Working with a Mortgage Broker

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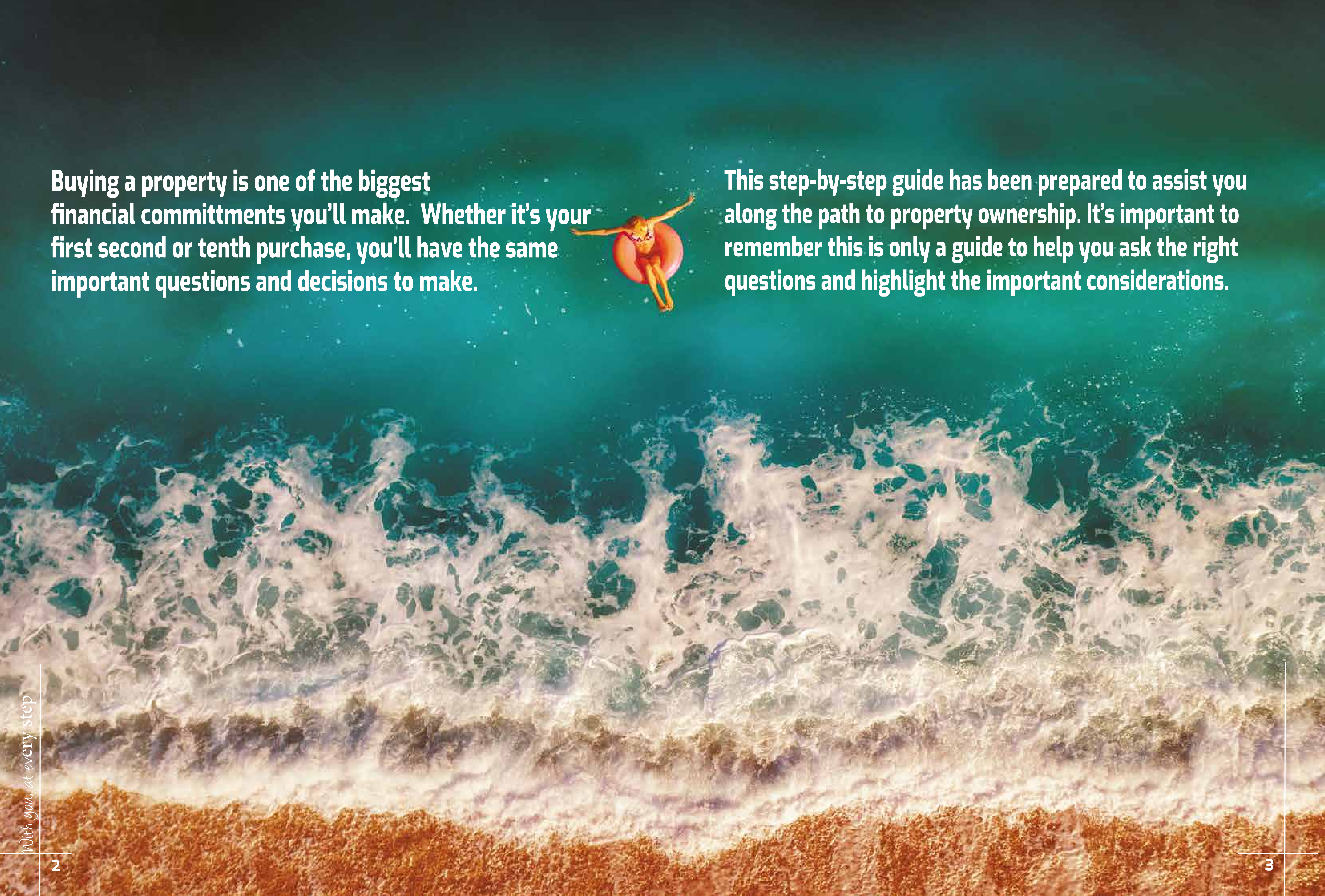
With you, at every step



Buying a property is one of the biggest financial committments you'll make. Whether it's your first second or tenth purchase, you'll have the same important questions and decisions to make.

