AUSTRALIAN FIRST HOME BUYER SERIES

ESSENTIAL READING

First Home Buyer *Guide*

Everything you need to know to plan, prepare and purchase your first home in Australia, with confidence.

> *Why go to one bank, when we can bring 50 plus banks and lenders to you?*

350+	1,000+	50+
FIVE STAR REVIEWS	AUSTRALIAN FAMILIES HELPED	BANKS AND LENDERS

INDEPENDENTLY RECOGNISED. INDUSTRY CREDENTIALED.

PUBLISHED BY

Laxmi Home Loans

Edition One

laxmihomeloans.com.au

INSIDE THIS GUIDE

What you will *find*

This guide takes you through the five stages every first home buyer in Australia needs to understand. Each chapter is short, practical and built to be read in any order.

PLUS

- Common mistakes and how to avoid them
- Pre-purchase checklist
- How to start your application with Laxmi Home Loans

HOW TO USE THIS GUIDE

Read it once end to end to build a clear mental map of the journey. Return to specific chapters as you reach each stage. Use the checklist on page 17 as a working document. Speak with a qualified mortgage broker before making decisions specific to your circumstances.

WELCOME

A note from your *broker*

Buying your first home is one of the most significant financial decisions you will make. With the right preparation, it should also be one of the most rewarding.

Laxmi Home Loans has guided first home buyers through the Australian property market since 2015. We work with more than 50 banks and lenders. We are independent. We sit on your side of the table.

This guide brings together the questions we are asked most often, in plain language. It is designed to give you a clear picture of the process before you walk into your first inspection or sign your first contract. The earlier you understand your numbers, the stronger your position becomes.

Take the time to work through it. When you are ready, talk to us. The first conversation is free.

Kishor Acharya

Principal Broker, Laxmi Home Loans

Your five stage journey

Every first home purchase moves through these five stages. Each chapter of this guide covers one stage in detail.

1 **Build the Foundations**

Understand the language of lending. Borrowing capacity, pre approval, comparison rate.

2 **Plan Your Deposit Strategy**

Know your LVR, when LMI applies and how genuine savings work.

3 **Use Government Support**

Identify the grants, guarantees and concessions you may qualify for.

4 **Prepare Your Financial Profile**

Make sure your bank statements and credit profile present you well to lenders.

5 **Move from Offer to Settlement**

Navigate the contract, valuation, settlement and the days that follow.

CHAPTER ONE

01

The *Foundations*

The language, the logic and the levers of home lending in Australia. Master these and the rest of the journey becomes easier.

The *language* of lending

A home loan is money borrowed from a bank or lender to purchase a property, repaid over time with interest. Knowing the core terms helps you compare loans, ask better questions and avoid surprises.

Key terms every first home buyer should know

Principal
The amount you have borrowed. Repayments reduce this over time.

Interest rate
The cost of borrowing the principal, expressed as a percentage. Can be fixed or variable.

Comparison rate
A combined figure showing the interest rate plus most fees. Useful for comparing loans on a like for like basis.

Pre approval
A conditional approval that confirms how much you may borrow before you make an offer.

LVR
Loan to Value Ratio. The loan amount divided by the property value, expressed as a percentage.

LMI
Lenders Mortgage Insurance. Protects the lender, not the borrower, when LVR is above 80 percent.

Offset account
A transaction account linked to your loan. Money in it reduces the balance used to calculate interest.

Redraw facility
A feature that lets you access extra repayments you have made on your loan.

Settlement
The day legal ownership of the property transfers to you and the lender releases funds.

Loan term
The length of time agreed to repay the loan. Most home loans run 25 to 30 years.

Fixed or variable

A fixed rate stays the same for an agreed period, usually 1 to 5 years. It gives certainty of repayments. A variable rate moves up or down with market conditions. It often offers more flexibility, including unlimited extra repayments and offset features. Many borrowers split their loan, fixing part and leaving part variable, to balance certainty and flexibility.

How *borrowing* capacity works

Borrowing capacity is the maximum amount a lender is willing to lend you. It is not the same as what you can comfortably afford to repay. Banks calculate it using a structured assessment of your income and outgoings.

