



**CLARK FINANCE GROUP**

— CHOICE. TRUST. BEST INTEREST. —



# **YOUR FIRST HOME BUYER JOURNEY**

# Thank You

## Vaughan Clark

*CEO/Founder/Accredited Mortgage Broker*



Thank you for downloading our *First Home Buyers Guide*, Clark Finance Group is passionate about educating and guiding First Home Buyers through the finance journey of purchasing their first home.

Purchasing your first home does not need to be a daunting experience with Clark Finance Group's team to assist you along this journey.

We pride ourselves on our dedication to nurture and team up with our clients, through the finance journey. Ensuring you are not just a transaction and that your dream is our focus.

It is a pleasure to accompany you along your finance Journey. We look forward to hearing of the satisfaction and joy you will feel when, picking up your keys for the first time and knowing you are home. Achieving your dream is within reach with Clark Finance.

### Meet the Team of CFG



**TABATHA LEE**  
*Para Broker/Loans  
Manager*

Passionate about  
finance and matching  
clients to their best  
lender



**KRISTY BAMFORD**  
*Client Support  
Manager*

Customer service and  
communications  
"guru"



**ARCHER**  
*Office Mascot and  
Moral Officer*

Loves to greet people  
and make new friends





# Our guide to your First Home

We have completed this guide to assist you along the way. By using our combined industry knowledge and frequently asked questions from our valued clients.

So, let's begin on the Journey of you purchasing YOUR FIRST HOME

## In this guide we will discuss:

- The 5 C's of Lending
- What are Genuine Savings?
- Borrowing Capacity VS Purchasing Capacity
- Is there help out there?
  - Government Assistance
  - Bank Assistance
  - Family Assistance
- Pre-Approval - A powerful tool
- Auction or Private Sale - what's the difference?
- Conveyancing - Explained
- Finance Clauses
- Building and Pest Inspections
- Your Finance Journey with CFG - start to finish

The information provided in this guide is of general nature.

We recommend that you seek further instructions from industry specialists such as real estate agents, solicitors/conveyancers, brokers/lenders to ensure your own circumstances are reviewed per your individual needs



# The 5 C's of Lending

The 5 C's of lending are used to convey the credit worthiness of you as a borrower. Lenders will weigh 5 characteristics of the borrower and conditions of the loan - they do this to estimate the risks associated with lending you money.

But what are the 5 Cs?



**CHARACTER**



**CAPACITY**



**COLLATERAL**



**CAPITAL**



**CONDITION**



# 1

## Character

Character is reflected in your level of responsibility and willingness to meet your financial obligations. It refers to your overall history.

In a lending scenario, your character is strongly influenced by your credit report. With your authority a perspective lender will run a credit report to gather information. The report shows how you have handled credit in the past and gives an indication of how likely you would be to repay a loan in full. Character also includes your stability in employment and residential history.



Clark Finance Group will complete a "FREE" Credit Report as part of our finance journey with our clients.

# 2

## Capacity

Capacity is determined by a number of factors, it is the way a lender assesses if you can afford the lending you are requesting.

Some factors to be considered are:

- Sources of income - are you salaried, commission based, self-employed or a casual worker?
- Are you living within your means- this relates to your living expenses both discretionary and non-discretionary, for example, how much money do you spend on recreation, online shopping and eating out?
- What are your current debts - do you have personal loans, credit cards, or utilise Buy Now, Pay Later services like Afterpay?
- Debt to Income Ratio (DTI) - is your debt to income ratio within risk range (ordinarily between 5 & 6 for most lenders)

How we live day to day can impact on our ability to borrow money. Clark Finance Group will review your expenses with assistance of your bank statements and discussing any areas that may be of concern with you directly.

# 3

## Collateral

When it comes to mortgage lending - your collateral is your property. Your property will then be used as security for your loan.

When offering your property to the lender, they will review a few factors which will include:

- Postcode - is the property in a metro, regional or rural location?
- Type of security - is it an apartment, townhouse, detached home, house and land package?
- Physical aspects of the property you are presenting - does it need extensive renovating, is it near major powerlines?

