



# HomesVic

## *for Aboriginal Victorians*

### Fact sheet for first home buyers

A home is one of the most significant and exciting purchases you will make. It is important to be aware of the upfront and ongoing costs that come with it. The following guide outlines many of the costs that you should keep in mind, so that you can have the best experience possible.

#### Deposit

Most lenders will expect you to have a deposit that reduces their risk and demonstrates your ability to save. In most cases this is 20% of the property's value, however it may be possible to be approved for a home loan with less than this, including by taking out Lender's Mortgage Insurance (LMI). With HomesVic you could be approved for a loan with just a 5% deposit and not require LMI.

#### Lender's Mortgage Insurance

Lender's Mortgage Insurance (LMI) is insurance you may need to buy from your lender if your deposit is below 20%. LMI insures the lender in case you default on your loan, but can cost many thousands of dollars. LMI is not applicable for HomesVic participants.

#### Conveyancing and legal

You will need to pay for the cost of conveyancing, which is the transfer of the property title (ownership) from one party to another and facilitation of settlement.

#### Land Transfer Duty

Also known as stamp duty, Land Transfer Duty is a tax on written documents and on certain transactions, and varies by state to state in Australia. Land Transfer Duty does not apply to first home buyers in Victoria who purchase a property for \$600,000 or less as their principal place of residence. There is also a concession for properties purchased between \$600,000 and \$750,000.

#### Loan application fee

A loan application fee is a fee charged to a potential borrower for processing an application for a loan. This fee may not be applicable to some home loan products.

#### What is a mortgage broker?

A mortgage broker acts as an intermediary between you and potential home loan lenders (banks). The job of a mortgage broker is to help find the best home loan for you based on information such as interest rates.



#### Moving

It is important to take into account potential costs associated with moving properties, including removalist fees, cleaning, and other items that may be required, such as boxes.

#### Building and pest inspection

A building and pest inspection will help you understand the condition and safety of the property, highlighting any faults, and may inform your decision on whether to buy.

#### Home and Contents Insurance

Home and Contents Insurance provides protection against the loss of or damage to your property or the property inside, in an insured event such as fire, burglary or storms.

Each insurance policy will be different depending on your circumstances and the amount of coverage you wish to have. It is a requirement to have home insurance for participation in HomesVic.

# Council and utility rates

Council rates are calculated based on a valuation of a property. Your rates will vary from year to year and will depend on the council area you are in. You may also be charged a modest fee by your energy distributor when moving properties.

## Definitions

### Mortgage:

A legal agreement by which a bank or other lender lends money to a customer to pay for a property, under the provision that the money will be paid back.

### Auction:

A sale in which the price of property is not set or negotiated, but sold to the highest bidder at the seller's discretion.

### Private sale:

An alternative to an auction, a private sale may be advertised publicly, to allow prospective buyers to submit offers.

### Program Provider's Share:

The amount of a program provider's interest in a property at any given time, expressed as a percentage.

### Home loan pre-approval:

This is issued by a lender once they have checked your credit history and finances, and determine how much you may be able to borrow.

### Contract of sale:

A contract of sale is a legal document that expresses the intention to buy, and outlines the details of the property and any requirements that need to be met before the property purchase can be finalised.

### Settlement:

This is the day that representatives such as the buyer's conveyancer, the lender and the seller meet to exchange documents, and pay the balance of the property price.

### Sale by Expressions of Interest (EOI):

This option allows the seller to set a deadline for potential buyers to put forward their best offer on a property.

### Sale by tender:

A selling process similar to a closed, silent auction where the seller accepts a tenders (offers) from prospective buyers in sealed envelopes to consider at a pre-determined date.

## Estimate your upfront costs

Use this table to estimate how much money you'll need to set aside for a first home. Quotes for costs such as Home and Contents Insurance can usually be found online. Not all costs may apply, depending on your circumstances.

This includes Lender's Mortgage Insurance, which would not apply to you if you purchase your property through HomesVic.

Deposit	\$ _____
Lender's Mortgage Insurance	\$ _____
Conveyancing and legal	\$ _____
Land Transfer Duty	\$ _____
Loan application fee	\$ _____
Moving	\$ _____
Building and pest inspection	\$ _____
Home and Contents Insurance	\$ _____
Council and utility rates	\$ _____
Other costs	\$ _____
TOTAL	\$ _____

## Save for maintenance

It is important to set aside money for possible maintenance costs for your home. This could include things such as replacing broken taps, getting the carpet professionally cleaned or repairing an air-conditioning unit.

## About HomesVic

HomesVic is a pilot program developed by the Victorian Government to assist up to 400 first home buyers purchase their first property, by reducing the amount required for their home loan. AHV is working with the HomesVic team to deliver a unique component of the program to Aboriginal Victorians. Contact us to learn more about the opportunities that may be available to you.

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Visit: [www.ahvic.org.au/communications-and-resources/homesvic-for-aboriginal-victorians](http://www.ahvic.org.au/communications-and-resources/homesvic-for-aboriginal-victorians)



Aboriginal Housing Victoria

