Make sure you're financially fit for your first home

The decision to buy your first home is exciting and exhilarating, but before you set out to start climbing the property ladder, you need to set a realistic budget so that your dream doesn't turn into a financial nightmare.

"It's important to understand that buying your first home is not just about the mortgage," says Shaun Rademeyer, CEO of BetterBond Home Loans, SA's leading mortgage origination group. "There are also transaction costs to pay such as transfer duty and bond registration and legal fees, as well as the cost of moving and municipal connection deposits, for example.

"You need to have sufficient cash saved to meet these costs in addition to the amount you have available to put down a deposit, and then when you are working out your new monthly budget, you may need to add the premiums for new life and short-term insurance, for example, or a monthly levy if you are living in a gated complex, and higher utility bills."

It's hard for most buyers to work out all these costs, and to avoid nasty surprises, he says, they should consult a reputable mortgage originator before they go house hunting. "At BetterBond, for example, we go out of our way to make sure that prospective buyers are not only pre-qualified for a home loan, but fully informed about the whole financial commitment they will be making.

"We especially don't want first-time buyers to fall in love with homes that they really can't afford and will become a financial burden to them rather than the source of pleasure and financial security that a home is supposed to be. It is much better to buy a more modest home first time around and avoid the financial stress."

First-time buyers also need to allow for regular home maintenance and emergencies such as a leaky roof or a burst pipe, Rademeyer says, so their monthly budget should not be so stretched that they are unable to save and build up a "contingency fund".

"And although it may be unpleasant to contemplate while they are enjoying the prospect of becoming homeowners, first-time buyers also need to think about what would happen if they should suddenly lose their job or become ill."

Most, he says, would not be able to keep up their mortgage repayments for very long in such circumstances, and that might mean that they and their families would lose their home unless they have income protection insurance. "These days, it is really worth putting this type of safety net in place, as well as credit life insurance that will pay off the home loan if the borrower dies, and enable the family to keep their home."

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