Depending on some of these factors, the bank will also determine what loan to value ratio they are willing to offer you.

Clark Finance Group offers **FREE** property reports- just email us with address of the property you are looking at





## 4

### Capital

Capital is how much you have available in funds to put towards your purchase. What is your contribution? Do you have savings? Have you sold an asset? Are you using grants? Is your family giving you a gift?

Lenders will typically want a minimum of 5% of your purchase price as a contribution. Be mindful that your purchase price does not include any additional costs or fees associated with purchasing a property such as conveyancing fees, transfer of land or registration of mortgage - these need to be added to your total on top of your purchase price.



Lenders have maximum loan to value ratios (LVR) and debt to income ratios (DTI). When reviewing lending these need to be taken into consideration

## 5

### Conditions

This refers to the conditions of the loan you are applying for. What you are looking for, the purpose of your loan and the criteria surrounding it.

- The purpose of loan - Owner occupied or investment
- The Interest Rate - This is the amount that a lender charges you for the use of money on top of the principal.
- The Loan Term - Standard loan term is 30 years - How many years will your loan be for?
- The Loan Amount - How much are you asking to borrow?



Questions regarding the 5 C's?  
Give us a call on 1300 366 670 and our experienced team will be happy to help



# Genuine vs Non Genuine Savings?

Genuine savings can be simplified to mean 'money you have saved up over time'.

Lenders will want to see these funds in a dedicated account showing regular deposits for at least 3 months. By putting away a little bit each month, it demonstrates that you are able to budget and shows a good pattern of behaviour (which goes back to Character)

Non- Genuine savings may come from a sale of assets, family gifted funds or lump sum payments such as lottery winnings and sale of items (like books, bikes etc.)

## **How much in savings do I need?**

Lenders will typically want a minimum of 5% of your purchase price. This can be in the form of genuine savings or non-genuine savings - even a combination of the two is acceptable.

## **Does paying rent or making additional repayments on my personal loan count towards genuine savings?**

Some lenders will accept rental payments and additional repayments under their genuine savings policy.

What this means is they can see a pattern of behaviour of funds that would be used to repay a mortgage being completed by you. In these cases, you will need to provide a copy of your rental statement for the last few months from your real estate agent confirming all your payments have been made in full and on time; or in the case of additional payments - statements for lending that show the additional funds being made on a regular basis and can be redrawn if required.



# Borrowing vs Purchasing Capacity

As a first home buyer; its natural to want to know what your borrowing capacity is, you want to know how much a lender is willing to loan you.

A lender will ask you how much income you earn and what your current debt situation is, from there they can give you an indicative borrowing capacity. Sounds simply and easy, and in truth it is.

HOWEVER there is a difference between how much you can potentially **BORROW** compared to how much you can **PURCHASE** a property for.



The main difference between a borrowing and purchasing capacity is the assessment criteria for each. When a purchasing capacity is being assessed savings/contributions, concessions and grants, the type and location of the property, and the debt to income ratio are all considered .

However, when assessing the borrowing capacity only your income, current commitments and your living expenses are a looked at.

It comes down to your affordability to repay the loan. Sure, based off your income, commitments, and what you might want to spend you *COULD* borrow \$1 million dollars - but when looking at the whole picture can you *AFFORD* to repay that?





# Borrowing vs Purchasing Capacity

At Clark Finance Group we look at both what you able to borrow and what you can afford to buy for

Your borrowing capacity does not take into consideration how much you have in savings to contribute or the property you are proposing to buy.

We look at your contribution, the concessions available, if you are eligible for any grants, and what type of property you are looking at. We then work backwards knowing what the maximum loan to value ratio including lenders mortgage may be available to you.