This step-by-step guide has been prepared to assist you along the path to property ownership. It's important to remember this is only a guide to help you ask the right questions and highlight the important considerations.

Why use a Mortgage Broker?

Your local Mortgage Broker will be able to help you assess the mortgage market and find a home loan that's tailored to your

individual needs.

As part of the process, they will meet with you to understand your needs and compare hundreds of competitive loans from a wide selection of quality lenders.

Your Mortgage Broker will complete the application, take care of the legwork and keep you updated along the way whilst

guiding you through the entire home loan process.

It is important when considering which

Mortgage Broker to use how they get paid.

You'll be pleased to know that most home loan services are totally free of charge –

the lenders pay the Broker after your loan settles. It is important to ask your Broker

if they get paid the same rate regardless of which home loan lender you choose.

This means that you can be sure that you

are receiving the best lender for you, not the Broker.

6 Steps to **Property Ownership**

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Step 1: Meet with your Mortgage Broker

Establish your borrowing capacity

The best first step you can take is to determine how much you can borrow. Knowing how much you can borrow will allow you to set your purchase price limit and provide an understanding of what your repayments will be.

There are a lot of things to consider when working out how much you can borrow, such as your contribution (deposit), if you are eligible for any government grants or concessions, if there are any specific lender requirements (such as genuine savings) and how much you can afford or want to repay each month.

Your maximum borrowing capacity can vary between lenders based on your income, financial commitments and the type of loan applied for. Lenders will also take into consideration things like savings, assets, debts, credit history, employment history and living expenses based on your lifestyle and stability of residence. Remember to consider the other costs involved when making a property purchase – these can include anything from moving home to stamp duty.

While this may seem overwhelming, there's no need to worry. After all, it's your Broker's job to help you through the process.

Benefits of a Pre-Approved Loan

The best part about pre-approval is that it can provide peace of mind before you hit the pavement in search of your new home and provide you with better negotiating power. Loan pre-approval can also help you prepare if you are planning to buy at auction, as – in some states – a winning bid means that you commit to the property on the day and are required to pay a non-refundable deposit.

Pre-approval is generally valid for three months and gives you a good idea of how much you can actually spend on your property. Keep in mind however, if your circumstances change between your application for pre-approval and when you find a property, your pre-approval may be withdrawn by the lender.

Step 2: Search for a property

Whats on the Market?

Once you've determined your purchase price or limit, the next step is to start looking at what's on the market. There is valuable information available in the real estate section of your local newspaper as well as online property sites. It can be worth looking for an agency that offers a buyer's agent service, as their role is to focus on negotiating the best deal for you as the purchaser.

Once you've found a property that is ideal for you, it's best to engage a legal adviser, like a solicitor or conveyancer, who specialises in the legal aspects of your property purchase.

Step 3: Make an offer or place a bid

Buying through a private sale

The most common way to buy a property is by sale through a real estate agent or directly from the owner. When making an offer, in some states you may put down a holdingdeposit, which is not necessarily refundable if you decide not to proceed. It depends on the contract and if a cooling off period is applicable.

If there is a cooling off period, in which buyers can conduct inspections, it begins once the contract is signed. Speak to a solicitor if in doubt.

Remember, the contract is legally binding once signed by the seller and ensures the property isn't sold to a higher bidder.

Buying at Auction

The buzz. The excitement. The anticipation. Buying property at auction has increased in popularity in recent years. If this is the property purchase path you choose, be sure that you fully understand the conditions of the auction as read by the auctioneer prior to the start of auction.

A purchase at auction is a 'cash' purchase and you are generally entering an unconditional contract once the hammer falls. A cash sale suggests that you essentially have the funds available in the bank, which is where a pre-approved loan works to your advantage.

