

First Home Buyer Guide

All the terms you need to know when buying your first home.

Instead of scratching your head over all the unfamiliar terms, you should enjoy every step of the journey into your own home. To help you with just that, the definitions in this first home buyer guide explain the most relevant terms you will come across when buying your first home.

Need more help?

Speak to one of our friendly Home Loan Advisers on 13 11 82.





additional repayment

An **additional payment** is any extra repayment you contribute to your loan above the minimum loan repayments. Some loan products (in particular fixed) may have limitations on the amount of extra repayments you are able to make. Ensure you check the terms and conditions of your product to confirm how much you can pay into your loan each year.

annual fee

Some loans have **annual fees** to cover costs or additional services available on the loan. Annual fees are generally charged on the date of disbursement and then annually on this anniversary date. The value of the annual fee and the charge date are outlined in the loan conditions and your contract.

application fees

Application fees are the charges you may have to pay to the lender to cover their internal costs of processing your loan application. This fee may also be referred to as an 'Establishment Fee' or 'Up Front Fee'.

assets

Next to your income and credit history, lenders determine the amount you can borrow by looking at your assets. **Assets** are the valuables you own, such as your savings accounts, any cars, existing home contents, your superannuation, investment shares and such.

comparison rate

A **comparison rate** combines the interest rate and any fees and charges that relate to a loan into a single percentage, based on repayment frequency and terms of the loan. This way the comparison rate helps you understand the true cost of a loan and allows you to compare loans between lenders more easily.

conveyancer

A **conveyancer** is a specialist who represents you during the transfer of home ownership from the seller to you.

credit score

Your **credit score** is an assessment of your credit-worthiness. The credit score is used to determine the risk you present to a lender. It is based on the information held on your credit bureau file, such as your borrowing and repayment history.



deposit

The **deposit** is a portion of the price of a property that you need to pay upfront when exchanging the purchase contracts. Ideally you should have at least 20% of the property price saved up for a deposit when applying for a home loan, otherwise you might have to pay Lender's Mortgage Insurance (refer definition for LMI) on top of your loan.

equity

The **equity** of your property is the market value of the property less the outstanding loan amount. This means the value of your home equity increases as you pay off your mortgage.

establishment fee

The **establishment fee**, often referred to as 'Application Fee' or 'Up Front Fee', are the fees a lender might charge to cover their internal costs of processing your loan application.

family guarantee

When you don't have enough money saved up for a deposit, your family can act as a guarantor if they hold equity in their own property. The **family guarantee** can only cover the deposit and related fees and charges involved in the purchase of your home.

first home owner grant

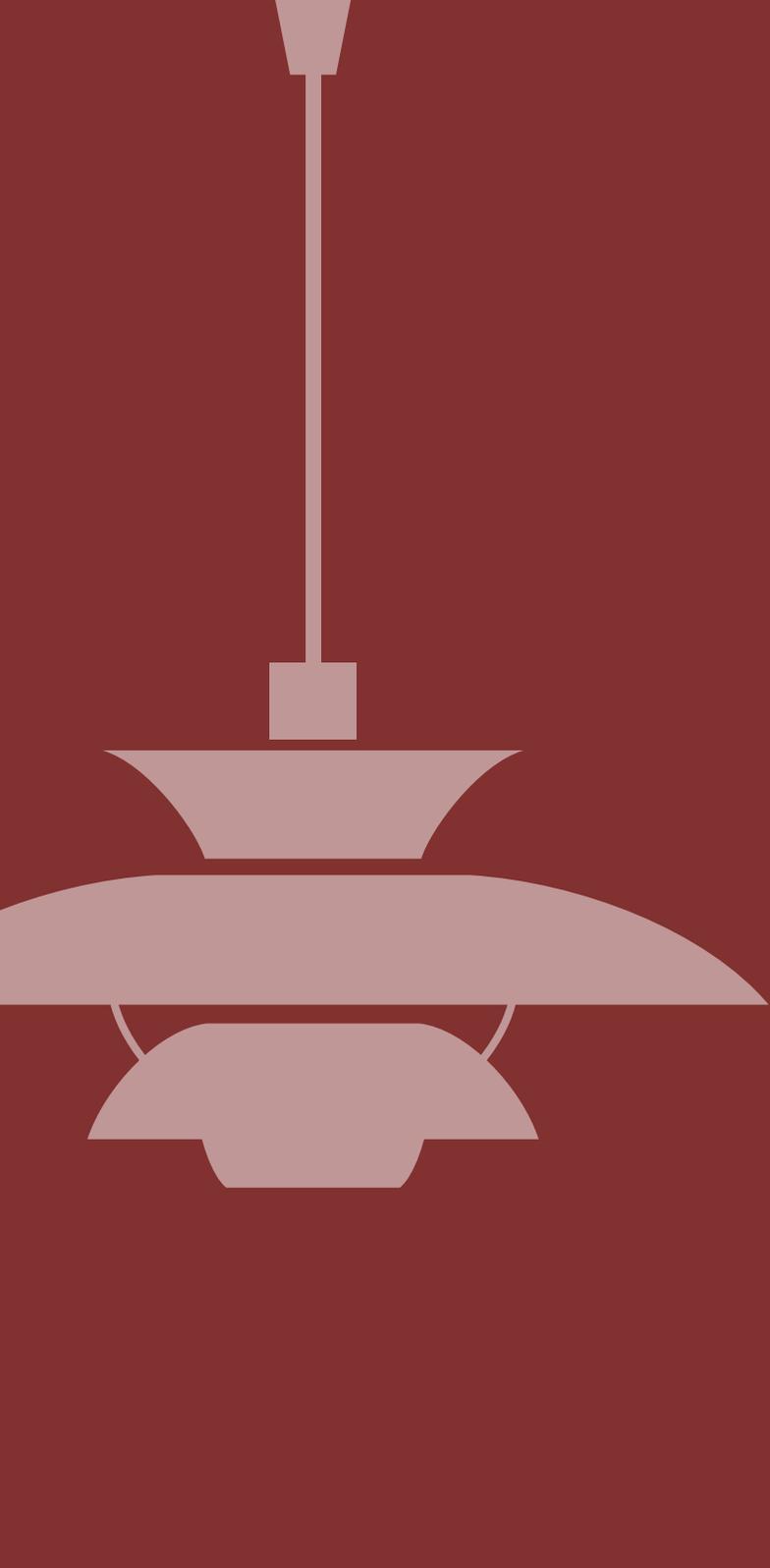
The **First Home Owner Grant** (or FHOG) is a scheme funded by some states and territories to assist first home owners buy, or build, a home. Eligible first home buyers get paid a one-off grant and the amount is determined by the date of the eligible purchase. Eligibility criteria and grant amounts vary, so check with your state or territory.

