

Buying Property

Introduction

This guide will help to give you a clearer understanding of the steps involved in purchasing a home.

Your aim should be to build a realistic profile of the home you want and select homes to best match your profile. This may save you a lot of time and hassle in finding the right home.

Remember – very few people get all the things they want in a home and waiting for the "right" property, in a rising market, can be a painful and costly exercise. If a home you like has 70-80% of your main requirements then you should consider it carefully!

Price Range

Obviously before you think about what kind of home you would like, you need to know what you are going to be able to afford. This will depend on the amount of cash you have available and the amount of money you will be able to borrow on a mortgage loan. The tables on the following page may be helpful.

No Deposit Loans

Rising house prices in recent years have made it very difficult for many homebuyers to save the deposit. Lenders have recognized this and have created the no deposit loan product. No deposit loans are generally available for new and established buildings, owner occupied, as well as for investors. To qualify for no deposit loan you need to be a Australian citizen or permanent resident and currently living in Australia.

Borrowers often need to acquire lenders mortgage insurance where the loan to value ratio (LVR) exceeds 80 percent i.e. (the amount you are borrowing is more than 80 percent of the value of the property you wish to purchase). Generally, the higher the LVR, the higher the premiums. Consequently, the mortgage insurance premiums on a no deposit loan can be large.

Combining stamp duty exemptions and first homeowner grants, no deposit loans, do however, allow borrowers to gain a foothold in the market based on their ability to service the mortgage, rather than having the savings required to qualify for more

mainstream loans with deposit.

No deposit loans can also be a useful tool for investors wanting to take maximum advantage of leveraging.

While no deposit loans can be secured for similar rates to standard home loans, borrowers should be aware that there is the risk of ending up with negative equity.

For example, you purchase a house for \$300,000 borrowing the full amount and then the property market subsequently falls by 10 percent. You now owe \$300,000 for a property that is worth \$270,000 - that's a shortfall of \$30,000 you need to recover.

Borrowers should also be aware that no deposit loans provide for a financial instrument called a deposit bond, which is given in place of what would normally be a 10% cash deposit at the time of signing the contract of sale for a property. A deposit bond is basically a bank guarantee of payment of the deposit upon *settlement* of the property.

Consequently, a vendor cannot get access to deposit monies prior to settlement, under a Section 27 early release of deposit, and are therefore within their rights to refuse your offer to purchase, in favour of someone else who may have the ability to pay a cash deposit.

As with all loans, make sure that you borrow within your means and in consideration of your long term objectives and remember; you will be paying interest on *every* dollar owed, *everyday*. Also consider the property market that you buying into and determine whether the prices are rising or falling?

Before considering no deposit loans, you should seek advice from your bank or a qualified mortgage broker.

Use the table on the following page to estimate the monthly repayments on your home loan. Don't forget, you can pay your loan off sooner by making fortnightly repayments.

Remember to factor in the additional costs of stamp duty when purchasing a property. More information on stamp duty can be found on the Victorian State Revenue Office web site at: <http://www.sro.vic.gov.au/>

Eleven steps to buying a home

1. Get in touch with your Bank or financial institution.

Or you could visit your local Mortgage Broker and speak with a mortgage adviser. He or she will establish with you how much you can borrow, what the associated costs are, and therefore how much you can afford to pay for your new home. They will also help you choose which lender and product will best meet your needs. Handy links to Stamp Duty and Home Loan CALCULATORS can be found at the end of this document.

2. Get your loan pre-approved.

Once you have decided which loan and lender is best for you, your Financial Adviser will help you put together and lodge your application.

3. Contact your local Estate Agent to help find your home.

Once your loan is pre-approved, you can start shopping around. Do lots of research and inspect lots of properties to determine what you should be getting for your money, and be sure to shop around.

4. Enlist the services of a solicitor or conveyancer.

They will help you check the Contract of Sale for any properties you are considering, and will arrange and attend Settlement for the property you decide to buy.

