space for your fridge, dishwasher, washing machine and dryer?

Pictures: iStock by Getty Images.

OUTSIDE THE PROPERTY

- ☐ Is there off-street parking?
- ☐ Is the building structurally sound?
- ☐ Are there signs of damp around the house (eg bubbling paint, a musty smell)?
- ☐ What is the condition of paintwork, windows, fences, gardens, roof and guttering?
- ☐ Is it possible to extend the property in the future?
- ☐ How much northerly sunlight does it get?
- ☐ Is there external noise from traffic, trains or planes?

FIRST HOME BUYERS *snapshot*

KEY FINDINGS FROM THE GENWORTH FIRST HOME BUYERS REPORT

Last year, Genworth surveyed over 3,000 recent and prospective first home buyers to understand what they think about the housing market. The report uncovered several interesting insights into the first home buyer, who make up a quarter of all home buyers.

GENWORTH HAS RESPONDED TO DYNAMIC MARKET CONDITIONS BY DEVELOPING NEW PRODUCT OFFERINGS THAT PROVIDE MORE OPTIONS AND GREATER FLEXIBILITY

FIRST HOME BUYERS ARE READY TO ENTER THE PROPERTY MARKET

Majority of first home buyers believe it is a good time to buy. These home buyers are motivated by their life stage, falling house/apartment prices and low interest rates. Customer sentiment indicates more prospective first home buyers will enter the market soon, as these buyers are waiting for the housing market to moderate.

BUY NOW, WITH OR WITHOUT A DEPOSIT

Increasing numbers of prospective and recent first home buyers are purchasing property without a 20 per cent deposit. First home buyers are buying quickly, with most recent first home buyers purchasing a property in less than six months. This is shorter than what prospective home buyers imagine it will take to buy their first home.

FRIENDS, FAMILY AND SCHEMES TO BUY A HOUSE FASTER

Most first home buyers didn't completely fund the deposit for their first home. Using family assistance to supplement a deposit is a common strategy.

For those doing it alone, some are considering using government schemes. Due to the finite amount of grants and specific conditions, LMI may also be used for first home buyers wanting to buy their first home sooner.

INVESTMENT PROPERTIES: THE NEW FIRST HOME?

Investment properties are increasingly favoured by prospective first home buyers, particularly those in Sydney. One in 10 recent first home buyers use their first property for investment rather than to live in.

SHORT-TERM OWNERSHIP AN EMERGING STRATEGY

First home buyers now plan to own their homes for nearly half of the time of the national average. Trading-up allows home owners the chance to enter the market quickly and then move up to a more desirable home once they have built enough equity to sell at a profit.

APARTMENT LIVING ON THE RISE

First-home buying applies more to apartments than houses in Melbourne and Sydney. The most common property type in these two cities is a small apartment. Outside of these two areas, small houses are still the most popular property to buy.

THE IMPORTANCE OF MEDIA

Digital media is a tool that first home buyers use to understand the property market. A third of first home buyers used the internet as their primary source of information on understanding property.

Pictures: iStock by Getty Images.

Understanding your HOME LOAN

Buying a home is one of the biggest financial decisions in a lifetime. Determining which loan is best can be overwhelming without understanding which products and features are available on the market. There are a lot of home loans to choose from, but not all will be well suited to your needs. To help you select a home loan that is right for you, we have compiled a list of home loan products and their key features. You should always seek financial advice to suit your own circumstances.

THE INTEREST RATE – FIXED VS VARIABLE

Probably the most important decision is whether you choose a variable interest rate loan or a fixed rate loan. The decision to take a fixed or variable rate loan is really a decision about managing your risk. Both types have pros and cons and the direction of interest rate movements is unpredictable.

VARIABLE INTEREST RATE

With a variable interest rate loan, the interest rate charged to you may go up and down. This means that your regular repayment amount will also go up and down as the interest rate changes.

BENEFITS

- You are usually permitted to make additional repayments that can save you interest and can help you pay off your home loan sooner
- Variable rate home loans typically have more flexibility with additional features such as redraw and mortgage offset.

THINGS TO CONSIDER

- Your repayments may increase if interest rates rise
- Makes budgeting more difficult as you are less certain of how much your repayments will be and how interest rates will move
- If you have not budgeted for interest rate rises, you may have difficulty keeping up with your repayments.

FIXED INTEREST RATE

With a fixed interest rate loan, the interest rate charged to you is locked for a set period, typically 1,2 3,4, 5 or 7 years. This means your regular repayment amount will not change during that time.

At the end of the fixed rate term, the loan will usually switch to the standard variable rate offered by the lender or you can choose another fixed rate term.

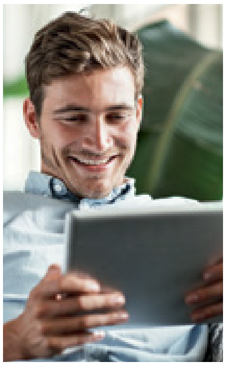
BENEFITS

- Your repayments will not increase if interest rates rise
- Fixed rate loans provide certainty and make budgeting and planning for your futureeasier as you know exactly how much your repayments will be.

THINGS TO CONSIDER

- You will not benefit from falling interest rates
- You are fixed into a set term, so you may be unable to sell your property or refinance until that term has expired
- Unlike exit fees that were abolished in 2011, lenders can still legally charge you a break fee if you payout or refinance a fixed rate loan during the fixed rate period
- You may not be permitted to make any additional repayments, or they may be capped to a certain amount
- A redraw facility is usually not available on fixed rate loans
- When you refinance upon expiry of your fixed rate loan, interest may have significantly increased.

SPLIT LOAN – PART FIXED PART VARIABLE



Another option available is to split your home loan so you have part with a fixed interest rate and part with a variable interest rate. There is typically no restriction on how you split the loan, so you can allocate the proportions that you are most comfortable with e.g. 50/50 or 30/70 etc.

A split loan allows you to take advantage of the benefits of both types of loans – you have the certainty of a fixed rate on part of your loan as well as the flexibility to make extra repayments on the variable rate part of your loan.

PRINCIPAL AND INTEREST VS INTEREST ONLY

Generally, home loan repayments will consist of principal and interest components, gradually reducing the amount owing on your loan. With interest-only loans, only the interest is paid each month, leaving the original principal outstanding at the end of the loan term. This means that at the end of say 10 years, you will still owe what you started with.

PRINCIPAL AND INTEREST

BENEFITS

- You will pay less interest over time and you will pay off your loan in full by the end of your loan term.

THINGS TO CONSIDER

- Your repayment amount will be higher as the principal is being repaid as well as interest.

INTEREST-ONLY

BENEFITS

- Your repayment amount will be lower during the interest only period as no principal amount is being repaid.

THINGS TO CONSIDER

- At the end of the interest only period, your repayments will increase and be higher to repay the principal over the remaining, shorter term.