You can make your offer verbally or through a sales summary prepared by your solicitor or settlement agent. All offers must be submitted to the seller by their real estate agent.

A binding agreement does not exist until the offer has been accepted by the seller (the signing of the contract). At that point, at the auction, a deposit of 10% of the agreed purchase price is generally payable.

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Step 4: Sign a contract and pay a deposit

Review the particulars

When you've received the contract of sale, it is recommended to review it with your solicitor or conveyancer to check that everything's in order before you sign and return it the real estate agent. You'll then be required to pay your deposit. If you will be taking out a loan to purchase the property, it is recommended to make the contract 'subject to finance'. This allows you to withdraw from the contract if you're not approved for the loan.

When signing the contract, allow sufficient time to obtain finance and property settlement. Typical conditions of purchase are 7-14 for Building and Pest inspections, 14-21 for finance approval and 30-35 days for settlement. These timeframes may possibly be even longer if you and the seller agree to an extended settlement.

Step 5: Finalise you Finance

Congratulations!

You've almost purchased your new home or investment property.

Applying for Formal Approval

As soon as you find the property you wish to buy, you'll need to provide your broker or financier with the contract of sale containing your property's details (you will need to go over this with your conveyancer/solicitor first). Your Broker will advise you of any supporting documents required for formal approval. They will then submit your application to the pre-approved lender and advise of the application process.

Property valuation and insurance

The lender usually orders a valuation, which is normally completed in three to five business days. You will also require insurance – contacting a well-connected Insurance Broker allows you to easily compare options across Australian and internationally owned insurance corporations.

Unconditional approval

Once your application has been fully assessed by the lender, if all goes to plan – you will receive unconditional loan approval! This is the point where you can go unconditional on the 'subject to finance' clause in your contract. Formal loan offer documents will be issued for you to sign with your Mortgage Broker for you to accept the loan contract.