fixed interest rate

A **fixed interest rate** is a locked-in rate that won't change during a set period of the loan, so you know exactly what your repayments will be.

freedom home loan package

The **Freedom Home Loan** is a Home Loan Package from People's Choice Credit Union which offers for an annual fee interest rate and fee discounts for our members, not only on their home loan but on a wide range of our products and services.



home loan

A **home loan**, or mortgage, is a loan you borrow from a financial institution to buy a home. Home loans usually require repayments weekly, fortnightly or monthly and will generally run for a term of up to 30 years. The lender secures the mortgage against your property, so in case you are unable to repay the loan you might be required to sell your home to settle any outstanding debt.

investment loans

Investment loans are funds borrowed with the intended use of creating wealth or an income source. An investment loan is mostly used for the purpose of a purchase, construction or refinance of a home that will not be owner-occupied.

lenders mortgage insurance

Lender's Mortgage Insurance (known as LMI) is an insurance that protects the lender in the event of default by the borrower. LMI is a one-off payment that usually occurs when more than 80% of the property value is borrowed by a home buyer. You can pay the cost for LMI upfront at settlement of your loan or it can be capitalised into your home loan.

loan term

The **loan term** is the duration of your loan. Most loan products offer terms of up to 30 years

loan to value ratio (lvr)

The **loan to value ratio** (LVR) is a calculation using the amount of your loan compared to the appraised value of your property. To calculate the LVR, simply divide the loan amount by the property value. As an example, if you need to borrow \$350,000 and your property is appraised at \$420,000 the LVR is 83%.

monthly fee

Some loans have **monthly fees** to cover costs or additional services available on the loan. Monthly fees are generally charged on the last day of each month. The value of the monthly fee and the charge date, are outlined in the loan conditions and your contract.



owner occupied

An **owner occupied** home loan is a loan for personal purposes, available to home buyers who intend to live in the property the loan is taken out for. Owner occupancy applies to loans where the borrower is buying an existing home, building a new home or renovating and improving an established property they live in.

pre-approval

A **pre-approval** is a conditional approval for a loan. Obtaining a pre-approval before looking for a property means getting most of the paperwork for a home loan out of the way, so you know your price range and are ready to proceed when you find the right home for you.

property share

Property share means you co-own a property with family or friends, while retaining control over your own mortgage.

property value

Property Value, often called valuation, is the assessment of the value of your property as determined by the lender or external valuer.

redraw

A **redraw** facility allows you to access extra repayments you have made on your loan. Your extra repayments are funds paid into the loan above your contracted minimum repayment. Availability of redraw facilities and redraw limits differ across product types.

settlement

The **settlement** is the final step when buying a home. Settlement is the date the property ownership is legally transferred from the seller to the buyer. At settlement, often known as closing, all parties involved in the loan transaction sign the necessary legal documents and your mortgage loan responsibilities start.

solicitor

A **solicitor** is a professional who is legally qualified to deal with conveyancing or assisting you in the drawing of your will. Solicitors assist you with your legal affairs and can, depending on the state or territory you live in, represent their clients in court.

split loan

A **split loan** is a home loan that offers a loan to be split over a variety of product types, including variable, fixed and line of credit products. You can define which amount of your loan is split into each product type.

stamp duty

Stamp Duty is a tax each state or territory government charges on the sale of your property. Stamp Duty is designed to offset the costs of the legal documents for the purchase transaction and varies depending on which state or territory you purchase in.

valuation or property value

A **valuation** is the assessment of the **property value** as determined by the lender or external valuer, often based on the property purchase price.

variable interest rate

As opposed to fixed interest rate, a **variable interest rate** changes when the market interest rate changes. This means your repayments will also vary.

Whilst every effort has been made to ensure the accuracy of these definitions, they are general description of home loan / mortgage terms only. Check the terms and conditions associated with any product and with your state or territory for variations of term definitions. This glossary serves neither as advice nor pre-qualification for a loan or other financial products.

People's Choice Credit Union, a trading name of Australian Central Credit Union Ltd ABN 11 087 651 125 AFSL and Australian Credit Licence 244310.