What lenders weigh up

- **Gross income.** Salary, allowances, bonuses, overtime, rental income and government payments where eligible.
- **Living expenses.** Either declared figures or the Household Expenditure Measure benchmark, whichever is higher.
- **Existing debts.** Credit cards (assessed on the limit, not the balance), personal loans, car loans, HECS or HELP and Buy Now Pay Later commitments.
- **Dependants.** Each dependant increases the assessed living expenses.
- **Interest rate buffer.** Lenders test your loan at a rate above the actual offered rate to confirm you could repay if rates rose.

> *"The earlier you know your numbers, the stronger your offers become. Most rejected contracts come from buyers who skipped the borrowing capacity step."*
>
> KISHOR ACHARYA, PRINCIPAL BROKER

Why pre approval matters

Pre approval is a written confirmation from a lender that you may borrow up to a stated amount, subject to final checks. It serves three purposes.

- It tells you the price range you can realistically shop in.
- It gives sellers and agents confidence that your offer is genuine.
- It surfaces any issues in your file early, while there is still time to fix them.

Pre approval is not a guarantee. The lender still needs to value the property and confirm your circumstances have not changed before issuing formal approval. Avoid taking on new debt, changing jobs or making large unexplained transactions between pre approval and settlement.

> **ACTION POINT**
>
> Use the Laxmi Home Loans borrowing calculator to get an indicative figure. A broker can then refine that number across multiple lenders to find your strongest position.

CHAPTER TWO

02

Deposit, LVR and *LMI*

The 20 percent rule is a myth. The real story is more nuanced and far more useful for buyers ready to enter the market sooner.

The *twenty percent* myth

A 20 percent deposit is the textbook ideal. It is not the threshold you must clear to buy property in Australia. Many first home buyers enter the market with 5 to 10 percent, supported by the right structure and the right lender.

How LVR is calculated

Loan to Value Ratio is the loan amount divided by the property value, expressed as a percentage. A worked example.

90%

A $500,000 property with a $50,000 deposit needs a $450,000 loan. $450,000 divided by $500,000 equals an LVR of 90 percent.

The lower your LVR, the lower the risk to the lender. Lower risk usually means access to better rates, simpler approval and the option to avoid LMI.

Lenders Mortgage Insurance, explained

LMI is a one off insurance premium paid by the borrower to protect the lender if the loan defaults. It applies on most loans where LVR exceeds 80 percent. Important points to understand:

- LMI protects the lender, not you.
- The cost of LMI rises sharply as LVR moves above 90 percent.
- LMI can usually be capitalised into the loan, meaning you do not pay it upfront.
- LMI is generally not refundable if you sell or refinance later.
- Eligible buyers can avoid LMI altogether through government schemes or guarantor arrangements.

Genuine savings

Lenders look for evidence that part of your deposit was saved over time. The standard expectation is at least 5 percent of the property price, held or accumulated over a minimum of 3 months. Gifts, inheritances and bonuses can sit alongside genuine savings, but they generally do not replace them.

> **PRO TIP**
>
> Set up an automatic transfer to a separate savings account on each payday. The pattern matters as much as the balance. Lenders weight a steady savings rhythm above a single large deposit.

Family guarantor structures

A family member, usually a parent, can use equity in their property as additional security for your loan. This can reduce or eliminate LMI and may allow you to borrow without a 20 percent deposit. The guarantor takes on real responsibility, so the structure should be reviewed carefully.

CHAPTER THREE

03

Government *Support*

Federal and state schemes can reduce your deposit, eliminate LMI or cut your stamp duty bill. Eligibility is specific. Timing is critical.

Help that can *change* your numbers

Government support comes in three forms. Federal guarantees that reduce your deposit, state grants that contribute funds and state stamp duty concessions that cut your upfront cost.

Federal guarantee schemes

The Home Guarantee Scheme is administered by Housing Australia. Two streams matter most for first home buyers.

- **First Home Guarantee.** Eligible first home buyers may purchase with as little as 5 percent deposit, with the government guaranteeing the gap to 20 percent. LMI does not apply.
- **Family Home Guarantee.** Eligible single parents and single guardians may purchase with as little as 2 percent deposit, also without LMI.

Eligibility includes Australian citizenship or permanent residency, income thresholds and property price caps that vary by location. Place numbers are limited each financial year and tend to be allocated quickly.

State grants and concessions

Each state and territory administers its own First Home Owner Grant and stamp duty arrangements. Grants commonly favour new builds. Stamp duty concessions are often more valuable in dollar terms and apply more broadly.