Step 6: Settlement

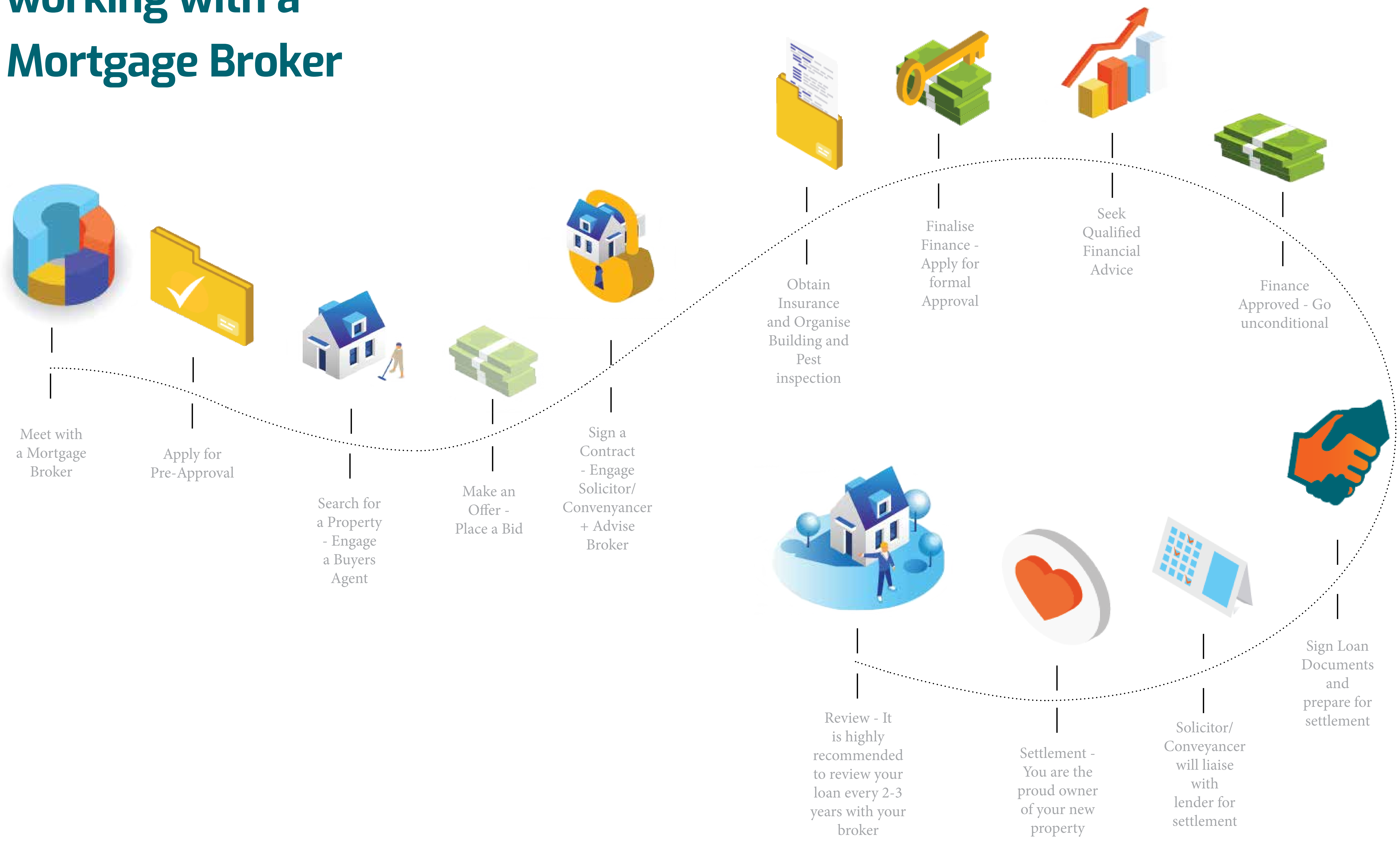
The best step of all

Congratulations!

This is the moment you've been waiting for! This is when the balance of the purchase price for the property is paid to the seller and you become the legal owner of your new property. Time to plan a house-warming!

Once your loan documents have been returned to the lender your Mortgage Broker will ensure that all is in place for your upcoming settlement. The broker and solicitor/conveyancer will liaise and ensure that settlement is booked. Customers have the correct funds required in the account for settlement.

The process of working with a Mortgage Broker



FAQs: Guarantor

How to get a home loan when you don't have a big deposit

Many lenders allow a family member tohelp you to buy your own home by providing additional security. The person providing this assistance is known as a guarantor. This is different to a co-applicant or co-signer.

A co-applicant is included on the loan and will be responsible for the entire loan until it's repaid in full. A guarantor, on the other hand, is linked to a loan by a guarantee. This guarantee can be released and the guarantor's responsibility stops, without the loan being repaid in full. To use a guarantor, you must be able to service the entire loan on your income.

How does it work?

A guarantor allows the equity in his or her own property to be used as additional security for your loan. The primary security for the loan will be your property, but the lender will also take a mortgage over your guarantor's property. This mortgage will not support the loan directly but will be used to support a guarantee from your guarantor.

Who can be a guarantor?

Guarantors are generally limited to immediate family members. Normally, this would be a parent but guarantors can include siblings and grandparents. Some lenders will allow extended family members and even ex-spouses to be a guarantor to a loan, but this varies depending on the lender.

What are the implications for the guarantor if the borrower cannot pay back the loan?

If you're unable to pay back the loan according to the terms of your contract, the lender can take legal action against you, and in some circumstances, your guarantor. Your guarantor will be liable for the amount specified in the guarantee.

Anyone who is considering being a guarantor for a property loan should seek independent legal and financial advice before accepting the role. Most lenders will insist on this, prior to accepting a guarantee. It is important to note that a guarantor's ability to borrow will be reduced after they have agreed to act as a guarantor.