SPEAK TO A QUALIFIED EXPERT SUCH AS A FINANCIAL ADVISER, LENDER OR BROKER TO GET THE BEST ADVICE FOR YOU

OFFSET ACCOUNT

A mortgage offset account is a bank account that is linked to your home loan. No interest is paid on the savings in the offset account. Instead the savings in your bank account reduce the balance of your loan on which interest is calculated.

BENEFITS

- Your home loan interest is charged only on the net balance, reducing the amount of interest you will be charged which mean you can pay your loan off sooner.

THINGS TO CONSIDER

- Higher monthly fees may apply to have this feature
- No credit interest is earned on the balance in the linked account
- Additional repayments. Some loans offer the ability to make repayments above the minimum repayment amount, so you can repay the loan faster and reduce the amount of interest you are charged.

SPEAKING ABOUT YOUR PERSONAL CIRCUMSTANCES CAN HELP CONFIGURE A LOAN WHICH BEST SUITS YOUR NEEDS

REDRAW FACILITY

This is an optional feature on certain home loans that allows access to any additional repayments made on your home loan. If you redraw funds from your home loan, your outstanding balance will increase. Some lenders have a minimum redraw amount and may also charge a fee per redraw.

ADDITIONAL REPAYMENTS

Some loans offer the ability to make repayments above the minimum repayment amount, so you can repay the loan faster and reduce the amount of interest you are charged.

LOAN PORTABILITY

This feature allows you to transfer your home loan to another property if you move. This may save you money on application fees and mortgage stamp duty down the track.

REPAYMENT HOLIDAY

This feature offers the ability to take a break from your mortgage repayments. Typically, you can reduce or avoid making your repayments for up to six months, during which time the interest is normally added to your loan. Lenders will typically allow repayment holidays when you are changing jobs or are on maternity leave.

REPAYMENT FREQUENCY

Refers to the regularity of loan repayments over a period of time which you must make as indicated in your loan agreement. Repayment frequencies are generally weekly, fortnightly or monthly. It is good to have this flexibility to you can align your repayments to your pay cycle.

TOP UP

Some lenders allow you to increase your loan down the track, using the equity in your home, to complete home renovations, make an investment etc. Fees and charges may apply.

Adding up THE COSTS OF BUYING A HOME

WHEN BUYING A HOME, THERE ARE COSTS THAT DON'T IMMEDIATELY COME TO MIND

Home purchase costs may vary depending on such things as the type of property, the location and value of the property.

Let us help you navigate through these costs so when the time comes for you to buy your first home, you have them in your budget.

STAMP DUTY

This will be your biggest upfront cost after the deposit. The amount depends on the value of the property and the state in which you buy it. Stamp duty varies greatly from state to state and the rules (and exemptions) can seem complicated. Stamp duty must be paid within three months of the date of exchanging contracts, unless buying 'off the plan' or a house and land package. The various duty schemes change almost yearly, so be sure to check your state. Fortunately, most states offer stamp duty exemptions and concessions to first home buyers.

MORTGAGE REGISTRATION AND TRANSFER FEES

You'll need to pay for the formal registration of your mortgage and as the new owner, the cost of transferring the title to the property into your ownership will fall to you, too. The mortgage registration fees vary from state to state. The transfer fees, on the other hand, are generally more expensive, ranging from a flat fee to thousands of dollars. This is a fee levied by state governments to cover the cost of transferring the title. We recommend that you check your state website for the fees involved.

LOAN APPLICATION OR ESTABLISHMENT FEE

When applying for a home loan, this is the fee for applying or setting up the loan. The application fees depend on the loan and lender. However, some lenders will waive this fee under certain circumstances, so it's worth asking.

VALUATION FEE

Your lender usually requires a formal valuation of the property you are buying. This fee may be included in the application fee charged by your lender.

LENDERS MORTGAGE INSURANCE

Without a deposit of 20 per cent or more, most lenders will require LMI when granting you a home loan.

CONSIDER WHICH COSTS APPLY TO YOUR SITUATION AND BUDGET ACCORDINGLY

This insurance protects the lender if you default on the loan and the property is sold for less than the outstanding loan amount. Premiums vary according to the loan amount, property price and the loan-to-value ratio. This can enable buyers to purchase a home with as little as five per cent of the purchase price as a deposit, helping them to get a foot on the property ladder sooner rather than later.

Genworth's LMI premium estimator is an online calculator that can provide you with an estimate of the LMI fee payable by you to the lender to take out LMI. Visit the Genworth website **genworth.com.au/premiumestimator**

CONVEYANCING AND LEGAL FEES

Conveyancing is the process of transferring the property from the name of the seller to the buyer. You will need to engage a solicitor or conveyancer to do this. While it is possible to complete the legal aspects of buying a property yourself, it's generally recommended that you engage a conveyancer or solicitor to prepare the documents for you and provide advice. A conveyancer or solicitor will help you meet all legal requirements involved with purchasing your home. They'll handle most of the paperwork and can answer any questions you may have about the process and explain the terms and conditions of the contract.

Do your research before hiring a conveyancer. Ask your family and friends if they can recommend someone they've used before or ask your real estate agent for their recommendation. There are no set fees charged for conveyancing. You should get a written estimate of the likely costs before engaging the solicitor or conveyancer.

REAL ESTATE AGENT FEES

The vendor will be required to pay any real estate agent commissions on the sale of their home to you. However, if you're selling your current home at the same time and you are selling through a real estate agent then you will also need to pay the commission on your sale to your real estate agent.

COUNCIL AND UTILITIES

After purchasing the property, you'll need to pay the vendor for prepaid council or water rates as at completion date.

The vendor will have paid rates to the council – generally to the end of the quarter – and they'll simply add your portion of that amount to the purchase price.

PEST AND BUILDING INSPECTION

Once you've decided on a property and before you buy, it's a good idea to get a qualified building inspector to assess it for structural integrity, safe electrical fittings and future maintenance costs and necessary repairs. These checks are particularly important on older homes. You should also get a pest inspection to ensure the property doesn't have a termite problem or other pest issues.

This is one of the most common, and important, upfront costs when buying a home. These checks will help give you peace of mind and could save you a lot of money in the future.

STRATA INSPECTION

A strata inspection examines and reports on the written records of the owners' corporation if you are buying an apartment. It is additional to the certificate that the seller supplies, providing relevant information about strata levies and insurances.

HOME BUILDING INSURANCE

The lender will usually require you to take out home building insurance before completing your purchase. The cost of building insurance will depend on the age, size, location and type of construction of the property. Two types of insurance cover are available.

- **Replacement cover:** to reinstate your property to its former condition. It means, simply, new for old.
- **Indemnity cover:** to repair or reinstate your property taking into account depreciation on the dwelling.

Contents insurance is also a good thing to get from time of exchange if you want to cover fixtures and fittings included with the sale.

