

# HOME BUYING Myths

## FIVE COMMON MYTHS ABOUT HOME OWNERSHIP

There are several misconceptions surrounding the purchasing process. We have compiled a list of some of the most common home buying myths to help home buyers understand the market better



### A 20 PER CENT DEPOSIT IS REQUIRED TO BUY PROPERTY

While this may have been true 50 years ago, you can now obtain a home loan with a deposit with as little as 5 per cent. Without a 20 per cent deposit, the bank may take out Lenders Mortgage Insurance (LMI) on your loan, which is an insurance policy that your lender takes out to protect itself against the risk that you (the borrower) default on your loan repayments. As a buyer, the premium fee is passed on to you from the lender and can be capitalised into your loan or paid upfront. This gives you the freedom to buy sooner as they do not need to continue saving to reach a 20 per cent deposit.



### A DEPOSIT IS THE ONLY THING YOU NEED TO SAVE FOR WHEN BUYING

The largest upfront/initial expense when buying is the deposit. However, the costs of buying add up far beyond the deposit, sometimes equalling a similar amount to the initial deposit. Additional costs vary by State, however there is normally an equivalent in each State. Common additional expenses include stamp duty, council and utility rates, and strata. A complete list can be found on page 20 'Adding up the costs of buying a home'.



### CREDIT CHECKS ASSESS ONLY YOUR CREDIT CARD DEBT

Credit history is an important factor for lenders when considering whether to give potential buyers a home loan and how much they are willing to lend. This history goes beyond your credit card or loan history, including tertiary study debt such as HECS/HELP and your history with buy now, pay later (BNPL) services. Buy now, pay later services are an increasing hidden cost as defaulting on these payments effects your credit score. Also, most people don't think of BNPL services as debt, so may not realise that this can be what stands between them and an approved home loan.



## IT IS CHEAPER TO RENT THAN IT IS TO BUY

Buying a property

has been a part of the Australian dream since the 1930's, but is renting cheaper than buying? Property is considered a good investment as there is a variety of government grants and tax breaks for owners. The low interest rates are making the cost of interest payments on a mortgage more affordable than ever before. Using the Genworth Buy or Rent Calculator default simulation, a home buyer purchasing a \$500,000 home in Queensland with a 10 per cent deposit will be better off over their 30-year mortgage by \$1,092,656.82 \*. For this home buyer, they were able to buy their own home 102 months sooner than if they had saved for a 20 per cent deposit.



## REAL ESTATE AGENTS FIND THE BEST DEAL FOR BUYERS

The job of a real estate agent is to create demand for the properties of their clients (the vendor), trying to get the best deal possible for people selling their homes. As such, it is important for buyers to remember that real estate agents will find deals which are better for the seller, although they provide help to prospective buyers by showing them a range of properties. Buyers who want an expert on their side should source a buyer's agent, or a mortgage broker to get help understanding the property market and find their future home.

\*This includes the default assumptions set on the Genworth Buy or Rent Calculator. This can be viewed here: [genworth.com.au/buyorrentcalculator](https://genworth.com.au/buyorrentcalculator)

Want to see whether you should buy or rent? Head to **Genworth's Buy or Rent calculator** to find out.

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