

FIRST HOME BUYERS

The new generation is knocking at the door

If we believe research and the media, Generation Y is seen as being far more interested in an indulgent lifestyle than mortgages. Well guess what? The oldest Gen Ys are now turning 35 – and they are the NEW generation of first home buyers (FHBs).

According to a leading provider of lender's mortgage insurance¹ (LMI) Gen Y borrowers account for 20% of its current portfolio - and they have only recently reached an age where they are seeking mortgages!

Here are some surprising statistics when comparing Gen Y to previous generations². They will:

- live longer
- work longer - as retirement and pension age are pushed back
- average 4 careers and 17 employers in their lifetime
- dominate employment by 2020 - making up 42% of the workforce

Yes! That's 4 years away.

Gen Y and employment

Gen Y has often been given a poor score card on the employment front. In fact they are the most educated generation in history. However they do tend to graduate with a lack of practical workplace skills - so they can be underprepared for employment.

This is largely due to growing up in a more affluent society - many haven't NEEDED to work - and parents have happily supported them through tertiary education so they can focus on studies. As a result, early working years can sometimes be challenging and ever changing for Gen Y.

The life stages that define adulthood and independence have shifted for Gen Y. They are leaving home, starting full time employment, getting married, having babies and getting a mortgage later in life than other generations. But they are NOW arriving!

What do FHBs need to know?

It pays for all FHBs to understand the criteria that lenders use to assess their suitability for a home loan.

Some parents are in a position to assist their children by lending or gifting a deposit for a home. What a fabulous start! So imagine the shock - and it happens - when despite (say) a \$50,000 deposit a lender declines the home loan application as the young buyers do NOT meet the criteria to service ongoing loan repayments.

So where do you start?

Firstly we suggest you call us for a chat BEFORE you do ANYTHING. Recent research² shows 62% of Gen Ys are **very or extremely likely to seek out advice from an experienced person** in a particular field. It's interesting that despite their online lives they actually like to TALK to someone when it comes to finance.

Trust is also important to Gen Y. Why? As a generation targeted relentlessly through multiple mediums it makes sense - when it comes to important decisions - that Gen Ys seek advice from a trusted source over marketing hype.

Top tips to be mortgage ready

- **Get a copy of your credit report**
Your credit report is an important part of any finance application process. You need to know your 'credit score' BEFORE you begin a home loan application.



- **Pay your bills on time**
Your repayment history is a key factor in your credit report so the earlier you pay your bills the better.
- **Establish a savings history**
This refers to a diligent savings history over time – not one big deposit! If you are a consistent saver a lender may assess you as more likely to be reliable with repayments.
- **Do you need those credit cards?** Lenders consider the LIMIT on your credit card(s) when assessing your borrowing capacity - even if the limit is unused!
- **DON'T shop around for loans**
Did you know that every time you enquire about a credit card or a loan it impacts your credit report?
- **Avoid job-hopping**
Frequent changes of employer MAY be a red flag to a lender. If buying your first home is on your radar, chat to us BEFORE changing your job or career.

As your finance specialist it is our job to assess your personal situation and explore any areas that may need attention BEFORE you begin the home loan application process. Our aim is to make your FIRST experience as a home owner as smooth as possible.

1. www.genworth.com.au

2. www.mccrindle.com.au



Phone: 1800 131 937 or Email:

info@cumberlandfinance.com.au