REMOVALIST AND CLEANING COSTS

You need to budget for the cost of moving your belongings to the new property. Get quotes from a few different removalists or hire a truck or trailer and ask friends to help you move.

Consider whether you want to pay for a professional to clean your old property before you hand in the keys. Your new property may also need cleaning before you move in.

RENOVATIONS AND FURNITURE

You need to check if you need to purchase whitegoods for your new home. Also, if you need to freshen up your new home with some painting and new carpets before you move in. You'll need to count these costs as well.

Not all of these costs apply to all situations—so think about which ones might apply to yours and budget accordingly.

SECOND LIFE *with SecondBite*

SECONDBITE AMBASSADOR SALLY WILLIAMS ON FIGHTING FOOD WASTE

Sally Williams has been an iconic part of Australian TV, starring in Brand Power ads. Now, she's using her influence to educate people about food wastage and sustainability, joining forces with SecondBite to make a difference in Australia. SecondBite rescues surplus food from the retail network and redistributes it to local charities to help Australian families currently experiencing food insecurity.

IS FOOD WASTE A BIG PROBLEM?

Food waste is a big problem. It is a worldwide issue and Australia is a large contributor to food waste. It is a problem because of the consequences it has on the environment, with food waste taken to landfill and contributing to greenhouse gas emissions. The resources used to create that food should be considered too, using water, land, clearing forests, draining wetlands and using resources for food that may never be eaten. SecondBite is committed to finding a solution to the social and environmental impact of food waste.

WHAT ARE SOME OF THE MAIN POINTS OF CONFUSION ABOUT FOOD WASTE?

The main thing that confuses consumers is labelling. Products feature a 'Use By' or a 'Best Before' sticker on them. The 'Use By' label applies to dairy and meat products so they need to be consumed at or before this date. 'Best Before' is used for tinned or packaged goods that can still be consumed after the date on the packaging as long as the food item has been kept in good condition. The quality of these goods may diminish slightly, but the food is discretionarily fine. Consumers are also sometimes confused about what can be eaten when certain elements appear to go mouldy. For example, cheese with mould can still be eaten once the mouldy cheese is cut off the block. Great resources to determine if your food is still edible include **Stilltasty.com** and the app **Foodkeeper.com**. As a general rule, packaged goods that have been well kept and unopened can be eaten after their best buy date, however discretion is always advised.

WHAT IS COMMONLY WASTED?

The four most commonly wasted items are milk, bread, lettuce and bananas. Most of these goods have a short shelf life, and bread does not have a used by date, making it difficult for consumers to decipher the use-by date. Additionally, a lot of fruit and vegetables in general are wasted, including household staples such as apples, potatoes, tomatoes and avocadoes. Dry goods, such as canned fruit can be kept for 2-4 years after purchase if they are stored well.

I f you have an excess of food that you aren't going to eat, perhaps you can share it with friends or neighbours. If you bulk buy fruit and veg and buy too much, make a hamper and ask if your local charity will accept it.

HOW CAN WE REDUCE FOOD WASTE AT HOME?

Consumers being shopping savvy can significantly reduce food waste at home.

1. Plan ahead: Before you do your weekly shop, plan your meals and shop accordingly. That way, you know what you are eating and how much food is needed. Planning ahead also allows consumers to be budget savvy, as they are aware how much their weekly food shop costs

2. Shopping in bulk: This is a great way to increase the value for money in a shop, but the greatest risk is buying too much of a food item and having it then go to waste. If consumers buy extra, the best way to extend the life of these products is by using a vacuum to airtight seal food and then freeze it

3. Store produce: Proper storage extends the life of food significantly. Knowing what food you have in the fridge and using it when the product quality starts to diminish is a great way to reduce the amount of food thrown away. Understanding your fridge settings and how best to store food will also keep food in good quality for longer. Outside the fridge, this includes properly storing dry goods to extend their lifespan in the kitchen. Keeping goods airtight will increase their lifespan significantly and will save you money as they do not have to continue buying goods.

WHAT ARE SOME TIPS FOR PEOPLE TO CREATE LESS FOOD WASTE, AND IF THEY DO, WHAT SHOULD THEY DO WITH IT?

Have some fun with your extra food! Allocate a chef of the week, and the chef makes a meal out of whichever ingredients are at home. This will reduce the cost of your weekly shopping as you continue to eat what is there. One way to create less food waste is to purchase the portions of food you will use in the week. If you have extra fruit and vegetables, use those ingredients to make a juice, soups or minestrone. If you have cooked up a large batch of food, put the excess in the freezer. The same strategy can be used for bread. Put half a loaf into the freezer and use frozen slices for toast, keep the fresh slices for sandwiches. Herbs freeze well, as to most batch meals such as stir fry.

S econdBite approximates that the average Australian family throws away $25-50 of edible food each week, accounting for about 15% of the total shop. Annually, that may be costing families $2,600.

SECONDBITE is a leading national food rescue organisation. They work with a range of food suppliers to rescue surplus fresh food from across the network, and redistribute it to local charities and non-profits around Australia. These groups run food programs to support people in need in their communities. SecondBite supports over 1,000 community food programs across Australia and supplies all food completely free of charge. The organisations they work with make a real difference to people's lives, providing more than just a meal - they provide support, hope and friendship to those doing it tough. Visit **secondbite.org**

SecondBite
Ending Waste. Ending Hunger.

Pictures: iStock by Getty Images. Sally Williams.

How LMI CAN HELP YOU PURCHASE YOUR OWN HOME SOONER

It can be difficult to save a deposit to buy a home with increasing house prices, renting and the cost of living placing additional stresses on your ability to save. Here we explain how LMI may get you into your own home sooner.

WHAT IS LENDERS MORTGAGE INSURANCE?

Lenders Mortgage Insurance (LMI) may make it possible for you to buy a home without having to save a 20 per cent deposit. It may also enable you to borrow at a more competitive interest rate that is comparable to a borrower who has a larger deposit. Simply put, the realities of the Australian housing market mean that without the benefit of LMI many first home buyers would not be able to purchase their own homes.

LMI is insurance that protects the lender – though the cost is borne by you, the borrower – in the event that you default on your home loan, reducing the risk to the lender which has passed that risk on to the LMI provider. As the lender has reduced its risk, it is more willing to lend funds for a property to you with a smaller deposit – sometimes as low as five per cent of the value of the property.

To be clear – Lenders Mortgage Insurance is not mortgage protection insurance. LMI is explicitly designed to protect the lender and so help you secure your own home sooner, while Mortgage Protection Insurance covers your mortgage in the event of sickness, unemployment, disability or death. The LMI premium can usually be added to your home loan.

THE NUMBERS

When a lender takes out LMI it means that if you are interested in purchasing a $720,000 property and facing the prospect of saving a $144,000 (20 per cent) deposit, with LMI you could potentially only have to save $36,000 (five per cent). This means you can get into their home sooner, begin paying off your home loan and potentially start building equity sooner.