	<b>Borrowing Capacity</b>	<b>Purchasing Capacity</b>
<b>INCOME</b>	✓	✓
<b>CURRENT COMMITMENTS (Loans, Credit Cards, HELP debt)</b>	✓	✓
<b>LIVING EXPENSES</b>	✓	✓
<b>SAVINGS/CONTRIBUTION</b>		✓
<b>CONCESSIONS/GRANTS</b>		✓
<b>TYPE AND LOCATION OF PROPERTY</b>		✓
<b>DEBT TO INCOME RATIO</b>		✓
<b>LOAN TO VALUE RATIO</b>		✓





# Help is out there

Being a First Homebuyer can be an exciting time, however there can be occasions where you get disheartened as you might have missed out on that perfect home because you were outbid or feel like you will never be able to reach your savings goals - don't worry though, there is help available that can give you an extra edge

## Government Assistance

Being a First Home Buyer allows you the option to take advantage of different Government funded schemes and incentives - both Federal and State.

- The First Home Guarantee (previously the First Home Loan Deposit Scheme)
- The Family Home Guarantee
- The Regional Home Guarantee
- The First Home Super Saver Scheme
- First Home Owners Grant
- Concessions (stamp duty)

Check out the below helpful websites for more information regarding Government Assistance:

- <https://www.sro.vic.gov.au/first-home-owner>
- <https://www.vic.gov.au/our-plan-help-first-home-buyers>
- <https://www.nhfc.gov.au/what-we-do/support-to-buy-a-home/first-home-loan-deposit-scheme/>



Eligibility criteria will apply for any assistance considered. Please call us on 1300 366 670 for a more detailed discussion on if your circumstances fit the requirements





## Family Assistance

There is nothing like the love and support of family, and when it comes to buying a home - they can help along the journey in a few different ways. Two common ways that your family can help you are:

- Gifting of funds
  - Where a family member can gift you a certain amount of funds for you to use towards your deposit or purchase
  - Ordinarily lenders will request confirmation of where these funds came from - normally in the form of a 'gift letter' which outlines that these funds were given unconditionally without expectation of re-payment.
  - If the funds require repayment - this will be added to your ongoing commitments to ensure correct serviceability,
- Security Guarantor
  - If there is a member of your family that currently owns a property (with or without a mortgage) they may be able to use the equity in their home as security for your loan.
  - Ordinarily your parents will act as security guarantors however, some lenders will allow other immediate family members to take their place.

## Bank Assistance

Not only can you receive assistance from The Australian Government and/or your family, lenders also know how important that First Home Buyers sector is and they will often provide promotions if you are a First Home Buyer.

Some of these promotions include and are not limited to:

- Promotional Interest Rates
- Lenders Mortgage Insurance waivers and discounts
- Loan to value ratio concessions

Whether you choose government, family or banking assistance, or a combination of the three, each of them allows you added benefit when buying your first home. You may not be eligible for all assistance and you may find some have limited spots available.

Please call or book an appointment with Clark Finance Group if you would like to know more on what assistance might be available to you and your individual circumstances.



# YOU'RE PRE-APPROVED



## Pre-Approval - A Powerful Tool

Buying your first home is an exciting time and you will quickly find out there are a number of steps to the journey before you can pick up your keys and book that moving van. Gaining a Pre-Approval is one of the first big steps you will need to take on your home buying journey - not only to increase your confidence when bidding at auction or negotiating with an agent, but to know where you stand with your chosen lender.

### WHAT IS A PRE-APPROVAL?

A pre-approval/conditional approval or AIP (Approval in Principle), is when the lender you have chosen has reviewed you as a potential client and has confirmed based on the information provided to them that you fit their lending criteria. It is your first step in becoming a homeowner.

It is the lender saying 'you tick all our boxes' and we believe you would be a fit as a customer of ours.

When a lender reviews your application for pre-approval, it will look at the 5 C's of Lending covering:

- Employment history & Income
- Address history & Residential status
- Credit File
- Living Expenses
- Assets (deposit amount/savings, shares, crypto, superannuation, vehicles, home contents)
- Liabilities (credit cards, loans, car leases, Buy Now/Pay Later - such as Afterpay)
- Proposed loan amount and LVR (how much you want to borrow and the value of the property)
- Type of property you are looking at (apartment, townhouse, house and land package etc)

Once they have reviewed your details and are satisfied with the information provided they will pre-approve your loan for a period of 3-6 months (depending on the lender). Giving you plenty of time to find that perfect property.

