

# 10 TIPS

WHEN BORROWING FOR  
YOUR **LAND PURCHASE &  
HOUSE CONSTRUCTION**

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# 10 TIPS

## WHEN BORROWING FOR YOUR LAND PURCHASE & HOUSE CONSTRUCTION



# 1

## Have a good broker

Purchasing land and building your dream home is exciting, however the financial side of things can be daunting, even for the seasoned homebuyer. It is important to have a good broker from the beginning. You want someone that not only understands their industry but someone that takes the time to understand you and your individual circumstances. If you are a first homebuyer or don't know any brokers, consider asking a family member or friend for a referral. Another good idea might be to ask for a referral from the sales consultant where you are looking to purchase your block of land. They deal with brokers every day and know the ones that will go out of their way to look after their customers and guide them through the property ownership journey.

# 2

## How much can you borrow?

It is always an exciting time when you and your family have decided to move, and even more exciting when you have decided to build your own dream home. Before you venture out to look at what land is available or stroll through display villages, you should contact your local mortgage broker who will be able to assist in determining your borrowing power. Loan pre-approval is great way to get a clearer understanding of how much you can spend on land and the construction of your home. In assessing your borrowing power the lender will want to look into your current financial situation including but not limited to your current income, evidence of genuine savings, debts, assets, etc.



# 3

## Your contribution to the loan

With every loan, the borrower needs to contribute to a portion of the overall amount. Whether you are a first home owner, an investor or a next home owner, it is important to be able to show the lender that you have enough finances to complete the purchase. This can be demonstrated in many ways, for example from your savings account, equity in another property, a gift from a parent, etc. It is important however to be able to show a history of genuine savings, especially if you are a first homebuyer. Different lenders require different contribution percentages and your mortgage broker will be able to assist you with this.

# 4

## Be prepared

When seeking loan pre-approval, your chosen lender will likely want to look into the nitty gritty details of your current financial situation, so it's best to be prepared.

There are many simple things you can start doing now that will make things easier down the track. Start off by ensuring your household bills and/or rent (if you are renting), credit cards and debts are paid on time and do not go into arrears or over limit. The lender will want to see how you currently manage your money so make sure these are paid on time and you can show your lender your bill and rent history.

Your credit report will really determine if you are going to make your lender happy or not.

- > Have you got a clear credit report?
- > Have your bills and debts been paid on time and are up-to-date?

If you have any worry that your credit report may have a black mark on it, obtaining a copy of your credit report and organising an appointment with your mortgage broker is very important. It often is not an issue, however it is always better to address it right from the start. There maybe actions that can be put in place to give your credit report a perfect bill of health.



# 5

## Purchasing land?

Settlement on your selected land will need to take place before construction of your new home can begin. It is at this stage that payments will need to commence on this loan. Some lenders will require you to do your loan in two parts, one for the land purchase and the other for the construction of your home, while other lenders will simply have one loan and draw the funds for the land from it at settlement.

# 6

## Budget and construction stage

It is important that you are across all of your expenditures and have a good budget at this stage as you may be paying both rent and loan repayments on the land while your new home is being built. Your broker will be able to work out what the loan repayments will be during this process so you can budget accordingly.



# 7

## Builder progress payments

During the construction stage of your new home your builder will issue progress invoices. You can give these to your broker to pass on to your lender. To ensure the work has been done before the invoices are paid, your lender may do two to three inspections of your property during this period. Don't stress though, your broker can manage this process and ensure the builder is paid in the appropriate timeframe.

# 8

## Last invoice and hand over

Can you believe it? Your brand new dream home is nearly yours. There is always one final invoice before the builder will hand over the keys. The lender will need time to do an inspection of the house so the quicker you can give the invoice to your broker, the quicker this can be organised and paid. Typically it takes five to seven days to organise.



# 9

## Additional funds

Like most things in life, it is a good idea to have a little extra (money) in the tank when building a new home. More often than not, there are little extras that can pop up. You may need to pay for things like landscaping, fencing, window trims and furniture. You will be thankful in the long run if you are able to put a little extra money away during the building stage for these odds and ends.

# 10

## Welcome home. What next?

You have finally moved into your brand new dream home. It is all yours – well after many repayments. Your broker will let you know what your final repayments are and when they are due. You need to ensure that your repayments are made on time and if possible add a little extra to your repayments. You will be amazed at how a little extra will reduce your interest and help pay off the loan quicker. It is a good idea to keep in contact with your mortgage broker and have a free home loan health-check every year to ensure that your loan is still meeting your current needs.

# ABOUT JOHNSON PROPERTY GROUP

Johnson Property Group is one of the largest private developers of residential land in New South Wales. The Company controls approximately 7,000 lots in New South Wales all with Government approval.

Combining a passion for creating vibrant and sustainable master-planned communities with a vision for the future, Johnson Property Group is focused heavily on the community in all of its developments in New South Wales' growth corridors, including Lake Macquarie, Cessnock and Cooranbong. These areas have been identified as major regional centres in the Lower Hunter Regional Strategy.

In addition, the Group is currently developing Vermont, located on the Hawkesbury River, North-West of Sydney in Pitt Town.

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