LMI premiums are based on a combination of factors that influence the risk of a borrower defaulting on their loan, but the key drivers are the amount of the loan and the value of the security (e.g. premiums are more expensive for larger loans with smaller deposits). In the example, for a first home buyer who wishes to purchase a $720,000 property and has a $72,000 deposit (10 per cent), Genworth's LMI Premium Estimator returns an indicative LMI premium of $15,811 – a small proportion of the overall cost that will help you enter the market months, or years, earlier than if you had to save that additional $72,000 to get to a 20 per cent deposit.

OTHER OPTIONS

It may be suggested by some lenders or brokers that there are better options than paying for the lender taking out Lenders Mortgage Insurance.

Sometimes parents may offer to use the equity in their own home to provide a supporting mortgage and/or guarantee. At a time when house price growth is slowing, this requires serious consideration. And of course, not everyone's parents are in the position to be able to assist in this manner.

WITHOUT THE AVAILABILITY OF LMI MANY HOME BUYERS WOULD NOT BE ABLE TO PURCHASE THEIR OWN HOME

Another suggestion is to borrow the deposit shortfall as an unsecured personal loan or to obtain a cash advance on a credit card. Whilst this can be a short-term fix, most lenders will not accept borrowed funds as a source of the deposit or if they do, you will be required to list them as a liability, potentially decreasing the amount you can borrow anyway. Longer-term, the higher interest rates on credit cards and personal loans can result in financial stress, when the repayments need to be paid on top of your new home loan repayment.

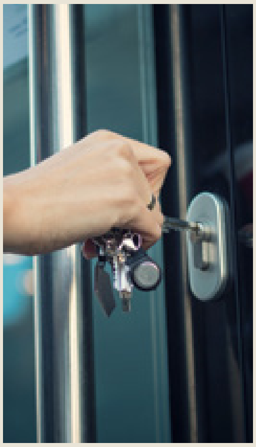
If parents want to assist their children buy their first home, covering the cost of their payment to their lender for its LMI premium, instead of guaranteeing the loan, is a way they can help their children without putting themselves in a potential position of undue financial risk. Covering the cost of LMI to the lender is an affordable alternative and means that if their children default on the mortgage, the parents are not at risk of having to repay the full remaining loan amount.

HERE TO HELP

Genworth, Australia's leading provider of LMI, regularly sees firsthand the difference LMI can make to the lives of Australians, by helping them get into homes sooner in a safe way and reducing the stress associated with saving the traditional 20 per cent deposit.

Genworth also understands that borrowers might encounter financial difficulty, so they have established a hardship program, that assists borrowers struggling with their loan repayments. Since 2013 Genworth has helped over 66,000 borrowers, through this program, by supporting lenders to offer deferred and/or reduced repayments, and even loan term extensions. People struggling to save a deposit, can speak to their lender or broker about LMI and find out how it can help you get into your own home sooner.

For more information on LMI, please visit **genworth.com.au/lmitoolkit**



Genworth is the leading provider of LMI in Australia. LMI has been an important part of the Australian residential mortgage lending market since it was introduced by the Australian Government in 1965 to help support homeownership. Independent information on Lenders Mortgage Insurance can be found on the Insurance Council of Australia's website. Download the LMI Fact Sheet at **understandinsurance.com.au/types-of-insurance/lenders-mortgage-insurance**

Genworth

Pictures: iStock by Getty Images.

What to look for WHEN BUYING YOUR FIRST PROPERTY

AWARD-WINNING PROPERTY AGENT ANNA CAVILL REVEALS FIRST-HOME BUYING HACKS

Anna Cavill won the highly coveted Rising Star award at the 2018 RateMyAgent annual awards for excellence in real estate. Anna is passionate about helping people understand what is important to them in their home. She shares her experience in helping you find your dream home.

IT TAKES 5 – 7 YEARS TO BUILD EQUITY WHICH MAKES PROPERTY A PROFITABLE VENTURE

BUYING A HOME FOR THE FIRST TIME AND BUILDING EQUITY

Getting into the property market as a first home buyer is a big step. The first house you buy doesn't need to be the one you live in forever. Instead, first home buyers can get into the market and then upgrade. It is much easier to sell and seek to level up than it is to enter into the market for the first time.

It takes around five to seven years to build equity. While this is an average, most properties will increase in value around the five to seven-year mark, making buying and selling property a profitable venture. Australian property is a strong investment, and we have historically seen a rise in the value of properties over time. Obtaining equity through buying a property which increases over time and then selling that property is a common strategy to gain your dream home. Home ownership is a marathon, not a sprint.

STYLES ARE ALWAYS CHANGING – BUY WHAT SUITS YOU

The desire for a certain style of home for buyers goes in and out of fashion. Recently, there has been a focus on 60's red brick houses with the potential to renovate. Now, its 70's homes although it's clear that influences come back in (and out) again.

Buying property that suits your lifestyle can create value in the long term. When buying look for features you enjoy, such as access to a garden for the nature lover, or proximity to public transport for the city worker.

PREPARATION IS KEY TO BUYING QUICKLY

Preparation is key because trends shift quickly. Due diligence is necessary and a lot of this can be done online. Home buyers are doing a lot of research before they begin making offers on property. The average first home buyer is in the market for 6-12 months.

Creating a checklist with 10 attributes will help you with your preparation and clarifying your needs. This list can include things like a level block, north-facing backyard, distance to school, close to amenities etc. From this list, find a property which satisfies 7 of 10 criteria, you generally won't be able to satisfy all 10 criteria. This may open buyers up to opportunities such as renovating the property or having a split-living area for a lower – and less competitive – price. The list should focus on things that are important to you and how you live.

When entering the market, there are different elements to consider. First, there is the analytical element, where buyers can use the internet to gain as much information as they need to understand property. In the next stage, customers begin looking at properties to get a feel for houses, an experiential phase which can show which things are important and are not so important.

LOOK FOR A GOOD FLOOR PLAN

A great way to find a great property when you are looking to buy your first home is to select one which has a floor plan that you like. It might need some TLC, such as updating the bathroom or renovating the kitchen. These elements can be fixed quite easily when the floor plan is something you can work with. Knocking out walls can be costly, and when the walls are load bearing can be impossible. Picking property with good 'bones' can help the new buyer to create a lot of value and make their house into a home for a lower cost than if they bought a house with those renovations already in place.

SOME IMPERFECTIONS ARE OKAY

Buying your first home can be one of the largest financial decisions you make in your life. When the cost of property is as high as it is in Australia, it can feel like buyers should be finding the perfect house for the price. When this is the case, it can delay the home buying process and mean that people miss out on a property which would be fantastic for them.

TOO MUCH ADVISE

First home buyers who have heard stories about getting the best deal in the property market often hold off and wait for their bargain property. The problem? These deals don't really exist. While some people may have bought at the best time for them, the housing market can be volatile. Because this is the case, first home buyers are advised to consider advice, but buy when they find property they like and then enjoy life as a home owner.