STATE	OFFICIAL PORTAL	KEY POINT TO VERIFY
NSW	Revenue NSW	Stamp duty concession thresholds
VIC	State Revenue Office Victoria	FHOG and stamp duty exemption rules
QLD	Queensland Revenue Office	Property price caps and timing
SA	RevenueSA	Concession eligibility
WA	WA Department of Finance	FHOG and Keystart options
ACT	ACT Revenue Office	Home Buyer Concession Scheme
NT	NT Revenue Office	BuildBonus and HomeGrown Territory
TAS	State Revenue Office Tasmania	FHOG and duty concessions

> **IMPORTANT**
>
> Scheme rules change every financial year. Always confirm current eligibility, caps and thresholds on the official state and territory revenue website. Eligibility must be confirmed before you sign a contract, not after.

CHAPTER FOUR

04

What Lenders *Really* Assess

Income alone does not approve a home loan. Lenders look at your behaviour, your habits and your financial conduct over the months leading up to your application.

Your file under *the microscope*

Lenders rarely decline an application on income alone. Most declines come from financial conduct visible in three months of bank statements and a credit file that tells a different story to the application.

What helps your application

- Stable employment, ideally 6 months in your current role.
- Salary credited regularly to one transaction account.
- Automated savings transfers each pay cycle.
- Credit cards held under 30 percent of the limit.
- Bills paid on time, every month.
- Living expenses tracked and reasonable.
- No new finance applications in the last 6 months.
- Clear, traceable source for any large deposits.
- HECS or HELP balance disclosed accurately.
- Existing debts being actively reduced.

Red flags that can derail approval

The items below appear in real assessment notes from credit teams. They will not always cause decline on their own, but a combination weakens the file.

High BNPL usage. Buy Now Pay Later commitments are treated as liabilities and can reduce borrowing capacity.

Multiple credit enquiries. Several recent applications suggest reliance on credit and increase perceived risk.

Gambling transactions. Frequent gambling activity, even small amounts, can affect servicing assessment.

High credit card utilisation. Cards consistently near their limit signal financial pressure.

Frequent overdrafts or dishonours. A pattern of insufficient funds raises serviceability concerns.

Unexplained large cash deposits. Lenders need to verify the source of funds making up your deposit.

Late or missed loan repayments. Even one late payment in the last 6 months can require explanation.

THREE MONTHS THAT MATTER

The 3 months immediately before you apply are the most important window in your financial life as a first home buyer. Treat your bank statements during this period as the document a credit assessor will read most carefully.

CHAPTER FIVE

05

From Offer to *Settlement*

The buying journey from accepted offer to keys in hand. Knowing what happens, when and why, removes the stress.

The *buying* timeline

Most settlements take 30 to 60 days from contract signing. Here is what happens at each step, and what is expected of you along the way.

1. **Pre approval secured**
   Your broker confirms a borrowing limit and conditions in writing with a chosen lender. You can now offer with confidence.

2. **Offer made and accepted**
   You negotiate price and conditions with the seller, usually through their agent. Conditions might include subject to finance, building and pest, and a sunset date.

3. **Cooling off period**
   A short window when you may withdraw from a contract for residential purchase, with limited or no penalty. Length varies by state. Auctions are generally exempt.

4. **Building and pest inspection**
   An independent inspector checks the property for structural and pest issues. The report can give you grounds to renegotiate or withdraw.

5. **Formal loan approval**
   The lender values the property and reviews your file once more. Once satisfied, they issue formal approval and the loan documents.

6. **Contract goes unconditional**
   All conditions in the contract have been met. The contract is now legally binding on both sides.

7. **Settlement preparation**
   Your conveyancer or solicitor coordinates with the lender, the seller and the relevant land titles office. You arrange home and contents insurance to begin from settlement day.

8. **Settlement day**
   Funds transfer, ownership passes to you and you receive the keys. Your first home loan repayment is scheduled.

Subject to *finance*

A subject to finance clause is the most important protection a first home buyer has after signing a contract. It gives you a defined window to secure formal loan approval, and a clean exit if approval cannot be obtained.

What it means

- The clause lets you cancel the contract if your home loan is not formally approved
- Your deposit is refundable if finance is formally declined

Why it matters

- Protects you from being locked into a purchase without funding
- Gives you time to secure formal approval after signing

What must be included in the contract

01
Loan amount
The amount you are applying for

02
Lender name
The bank or lender named in the contract

03
Approval deadline
The date by which finance must be confirmed

Key rules you must follow

- Apply for the loan promptly after signing
- Take reasonable steps to obtain approval
- Notify the seller in writing before 5pm on the finance due date if approval is not obtained

What the clause does not cover

- Most auction purchases are unconditional and do not include a finance clause
- The clause only protects you for the lender named in the contract

If you miss the deadline

! **Contract may become unconditional.** Once the date passes without notice, the safety net is gone.