Once you have found your dream home, we then work with you to obtain formal approval.



# YOU'RE PRE-APPROVED



## Pre-Approval - A Powerful Tool

### DO I ACTUALLY NEED A PRE-APPROVAL?

Great question! A pre-approval gives you that added benefit when you are looking for your dream home.

- It gives you peace of mind
- It gives you confidence when bidding at auction or making an offer
- Allows you to seize an opportunity and move quickly
- Gives you stronger bargaining power when negotiating

### DOES HAVING A PRE-APPROVAL AFFECT MY CREDIT SCORE?

In short, the answer is YES

A credit file review will be completed by a credit provider each time you apply for any application, this can be a pre-approval extension or a review of your credit card rates.

Multiple credit enquiries may result in a lender asking more questions than standard and can result in your credit score decreasing, HOWEVER, common sense often prevails with lenders when they see that the same lender is being used, similar loan amounts being asked for and each query is roughly 3-6 months apart.

Clark Finance Group believes that having a pre-approval in your property buying tool-kit is beneficial and will ultimately save you stress and anxiety when you find that perfect home.



Clark Finance Group can help you through the pre-approval journey and can mitigate how a lender might view your pre-approval history



# Auction vs Private Sale

Within the property market there are a few ways potential buyers can purchase a home. Typically they can purchase at Auction or Private Sale via Expression of Interest (EOI)

When buying your first home whichever way you choose it can be a little daunting as the emotions involved can often take centre stage leaving the process and facts in the background.

We understand this and would like to offer you some tips and pointers when dealing with possible ways you will be purchasing your first home.

## Auction

When purchasing a property at an Auction it is not only your own emotions that you will end up contending against, it will also be other interested parties bidding against you.

An auction is the sale of a property held on a certain day, at a certain time. Auctions in Australia are governed by strict rules and regulations – these differ from state to state. All auctions are run by a licensed real estate agent who will act on the sellers behalf. The seller otherwise known as the vendor, will have what they call a reserve price, this is the purchase price the vendors are happy to walk away with based on their own circumstances. If the reserve price is met through bids, the home will then become “on the market“. At this time, bidders will continue to bid to their own maximum price to obtain the property.

When bidding ceases, the auctioneer advises “going once, going twice, SOLD“, it also means that contract is now unconditional. The property is **SOLD**. If you are the successful bidder you will sign and exchange contracts with the seller, as well as pay your deposit on the day – there is no cooling off period or changing your mind.

This is why having a pre-approval allows you that added confidence to bid when you know that property is to become “your home“.

## Private Sale

Purchasing a property, that is not through auction is labelled private sale or private treaty and can include off market properties. Offering your bid through private sale is a lot less stressful and overwhelming than auction. It gives you time to work through your offer bid.

When a property is listed as a Private Sale, the vendor will set a price that they would like to achieve for the property – this is normally outlined in the marketing material as either a set price or price range. This will give you a good indication as to if this home is within your budget.

The benefit of a Private Sale is that allows you to advise what your terms are for the intended purchase. You are able to make a ‘conditional offer’ – this means you agree to purchase the property however there are certain conditions that need to be met – such as finance approval or a building and pest inspection. You can also negotiate the price by making an offer that is below the listed price – you and the vendor can then work towards a figure you are both happy with.

Similar to an auction, holding a pre-approval in your hand gives you not only added confidence but extra power when it comes to your offer terms.





# What is conveyancing?

Conveyancing is the transfer of legal ownership of a property from one person to another.

If you are buying, conveyancing can start with a quick check of the contract before you commit yourself to buy and will follow through to settlement and notifying the rating authorities of the change of ownership.

## Do I really **NEED** a conveyancer?

**YES** - In order to be a conveyancer you must hold a legal degree in property law or conveyancing.

We've talked about the emotions that become intertwined with everything else when buying your first home - having a conveyancer to take care of all the paperwork for you is one less thing to worry about.