ADVICE FROM ANNA

Buying a house is a big decision, but it doesn't have to be a process which stretches on for years. Research and understand that it is hard to pinpoint the best deal, instead focus on understanding what you need from a property. Buy a place which satisfies at least 7 out of 10 attributes on your checklist. From my experience meeting with people several years down the track, they absolutely love their homes after following this method.

ANNA CAVILL

Anna's professional accolades include the RateMyAgent Agent of the Year Awards 2018 and 2017/18 Ray White Premier Performer. This industry recognition together with consistent 5 star vendor reviews reflect Anna's extraordinary work ethic, unbeatable market knowledge and optimum results.

Pictures: iStock by Getty Images. Anna Cavill.

✓ Checklist for MOVING HOUSE

MOVING HOUSE REQUIRES PLENTY OF PLANNING. THIS CHECKLIST WILL ASSIST YOU WITH A STRESS-FREE MOVE

6 WEEKS TO GO

- Set a moving date and book the removalists (or friends and family to assist you)
- Start packing by collecting or ordering removalist boxes
- Organise time off work for the move if necessary
- If hiring a van or removal company, think about parking outside your old and new home
- Organise insurance cover notes for your new home
- Keep a list of incoming mail in the lead up to the move for change of address notices later
- Collect any change of address forms that come with any of your subscriptions
- Start keeping a folder with all moving documentation (checklist, quotes, phone numbers etc)
- Check that all of your larger appliances will fit into your new home

4 WEEKS TO GO

- Work out what you don't want to take with you
- Sell or donate any unwanted items
- Arrange a council rubbish collection for anything left over

3 WEEKS TO GO

- Arrange to have your mail redirected (Australia Post has a mail redirection service)
- Advise your change of address to:
  - Banks
  - Insurance providers (building, contents, car, life)
  - Private health fund
  - Telephone and internet service providers
  - TV, magazine and other subscriptions
  - Your employer
  - Friends, family and colleagues
  - Doctor/dentist
  - Medicare
  - Relevant state authority for drivers licence and car registration
  - Australian Electoral Commission
  - Centrelink
  - School/TAFE/university
  - Child care centre
  - Accountant/Australian Taxation Office
  - Solicitor
  - Superannuation fund
  - E-tags, tolls and mechanic
  - Vet, microchip registry and local council

2 WEEKS TO GO

- Transfer or set up utilities – electricity, water, gas, telephone, internet and pay TV
- Pack up all items you won't be using before the move
- Label boxes clearly with room destination and those that need to

SURVIVAL PACKS *for moving day*

Have these handy packs available on moving day to make the transition into your new home a little more comfortable. Survival pack – include cleaning products, kettle, tea, coffee, cutlery, milk, bread, takeaway menus, phone chargers, essential toiletries, toilet paper and medications. Don't forget your pets – make sure you have some food, water bowls, beds and leads.

Bring essentials for the following day – clothes and school uniforms. Ensure you have a set of bedding, towels, pj's and if you have children, make sure you have their favourite toy to help them settle into their new bedroom on the first night. A handyman kit with essentials like allen keys, screwdrivers, hammer, nails, wall hooks, lightbulbs scissors, etc will help avoid having to rummage through boxes when trying to construct your bed.

be handled with care

- A good tip is to number your boxes so you can check all have arrived
- Create a floor plan for removalists (so they know where to put the boxes)
- Book a locksmith to change locks at your new house on moving day
- Confirm removalist company booking
- Collect appliance instructions booklets for the new owners
- Cancel any regular services such as lawn mowing

1 WEEK TO GO

- Stop buying food and try to eat from the pantry, fridge and freezer
- Settle any outstanding bills
- Back up your computer
- Set aside bed linen and towels to be used on your first night

1 DAY TO GO

- Defrost and empty the fridge and freezer
- Turn off the washing machine
- Finish all your packing and make sure the boxes are clearly labelled with any instructions for the removalists

MOVING DAY

- Have your handyman kit and folder with moving documentation at hand
- Continue to check the house for anything you might have missed (high shelves, under the bed, back of drawers)
- Ensure gas and electricity meters have been read and the telephone, cable and internet disconnected
- Leave appliance instruction books
- Leave behind garage door openers and any spare keys for the new owners or return them to your landlord
- Turn off the power, hot water and gas
- Check you have left nothing behind
- Lock all the doors and windows

AT YOUR NEW HOME

- Check you have all the keys and any instructions to your new home (appliances etc)
- Check any utilities are connected and hot water is on
- Have your locks changed
- Assemble and make beds as soon as possible
- Notify moving company immediately if anything is missing or damaged

Download a copy of the checklist at **genworth.com.au/lmitoolkit**

Pictures: iStock by Getty Images.

Less IS MORE

INTERIOR ARCHITECT NICHOLAS GURNEY EXPLAINS HOW A "REDUCTIVIST" APPROACH IS THE NEW WAY OF LIVING

Living in a small space can be very satisfying

Have you considered that there could be something very satisfying about inhabiting spaces without surplus or excess? I've lived it and I help my clients with it. You see, I have a predilection for a practice called reductivism. It's like minimalism but while both advocate for fewer possessions, this new trend is about living well in smaller spaces.

It can be very worthwhile, this reduction thing – the less space you have, the less financial stress, more time to enjoy the finer things in life and less stuff to fuss over.

I've come to understand that without surplus and without excess, one requires very little space to live. But what can be considered surplus and excess? And how small is too small? Well, I'm afraid I don't have a simple, definitive answer to those questions. What I do know is that we can and will need to live comfortably in significantly less space than we've been afforded in the past.

Through design and innovation, I work with my clients to dispel conventional notions surrounding small space living. Set key design criteria for each project recognising that improved functionality demands a bespoke response. We know that we need a place to sit, sleep, bathe and cook and it's the delivery of these functional areas that can be tailored to maximise the sense of space as well as reduce the need for too much space in the first place.

If, for instance, a joinery element was conceived to house a fold-away hybrid of a desk and dining table then we've eliminated two pieces of furniture and can also forego the amount of space required to support them. A murphy bed is not a new idea but if conjoined to the sofa we can waive the guest room and 12 or so square metres. A simple manoeuvre such as that has probably knocked 15 per cent from the required floorspace and even more from the initial outlay. Under-utilised spaces otherwise left void such as the space under the bed, above a doorway or high up on walls can total the equivalent of a lengthy wall of storage. Or better still, negate the need for the lengthy wall in the first place.

Believe me when I say that everything can be reduced from what we've become accustomed to. The most formidable obstacle to reducing the surplus and the excess is to shift preconceived ideas on how one should dwell.