! **You may lose your deposit.** The seller can claim part or all of the deposit if you cannot settle.

! **You may be forced to settle.** The seller can sue for specific performance or for losses on resale.

HOW TO USE IT PROPERLY

Get pre approval before making an offer. Work closely with a mortgage broker. Respond quickly to lender document requests. Keep written evidence if the bank declines your loan.

Building and pest *inspection*

An independent professional inspection of the property before you commit. It identifies structural problems, pest activity and safety issues that are not visible during a standard open home.

What it is

- A professional inspection of the property before purchase
- Identifies structural problems and pest issues such as termites

Typical cost

Around $500 to $1,200 depending on property type, size and location. A small price relative to the size of the asset you are buying.

What is checked

- Structural damage such as cracks or building movement
- Roof leaks and water damage
- Termite activity and timber decay
- Safety issues and general property condition
- Drainage and external areas
- Roof space, subfloor and outbuildings where accessible

When to do it

- Before signing the contract where possible
- Or during the cooling off period

Who should do it

- A licensed building inspector or qualified professional
- Report should follow Australian Standard AS 4349.1

> **STRATA PROPERTIES**
>
> For apartments, townhouses and units in strata schemes, the inspection covers the individual unit only. Common areas, building exteriors and shared infrastructure are generally not assessed in a standard report. Review the strata records and minutes separately.

Why it matters

- Avoids costly repairs after purchase
- Gives leverage to negotiate price reductions or repairs

Smart buyer tips

- Always make the contract subject to inspection
- Attend the inspection if possible
- Book straight after the offer is accepted
- Act quickly when the report arrives

Common *mistakes*

The five mistakes we see most often, and how to avoid each one.

- **Skipping pre approval.** Buying within budget is impossible if you do not yet know the budget. Get pre approval before your first inspection.
- **Underestimating purchase costs.** Stamp duty, legal fees, inspections and insurance can add several percent to the total. Build a complete cost picture early.
- **Taking on new debt during the process.** A new car loan or BNPL arrangement after pre approval can reduce or void it. Keep your file unchanged until settlement.
- **Missing scheme eligibility through poor timing.** Most government concessions must be confirmed before you sign. Check first, sign second.
- **Choosing the wrong loan structure.** The cheapest rate is not always the best fit. Consider features, flexibility and your goals over the next 5 years.

Pre purchase checklist

FINANCIAL READINESS

- [ ] Stable employment for at least 6 months
- [ ] 3 months of consistent savings history
- [ ] Credit cards under 30 percent utilisation
- [ ] No new finance applications in the last 6 months

DOCUMENTS TO PREPARE

- [ ] Identification (passport or driver licence)
- [ ] Last two payslips and most recent group certificate
- [ ] Three months of all bank account statements
- [ ] Credit card and existing loan statements

BEFORE MAKING AN OFFER

- [ ] Borrowing capacity confirmed in writing
- [ ] Government scheme eligibility verified
- [ ] Building and pest inspection arranged
- [ ] Conveyancer or solicitor engaged

WHY WORK WITH US

Independent. *Multilingual.* On your side.

Laxmi Home Loans is an Australian mortgage broking practice founded in 2015. We work with more than 50 banks and lenders, which means our recommendations sit across the market, not within a single brand. Our service is offered in English, Nepali and Hindi, recognised by national and local industry awards.

— **Lender access.**

50 plus banks and lenders accredited through the Finsure aggregator.

— **Specialist knowledge.**

First home buyers, self employed applicants, professionals and investors.

— **Awarded service.**

Ranked 18 in Australia Top 20 Mortgage Brokers by RateMyAgent, 2026.

— **Multilingual support.**

English, Nepali and Hindi spoken across the practice.

Take the next step

You have read the guide. Now turn it into a personalised plan with a no obligation conversation.

01

Check your borrowing capacity

Use our online calculator to get an indicative figure in minutes.

laxmihomeloans.com.au/calculator

02

Book a free strategy session

Speak with Kishor and the team to map your loan strategy.

laxmihomeloans.com.au