Lenders' Mortgage Insurance

What is Lenders' Mortgage Insurance?

Lenders' Mortgage Insurance (LMI) is insurance that protects the lender, not you. It's usually a one-off payment made by the borrower at the time of loan settlement. Here are the facts about LMI:

· LMI is a type of insurance you can expect to pay if you borrow more than 80% of your home's value.

· LMI protects the lender – not the borrower.

· You don't need to arrange LMI yourself – your lender will sort it for you.

· It's possible to save on LMI by saving a bigger deposit.

Why is LMI a good thing?

LMI means that even with a small deposit, you have the potential to own your home sooner by giving the lender confidence in offering you a home loan, even if you haven't quite reached that 20% deposit. With LMI in place, some lenders will allow you to borrow up to 95% of the purchase price of your home.

How much is Lenders' Mortgage

This depends on where you borrow, your lender and the size of your deposit. Your Broker can show how to calculate mortgage insurance for your circumstances.

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FAQs: Credit Reporting

Your credit report - worth getting to know

Your personal credit report plays a key role in the loan approval process and changes to Australia's credit reporting system make it vital to maintain a healthy credit record. Whenever you apply for a loan or other credit, lenders will look at your personal credit report. This is a written record of how well you have managed debt in the past, and it's maintained by credit reporting agencies.

Comprehensive credit reporting

Comprehensive credit reporting is designed to give lenders a more complete picture of how you manage debt. Along with information about the types of credit you use and your credit limits, your report may provide details about how you have managed your credit commitments, i.e. whether you've made your required repayments on time.

The impact on your loan application

With both positive and negative details of your credit history available, lenders are better placed to assess your ability to manage a loan. This can help to fast track the loan approval process and may even result in you being eligible for a lower interest rate.

Quick tips to keep your credit report in good shape

The introduction of comprehensive reporting brings Australia into line with many other countries. It also has key implications for the way each of us manages personal debt. Maintaining a strong credit report makes you attractive to lenders, and this increases the likelihood of securing competitively priced loans from mainstream lenders.

Taking a few simple steps can mean avoiding unwanted black marks on your credit report:

- Set up automatic direct debits for loan and credit card repayments
- Schedule loan repayments for pay days
- Keep track of all your credit commitments
- Apply for a loan or credit only when you really need it
- Close credit card accounts that you don't use or need

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Additional costs to your deposit

Loan application fees

To start the process of obtaining a loan, the borrower may have to pay an application or loan establishment fee. The cost can vary depending on loan type, lender, security and loan splits. In most cases, the fee includes the cost of the first valuation.

Rates adjustments

The owners would have paid their rates in advance. When you settle, you reimburse the owners the difference in rates.

Conveyancing/Solicitor fees

This is the fee charged by the conveyancer or solicitor to carry out the legal work involved in purchasing real estate. Be sure to ask about the costs of searches, settlements and disbursements.

Building and pest inspections

Home buyers will arrange for inspections of a prospective property by qualified inspectors before exchanging contracts. The inspections ensure that the property is not affected by insect infestations and that it is structurally sound and complies with building regulations.

The cost of inspections is payable by the property buyer. Note that lenders may make satisfactory inspections a condition of loan approval if doubts exist about the condition of the property.

Stamp duty

Property transfer stamp duty is a State Government tax payable by the buyer and is calculated on the price paid for the property. Because it is a duty for transferring the title of a property, it will be imposed whether or not the purchase is financed with a mortgage. First home buyers may be eligible for significant rebates on stamp duty.

Property Transfer Fee

This is a State Government charge to register the transfer of title of the property from one person to another. Some states and territories may charge a set fee, while others are on a sliding scale.

Mortgage registration fee

This is an administrative charge imposed by the Land Titles Office or equivalent in each state
or territory. This fee is charged for entering (registering) the lender's mortgage on to the title record for the property. The fee differs from state to state. The borrower pays this cost.

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