NICHOLAS GURNEY

Nicholas established his eponymous design studio in 2010 after completing a Bachelor of Industrial Design. His practice specialises in the design of modest spaces. Projects are highly functional and considered, delivering dynamic and clever solutions with a focus on the organisation of space. Through design and innovation, Nicholas aims to dispel conventional notions surrounding compact design and small space living. Gurney employs a strong conceptual focus and the needs of his clients are heavily embedded in the outcomes. In 2017, Nicholas co-established Yardstix to test Cross Laminated Timber as a means of delivering beautiful, sustainable and affordable secondary dwellings. To view Nicholas' work or get in contact go to: **nicholasgurney.com.au**

Pictures: iStock by Getty Images. Nicholas Gurney.

Helping you understand

LMI LENDERS MORTGAGE INSURANCE

Accomplishing the Australian dream of home ownership is one of the most significant and exciting times in a lifetime. However, saving for a deposit can be challenging as lenders require a 20% of your homes total purchase price, which takes significant time to achieve. An alternate for those who do not have a deposit saved to obtain a home loan with a smaller deposit (as low as 5%) is taking out Lenders Mortgage Insurance.

WHAT IS LENDERS MORTGAGE INSURANCE?

Lenders Mortgage Insurance is an insurance policy that your lender takes out to protect itself against the risk that you (the borrower) default on your loan repayments and your lender is unable to recover the full outstanding loan amount.

LENDERS MORTGAGE INSURANCE PROTECTS YOUR LENDER, NOT YOU THE BORROWER

It is important to note that Lenders Mortgage Insurance does not protect you (the borrower) or any guarantor. It should not be confused with Mortgage Protection Insurance which is a different type of insurance policy that protects you (the borrower) if you are unable to make repayments on your loan.

HOW DOES LENDERS MORTGAGE INSURANCE HELP YOU, THE BORROWER?

Lenders Mortgage Insurance enables you (the borrower) to obtain a home loan that might not otherwise be available, by reducing the deposit you are required to provide. This means you will be able to:

- buy a home sooner and stop paying rent;
- buy a more expensive property with the deposit that you have.

It may also enable you to borrow at an interest rate that is comparable to a borrower with a substantial deposit.

LENDERS MORTGAGE INSURANCE IS A ONE-OFF COST

Lenders Mortgage Insurance is arranged by your lender and the premium is a one-off cost your lender pays to the insurer upon settlement of your property purchase. This cost is passed on to you (the borrower) by your lender, as a fee.

Your lender will tell you how much it will cost after you apply for your loan. The cost will depend on various factors including the size of your deposit and the type of loan you take out. Genworth's LMI premium estimator is an online calculator that can provide you with an estimate of the LMI fee payable by you to the lender to take out LMI.

You may be able to add the cost of this LMI fee to your loan amount, which means you will pay interest on it over the term of your loan. Otherwise you will need to pay it up front, before your lender provides your home loan.

Pictures: iStock by Getty Images.

REFUNDS

The Lenders Mortgage Insurance fee that your lender charges you may be partially refundable if your loan is terminated within the first two years.

Alternatively, your lender may not provide a refund because it has arranged to receive a larger up-front discount on its Lenders Mortgage Insurance premium (instead of the right to a refund). In this case the full amount of this discount is passed on to you. This means that if you were to refinance your home loan with another lender or increase your loan amount, you may be required to pay a Lenders Mortgage Insurance fee again.

You should check with your lender to find out if they have a refund policy and if it applies to you.

DIFFICULTY MAKING REPAYMENTS?

If you are experiencing financial difficulties and are concerned about your ability to make your loan repayments on time, it is important that you let your lender know as soon as possible, as you may be able to arrange a payment variation.

WHAT HAPPENS IF YOU DEFAULT AND OUR PROPERTY IS SOLD?

If you default on your loan, your property might need to be sold. If the money received from the sale of your property is not enough to repay your outstanding loan, your lender can make a Lenders Mortgage Insurance claim and we (the insurer) will pay your lender the shortfall.

Once a claim has been paid, you (the borrower) continue to be responsible for the outstanding shortfall debt. Typically, this debt is passed on to us (the insurer) by your lender and we may seek to recover the outstanding shortfall debt directly from you (the borrower) and any guarantors.

Case study

WHAT ARE THE BENEFITS OF USING LMI

Caitlin and Sam are a young couple currently looking for their first home and have found a home they want to buy for $500,000. Typically, they would need a 20 per cent deposit ($100,000) to secure a loan from their lender. By taking out Lenders Mortgage Insurance, their lender is prepared to provide a loan up to 95 per cent of the value of the home.

This means that Caitlin and Sam can secure a home loan sooner with a 5 per cent deposit ($25,000) and stop paying rent. Their lender passes on the Lenders Mortgage Insurance premium cost to Caitlin and Sam by way of a fee.

The Lenders Mortgage Insurance protects the lender if Caitlin and Sam default on their loan repayments – it does not protect Caitlin and Sam.

For more information visit: **genworth.com.au**

HOME BUYING *Myths*

FIVE COMMON MYTHS ABOUT HOME OWNERSHIP

There are several misconceptions surrounding the purchasing process. We have compiled a list of some of the most common home buying myths to help home buyers understand the market better

MYTH 1 — A 20 PER CENT DEPOSIT IS REQUIRED TO BUY PROPERTY

While this may have been true 50 years ago, you can now obtain a home loan with a deposit with as little as 5 per cent. Without a 20 per cent deposit, the bank may take out Lenders Mortgage Insurance (LMI) on your loan, which is an insurance policy that your lender takes out to protect itself against the risk that you (the borrower) default on your loan repayments. As a buyer, the premium fee is passed on to you from the lender and can be capitalised into your loan or paid upfront. This gives you the freedom to buy sooner as they do not need to continue saving to reach a 20 per cent deposit.

MYTH 2 — A DEPOSIT IS THE ONLY THING YOU NEED TO SAVE FOR WHEN BUYING

The largest upfront/initial expense when buying is the deposit. However, the costs of buying add up far beyond the deposit, sometimes equalling a similar amount to the initial deposit. Additional costs vary by State, however there is normally an equivalent in each State. Common additional expenses include stamp duty, council and utility rates, and strata. A complete list can be found on page 20 'Adding up the costs of buying a home'.

MYTH 3 — CREDIT CHECKS ASSESS ONLY YOUR CREDIT CARD DEBT

Credit history is an important factor for lenders when considering whether to give potential buyers a home loan and how much they are willing to lend. This history goes beyond your credit card or loan history, including tertiary study debt such as HECS/HELP and your history with buy now, pay later (BNPL) services. Buy now, pay later services are an increasing hidden cost as defaulting on these payments effects your credit score. Also, most people don't think of BNPL services as debt, so may not realise that this can be what stands between them and an approved home loan.