QUALITY COVEYANCING

306 High Street Melton

Phone: 9743 5308 Fax: 9743 5309

PEARCE WEBSTER DUGDALES

297 High Street Melton

Phone: 9743 1333 Fax: 9743 7838

MECALL CONVEYANCING SERVICES

Ground Floor, 252 High Street Melton

Phone 9743 2080 Fax: 9743 8903

CAMEO CONVEYANCING

Shop 3, 311 High Street, Melton

Phone 9743 1611 Fax: 9743 8540

HAYDEN LEGRO LAWYERS

1st Floor, 250 High Street, Melton

Phone 9747 9679

5. Make sure it is the right property for you.

Once you have found a property, you should consider having a Building & Pest Inspection Report

(approx. \$600.00). This may save you running into future problems and considerable costs in the future.

COUNTRY BUILD AND PEST INSPECTIONS

1300 727 879

KEVIN JENNINGS BUILDING SERVICES

Phone 9384 6426 Mobile 0412 570 766

MELBOURNE PROPERTY INSPECTIONS

1300 367 774

METROSPECT 1800 008 240

NEIGHBOURHOOD INSPECTION SERVICES

Phone 9311 2187 Mobile 0411 801 017

REPORTS PLUS

Phone 1800 069 286

6. Attend the auction or make an offer.

Depending on how the property is being sold, you are now ready to bid at the auction or make an offer. If successful, you will sign the Contract of Sale, which will initiate the exchange. Be aware that at this time you will be expected to pay your deposit, which is usually 10%. If you are not able to provide the full deposit at the time of signing you will be required to provide a holding deposit. You will then normally have 14 days to remit the balance of the deposit and are now legally committed to the purchase.

7. Full approval.

Once the vendor has also signed the Contract of Sale, your Financial Adviser will forward a copy to your lender. Depending on the amount you are borrowing your Lender may arrange for a valuation to be carried out. After a satisfactory valuation has been completed and all the other conditions of your loan have been met, your lender will issue you with a Full Approval. The Contract of Sale will then be regarded as being “unconditional” and a SOLD sticker will be placed on the For Sale board. (Should approval not be granted, for whatever reason and you signed your Contract of Sale subject to a finance clause, then the contract will be rescinded and the sale of the property will not proceed).

8. Insurance.

It is the obligation of the Vendor to make sure there is adequate insurance on the property to protect the interests of both the Vendor and Purchaser prior to settlement. However, as a precaution, you should now arrange a Building Insurance Cover Note to protect your purchase.

9. Loan documents and Letter of Offer.

Once fully approved, your lender will prepare and send to you your Letter of Offer and other loan documents. These are the formal contracts you will sign with the lender in relation to your mortgage. Be careful to thoroughly read and check these documents. Your Financial Adviser and solicitor or conveyancer can assist you in fully understanding these documents. Once you are satisfied, sign and return them to your lender.

10. Settlement.

Normal settlement/contract periods vary from state to state. Your Financial Adviser, solicitor or conveyancer and your lender will liaise to ensure Settlement takes place on a specified day.

11. Pick up your keys and move in...

Moving into your new home

The following is a list of utility providers who can help with connection and billing of services to your new home. Remember that if you are moving into a brand new home that does not currently have gas or electricity meters connected you will have to organize with the utility companies to have these installed. It is advisable to give them at least two weeks notice in advance so that they can book at time for the installation.

Origin Energy

Electricity & Gas

www.originenergy.com.au

AGL Energy

Electricity & Gas

www.agl.com.au

Country Energy

Electricity

www.countryenergy.com.au

Energy Australia

Electricity & Gas

www.energy.com.au

Momentum Energy

Electricity

www.momentumenergy.com.au

Powerdirect

Electricity

www.powerdirect.com.au

Red Energy

Electricity

www.redenergy.com.au

TRUenergy

Electricity & Gas

www.truenergy.com.au

Victoria Energy

Electricity & Gas

www.victoriaelectricity.com.au

USEFUL INFORMATION

CONSUMER AFFAIRS

Prospective buyers due diligence checklist

www.consumer.vic.gov.au/duediligencechecklist

FIRST HOME OWNERS GRANT

Information Line Phone 13 21 61

Email: sro@sro.vic.gov.au

STAMP DUTY CALCULATOR

HOME LOAN CALCULATOR

MORE INFORMATION ON MELTON AND THE SHIRE CAN BE FOUND AT:

www.melton.vic.gov.au

Current train timetables in PDF format can be downloaded from Vline at:

www.vline.com.au/pdf/timetables/ballarat.pdf

We would like to wish you the best of luck in finding your dream home.

The team at ATLAS...

