

## BUYING A HOUSE - PROCESS

1. Obtain loan pre approval from lender. Decide financial limitations. Obtain loan Lender Fee Schedule and home loan fact sheets from January 2012.
2. Inspect properties that meet needs/requirements/location. When property is found, ask selling agent for Contract of Sale. Includes: S149 certificate, sewerage diagrams, Title folio, Details of easements or covenants, inclusions, Cooling off statement. Take all this information to Solicitor for review/advice and confirm if supplied details allow to proceed to make an offer.
3. Make offer on property (average 5% to 10% less than asking price). Email the agent with the offer stipulating that the offer is on condition of loan approval with (YOUR CHOSEN BANK LENDER) and that all building/pest inspections pass subject to my personal satisfaction. Indicate a 10 day cooling off period requested to allow time for inspections. Stipulate that the formal offer expires at COB on a set date. IF OFFER IS REFUSED THAN ASK FOR A COUNTER OFFER. NEVER MAKE A HIGHER OFFER AT THEIR REQUEST. If no counter offer then they aren't serious about selling.
4. If REA formal offer form is signed and accepted then take contract of sale to solicitor and request review of all contract details.
  - (Include first and middle names, current address, solicitors address) and ensure that the contract includes any additional inclusions are listed (aerials, air con, spa, light covers, etc). \*\*\*Ensure that any included appliances are listed on the contract and that the contract states that they are to be in good working order upon settlement.
  - Ensure full name (including middle names) is correctly stated on the contract;
  - That the stated purchase price is what has been agreed to and is inclusive of GST;
  - That you will have a 10% deposit OR if you are arranging a Deposit Bond OR if a reduced deposit has been agreed, that the appropriate clause has been added;
  - That you are agreeable to the completion time stated in the contract (usually 42 days) and monies to purchase will be available.
  - That you are purchasing the property in the correct name for asset protection and tax purposes.
5. Contact lender again with property details to confirm that conditional finance will be highly likely to be offered on this particular property/location.
6. If the solicitor approves the contract, and the loan is pre-approved then sign and submit the contract of sale and either:
  - (a) Don't sign contract or pay 0.25% deposit. Risk gazumping occurring from other buyers.
  - (b) Pay 0.25% deposit into agents trust account with receipt provided and sign contract securing the property during the cooling off period but forfeiting the deposit if the sale is withdrawn by the buyer.
7. Arrange property valuation from lender and if the valuation is fine then continue to arrange pest and building inspections. Receive the approved reports and also receive unconditional finance notification from lender approving the purchase.
8. Visit solicitor and arrange purchase. Arrange to exchange contracts. Pay 5% or 10% deposit (less the 0.25% if already paid). Directly deposit to the agent via bank cheque who will then issue a receipt and agent will keep funds in their trust until settlement. Alternatively use a Deposit bond which will be arranged by Solicitor and (YOUR CHOSEN BANK) at an approximate cost of \$300.
9. Loan is arranged and finances transferred to the seller upon settlement. Bank cheques drawn and issued to vendors solicitor.

10. Arrange property insurance to begin coverage prior to the settlement date. (YOUR CHOSEN BANK) may wish to set a minimum insurance amount and may require that they are noted as mortgagee on the policy.
11. Settlement occurs 4 to 8 weeks after exchanging of contracts. Arrange for the settlement date to be on either a Tuesday/Wednesday/Thursday. Wednesday is preferred. Mondays and Fridays are not ideal if there are final issues.
12. Pay stamp duty prior to settlement. \$8990 plus \$4.50 for every \$100, or part, by which the dutiable value exceeds \$300 000.
13. 3 days prior to settlement do an inspection of the property. On the last day to a final inspection, ensure that all rubbish is removed and that all agreed inclusions are still in place. Settle property and collect keys and gain access etc.
14. Upon obtaining title to the property, under normal terms, the first mortgage repayment is due in one month's time. However this should be checked with your individual lender. Usually the water and council rates will be paid up until at least the next quarter and the solicitor will advise you of dates they have been paid to. Personal arrangements need to be made for telephone, electricity and gas connection and for the availability of those services upon settlement.

NB 1

Note that the standard contract period is 42 days. If you want 4 or 8 weeks or anything other than 42 days you will need to negotiate this with the vendor through your solicitor/conveyancer.

I would suggest you choose your solicitor/conveyancer ASAP after you have confirmed how much you can borrow.

Don't assume that you will get a loan because you have pre-approval. Pre-approvals have so many outs in them that they are worthless until you get a letter of offer which won't come until after you have selected a property to buy and (usually) provided the bank with a copy of the first page of the contract (and in many cases after the bank has done a valuation).

As a first home buyer, you may have difficulty raising a deposit bond as they usually require some form of security or proof of ability to pay up. These are usually used by people buying a second or subsequent home and who have sold their previous home but have not yet obtained the funds from that sale.

Not sure that agents in NSW ever bother with written letters of offer. It is usually verbal and a series of phone conversations until the agent gets you and the vendor agreeing.

A lot of what you have listed will be done by others involved in the process. For example, in order to sell a property in NSW, there must already be a contract with a valid 149 certificate. Your conveyancer will help you with arranging pest and building inspections if you don't know anyone. I would recommend you use a conveyancer close to where you are buying as they will have local knowledge.

The bank will arrange the valuation. You don't need to do anything except possibly get a copy of the front page of the contract or the 142 cert faxed to the bank but they will let you know what is required.

Many real estate agents will try and get you to sign a contract on the spot with a 0.25% deposit. This is to prevent gazumping and prevents the sale to another party (provided the vendor also signs the contract). Your conveyancer will explain this. The contract becomes binding when you pay the balance of the deposit.

If a vendor wants an unconditional sale, you will not pay the 0.25% deposit but pay the 10% or

negotiated deposit amount and be required to agree to a Section 66W waiver certificate which removes the cooling off period. You must have finance approved and be satisfied with building and pest inspections before

NB2

The building and pest inspection would normally be done while loan is being approved. I can see why you might want to hold off, just in case valuation came up low, but seller might not go for it. I think you would want to allow 14 days at least for loan approval. There is admin stuff to do at the bank's end. It's not just an inspection. Make sure the conditions specify the number of days, not a fixed date, as you won't know how long it might take for vendor to sign.

NB3

Loan approval, if dealing directly with a bank or credit union (not too many building societies in NSW) rarely takes more than 2 working days unless there is a delay in doing the valuation.

I do agree that you should do building and pest inspections concurrently with finance approval. You only have 5 working days which may be extended by another 5 working days (with approval of the vendor). To get a longer extension is rare.

NB3

If you have not signed and paid 0,25% then you are not in cooling off, so you can take as long as you like and withdraw without penalty, but the place may be sold to someone else in the meantime

If you are then you will forfeit the 0,25% if you withdraw, even if due to a bad PaB or no finance. The place can not be sold to anybody else at this stage.