MYTH 4: IT IS CHEAPER TO RENT THAN IT IS TO BUY

Buying a property has been a part of the Australian dream since the 1930's, but is renting cheaper than buying? Property is considered a good investment as there is a variety of government grants and tax breaks for owners. The low interest rates are making the cost of interest payments on a mortgage more affordable than ever before. Using the Genworth Buy or Rent Calculator default simulation, a home buyer purchasing a $500,000 home in Queensland with a 10 per cent deposit will be better off over their 30-year mortgage by $1,092,656.82 *. For this home buyer, they were able to buy their own home 102 months sooner than if they had saved for a 20 per cent deposit.

MYTH 5: REAL ESTATE AGENTS FIND THE BEST DEAL FOR BUYERS

The job of a real estate agent is to create demand for the properties of their clients (the vendor), trying to get the best deal possible for people selling their homes. As such, it is important for buyers to remember that real estate agents will find deals which are better for the seller, although they provide help to prospective buyers by showing them a range of properties. Buyers who want an expert on their side should source a buyer's agent, or a mortgage broker to get help understanding the property market and find their future home.

*This includes the default assumptions set on the Genworth Buy or Rent Calculator. This can be viewed here: **genworth.com.au/buyorrentcalculator**

Want to see whether you should buy or rent? Head to **Genworth's Buy or Rent calculator** to find out.

Time to UPSIZE?

TAKE THE QUIZ TO FIND OUT WHETHER IT'S TIME FOR YOU TO UPSIZE

A 12-question quiz that will help you decide if it is time to downsize, upgrade your existing property or find your next home.

IS YOUR HOUSEHOLD EXPERIENCING NEW ADDITIONS?

The addition of a new house member, such as a new baby, parent or housemate may change the dynamic of the household – and may infringe on your space. New additions may also require their own rooms.

Yes (+5)
No (+0)
The occasional visitor (+3)

DO YOU HAVE YOUR OWN SPACE?

Having your own space is important to give yourself time to recharge. If you don't have enough space, you'd notice it. Everyone needs their own space. For instance, sharing the study for two people who work at home can be very difficult.

We share space at home and manage fine (+3)
I don't have my own space (+5)
I've got my man cave (+0)

WHAT IS YOUR STORAGE SITUATION?

Limited storage space in a household can be challenging. When working with the floor plan of a tiny apartment, it can be even harder as the spaces are even more limited.

Marie-Kondo perfect (+0)
A mess but fine (+3)
Need. More. Space. (+5)

DOES YOUR FURNITURE MATCH THE SIZE OF THE ROOM?

Sometimes the brand-new items bought to create ambience in the home, such as an oversized bed, a L couch or an industrial fridge don't fit in the space you have. Upsizing could bring you the space to create the kitchen of your dreams.

Yes, I've planned around the space I have (+0)
No (+5)
It fits but I have big dreams (+3)

ARE THE KIDS GROWING UP?

When the kids begin to grow up, they need more space than they did before. Additionally, they begin to want and need more of their own space to recharge.

The kids are growing up fast (+5)
We could use an extra space for the kids (+3)
We've already increased living spaces (+0)

ARE THE KIDS MOVING OUT?

As the kids begin to move out, suddenly the house may seem emptier – and a whole lot bigger. Using this newfound space, you are able to convert one of the kids bedrooms into a study, a gym, a spare room?

Yes (+0)
No (+5)
Kids come and go. (+3)

DO YOU HAVE PETS?

Pets have boundless energy. Depending on how much space you have, perhaps it is time for your dog to have a patch of grass to run around in, or some new space for your cat.

Yes	☐	(+5)
No	☐	(+0)
I have enough space for my pets to live comfortably	☐	(+3)

DO YOU ENTERTAIN?

Inviting friends and family over for a lazy afternoon or a family party can be a goal for some. For people of the entertainment persuasion, having convertible spaces is a must-have.

Frequently	☐	(+3)
Sometimes, it is hard with such little space to entertain	☐	(+5)
I prefer to entertain at an external venue	☐	(+0)

HOW MUCH CLUTTER DO YOU HAVE AROUND THE HOUSE?

Clutter can be a sign that there is no space left to put things away (or hide), which is particularly important when you have unexpected guests over.

No clutter	☐	(+0)
The house is cluttered but we have adequate systems	☐	(+3)
Need. More. Space.	☐	(+5)

ARE YOU LOOKING AT OTHER HOUSES?

Cafes, public transport, schools…all things that the ideal house is situated around. If you are looking at houses with these attributes because your current home does not have these, that may be a reason to downsize or upsize to somewhere more central.

Never	☐	(+0)
The occasional look if something catches my eye	☐	(+3)
I am actively looking at new properties	☐	(+5)

ARE RENOVATIONS AN OPTION?

If you love where you live, sometimes upsizing by buying a new property can become a hard decision. Why not combine the two and renovate? Sometimes, this can be too costly, especially when you dream of a much more open space, but the walls you want to knock down are load bearing.

I love my home as it is	☐	(+3)
The house structure makes it difficult to renovate	☐	(+5)
I have recently renovated my property	☐	(+0)

HOW DO YOU FEEL ABOUT YOUR CURRENT LOCATION?

If your home is the one, you'll know it.

I want to stay	☐	(+0)
I would consider moving	☐	(+3)
The idea of moving excites me	☐	(+5)

Results

0-30: Hold on Tight or Downsizing

From the sound of it, you have just enough space at your place as it is. With kids leaving, recent renovations or a love for the place you're in, it sounds like you're ready to move to smaller and better things.

31-45: Renovation is in your future

You clearly love where you live, however, you might need a little more space. Renovation is an option for you to upgrade your current property and can be done by refinancing your home for some extra capital to put in the extra bedroom or the kitchen of your dreams.

46-60: Time to upsize!

Your home is bursting at the seams, and it may be time for you to head out into the market and find a place with enough space for all your family and belongings.

Pictures: iStock by Getty Images.

Common LENDING & MORTGAGE TERMS

IT'S MY HOME EXPLAINS SOME OF THE COMMON TERMS YOU MAY HEAR WHEN GETTING A LOAN AND BUYING A PROPERTY

LMI HELPS YOU GET A HOME LOAN WITH A DEPOSIT AS SMALL AS 5 PER CENT

AMORTISATION PERIOD

The time taken to repay a debt, including accrued interest, in full through regular repayments.

BASIS POINTS

Refer to a common unit of measure for interest rates and other percentages. One basis point equals 0.01 per cent. For example, 50 basis points equal 0.50 per cent.

BREAK COSTS OR PREPAYMENT FEES

May be charged if you switch loan products, make additional repayments to your fixed rate loan or repay your loan in full during the fixed rate period. It is important to ask your lender if these fees will apply to your loan, and to understand if and when they would be payable.

BROKERS

Many Australians use mortgage brokers (sometimes called finance brokers) to help find the most suitable home loan. Brokers can offer you a variety of loan options and help you select a loan and manage the process through to settlement. They often receive a commission from lenders for arranging the loan and may sometimes charge you directly. You should always consider your personal circumstances, and it is wise to shop around.