Ordinarily, a conveyancer will take care of everything needed to ensure that you are prepared for critical dates throughout the process. They are also responsible for being in contact with the vendor's solicitors to ensure that there are no issues that arise.

## But what do they do?

As outlined above, a conveyancer manages the settlement process. This is easier said than done, as the detail, documentation, and work that goes into legally transferring a property to a new owner can be quite cumbersome.

As a buyer, your conveyancer should:

- Prepare, clarify and lodge legal documents
- Research the property and its certificate of title
- Ensure that your deposit & settlement funds are held in the correct account
  - This can be your conveyancers trust account or a bank account of your chosen lender
- Calculate the adjustment of rates and taxes
- Represent your best interest with the vendor and/or selling agent
- Settle the property - as your proxy they will act on your behalf and confirm when settlement is complete

## How do I find a conveyancer?

A good place to start is by asking your friends or family if they have any recommendations. If that doesn't provide you with options, online research is always beneficial.

Clark Finance Group has worked with a number of knowledgeable and professional conveyancers, if you would like us to refer you to one in your area, please contact our office.





# Finance Clauses

As mentioned earlier, when purchasing via a private sale you are able to negotiate to have conditions as part of your offer - a finance clause can be one of them.

It means that your contract to purchase the home is conditional or subject to your chosen lender formally approving your loan. It gives you time to review your loan structure and for a valuation on the property to be completed.

Rules, regulations and practices for finance clauses can differ from state to state - if you are unsure what to do, we recommend discussing with your conveyancer.



# Building and Pest Inspections

Making a building and pest inspection a condition when making an offer on your home can save you in the long run. The report arms you with detailed information about potential issues before you invest valuable time and money into a property.

Building and pest inspectors look at a wide variety of factors internally and externally, such as cracks in walls, rust, dampness, mould or leak stains. They check to see if windows and doors are functional and if there are potential plumbing or electrical issues, rotting timber or pests.

Externally, they inspect the roof, walls, large trees and fire and garden hazards, as well as external structures. The inspection can also expose any previous pest infestations, what damage was caused and how it was fixed.

Finally, they will check that any extensions to the property are legal and have council approval.





# Your Finance Journey

By partnering with Clark Finance Group you will find the lending process not a transactional one, but a journey of knowledge, understanding, enjoyment and achievement.

So, lets take a simplified look at what YOUR FINANCE JOURNEY with Clark Finance Group will be:

1

## Initial Contact/Enquiry

Phone call, internet enquiry or booking an appointment online or on-site meeting.

2

## Review, Research, and Recommendations

The CFG team starts the review process - collating documents to get to know you. We then research and recommend based on your individual circumstances what best options are available - discussing everything in detail with you.

3

## Application & Submission

Once a lender and loan type is decided on, we start the application process. The team will send you an application pack to sign, this may also include extra documents. The signed application and supporting documentation is submitted to your chosen lender for assessment

4

## Decision

Lender assesses application - at this point they may ask for additional documentation, they will then advise decision - Pre Approved/Conditional Approval or Formal Approval

5

## Pre-Approval/Conditional Approval

This decision allows you to know the lender has reviewed you and they are happy to lend - subject to certain conditions - like finding a property - Happy House Hunting!

6

## Purchase & Approval

You have found that perfect home and had a successful bid - your application will now be updated and move to formal approval. YAY!!

7

## Loan Documents & Settlement Preparation

The lender and their acting agents will send out loan documents for signing- this may be electronic, email, or post. Once the signed documents are returned all parties will prepare your file for settlement.

8

## Settlement

Settlement is booked and occurs  
YOU RECEIVE THE KEYS AND CAN START ENJOYNG YOUR NEW HOME!



Your finance journey with Clark Finance Group does not stop at Settlement.

Our team will contact you a 30-45 days after settlement to make sure everything is running smoothly with your new loan and periodically to check in.



# Contact Us

[support@clarkfg.com.au](mailto:support@clarkfg.com.au)

1300 366 670

[www.clarkfinancegroup.com.au](http://www.clarkfinancegroup.com.au)

ABN 53 179 089 330

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