CERTIFICATE OF TITLE

Documents the ownership of or interest in land. It provides a description of the land, proprietorship and shows any registered interests such as mortgagees, charges and caveats. It also shows any restrictive covenants and easements which affect the estate or interest.

COMPARISON RATE

A single percentage rate figure that takes into account the interest rate and most fees and charges associated with the loan. The comparison rate can help you to compare the true cost of a loan between lenders.

CONTRACT DEPOSIT

A deposit that is required to be paid when the contract of sale is exchanged. The contract deposit, usually 10 per cent of the purchase price, is held by the real estate agent in a trust account until settlement. If you do not proceed with the purchase, the contract deposit will not be refunded. The remainder of the purchase price is paid on the day of settlement.

CONTRACT OF SALE

The written agreement detailing the terms and conditions for the sale of a property. It is usually prepared by the vendors solicitor or conveyancer.

CONVEYANCING

The legal process where the ownership of a property is transferred from one party to another.

COOLING OFF PERIOD
A period of time, usually between 24 hours and 14 days, during which an individual or organisation can decide not to continue with a contract. Cooling off periods vary in each state of Australia.

CREDIT REPORT
A file that is kept by a credit reporting agency which shows a person's credit history. Banks and financial organisations refer to credit reports when considering applications for loans and credit cards. A person with a poor credit history may find it difficult to obtain a loan or a credit card.

DEPOSIT
The amount you contribute to the purchase of your property. This can come from many sources including savings or equity in another property. Your loan will make up the remainder of the purchase price. For example, if your property is valued at $500,000, and you have saved a 10 per cent deposit of $50,000 you will need a loan of $450,000.

EQUITY
Homeowners often talk about how much equity they have in their house. Property investors often talk about how much equity they have in their portfolio. This is the value of the property (or portfolio) over and above the amount they owe on their loan(s).

FIRST HOME OWNER GRANT
The First Home Owner Grant (FHOG) scheme was introduced on 1 July 2000 to offset the effect of the GST on homeownership. State governments provide financial grants to purchasers of first homes, to assist in meeting purchase costs. Eligibility criteria applies, and grants vary by state.

FIXED INTEREST RATE
Fixed interest rate loans lock your monthly interest repayments at a set rate for a period (typically one, three or five years), after which they will revert to the standard variable rate. They can be a good choice for buyers who want certainty around interest payments, but beware of break costs or prepayment fees if you try to change your loan or want to make additional repayments.

LENDERS MORTGAGE INSURANCE
Lenders Mortgage Insurance (LMI) is insurance taken out by the lender and provides a safety net to the lender in the event that you, the borrower, default on your loan repayments. The cost of the insurance premium is usually added to your loan and paid off along with the rest of the loan. With LMI, a lender may accept a smaller deposit than the 20 per cent usually required, which can get you into your home sooner.

LOAN AGREEMENT
A formal contract between you and a lender which sets out the terms and conditions of your loan.

LOAN-TO-VALUE RATIO
The Loan-to-Value Ratio (LVR) is the proportion of the loan amount to the lender's valuation of your property. If your property is valued at $500,000, you put down a deposit of $50,000 and require a loan of $450,000, the LVR will be 90 per cent (calculated as $450,000 ÷ $500,000 x 100). If your LVR is higher than 80 per cent, your lender will usually require that LMI be obtained for the loan.

MORTGAGE
A legal document between a borrower and a lender. A mortgage gives the lender a conditional right to the property that is held as security for the repayment of the money that has been lent.

MORTGAGOR
The person who owns the property and gives the property to a lender as security for a loan.

MORTGAGE DUTY
Mortgages may attract duty based on the amount secured by the mortgage. This duty is usually paid to the applicable state authority on your behalf by your lender and added to your loan. The rate and amount of duty payable varies in each state and territory.

MORTGAGE PROTECTION INSURANCE
This covers your loan repayments if you fall sick, suffer an injury or lose your job. If you die prematurely, the loan will generally be paid off. Policies differ widely and can be a combination of life insurance, income protection and permanent disability insurance. This is not the same as LMI.

NEGATIVE GEARING
Borrowing money to invest where the return from the investment is less than the borrowing costs. For example, the rental income from your investment property is less than the interest payments on the loan used to purchase the property.

OFFSET ACCOUNT
A mortgage offset account is a bank account that is linked to your home loan. The savings in this type of bank account reduces the balance of your loan on which interest is calculated. This reduces the amount of interest you will be charged and can assist you to pay your loan off sooner.

Pictures: iStock by Getty Images.

IT IS IMPORTANT TO UNDERSTAND ALL THE TERMS RELATING TO YOUR LOAN. TRYING TO MAKE CHANGES DOWN THE TRACK CAN BE EXPENSIVE

OFF-THE-PLAN

Buying a property off-the-plan means signing a contract to purchase an apartment that has not yet been built. You will be able to view building and design plans but there is no physical property to inspect.

PRINCIPAL

This is the outstanding balance owing on your loan on which interest is typically calculated and charged. Generally, your regular home loan repayments will consist of principal and interest components, gradually reducing the amount owing on your loan. With interest-only loans, only the interest is paid each month, leaving the original principal outstanding at the end of the loan term.

REDRAW

This is an optional feature on certain home loans that allows access to any additional repayments made on your home loan. If you redraw funds from your home loan, your outstanding balance will increase.

REPAYMENT FREQUENCY

Refers to the regularity of loan repayments over a period of time that you must make as indicated in your loan agreement. Repayment frequencies are generally weekly, fortnightly or monthly.

REVOLVING CREDIT OR LINE OF CREDIT

A flexible ongoing loan arrangement that allows you to borrow within a specified and agreed credit limit. Typically, the line of credit account will also be used for everyday transactions. Interest is added to the loan each month, and repayments are not necessary while the loan is within its credit limit.

SECURITY

Security for a loan refers to the asset(s) a lender can claim against if you default on your loan. For home loans, it usually includes the property being purchased.

SERVICEABILITY

Your capacity to meet loan repayments based on your income and expenses. Genworth's servicing estimator **(genworth.com.au/servicingestimator)** can provide you with a guide as to whether you may be able to meet future loan repayments.

STAMP DUTY (ON A PROPERTY PURCHASE)

Also known as transfer of land duty, transfer duty and conveyance duty.
When you buy property, you are generally required to pay stamp duty to the relevant state or territory government. The amount varies between each state and territory and is based on the market value of the property or the purchase price. Exemptions and concessions may apply in some circumstances; check with your solicitor or conveyancer to see if you are eligible.

VARIABLE INTEREST RATE

If your loan has a variable interest rate, the interest charged on the outstanding balance of your loan may increase or decrease in line with the official cash rate set by the Reserve Bank of Australia. Lenders may also change your regular loan repayment amount based on changes in the interest rate. Lenders do not have to track changes in the cash rate and you should make allowances for higher-than expected increases.

Pictures: iStock by Getty Images.