

THE home KEY





About the author

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Note:

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Introduction

Buying a home is exciting but nerve-racking. It will probably be the most important - and expensive - purchase you will ever make. But it doesn't have to be full of problems, and luck shouldn't play a large part.

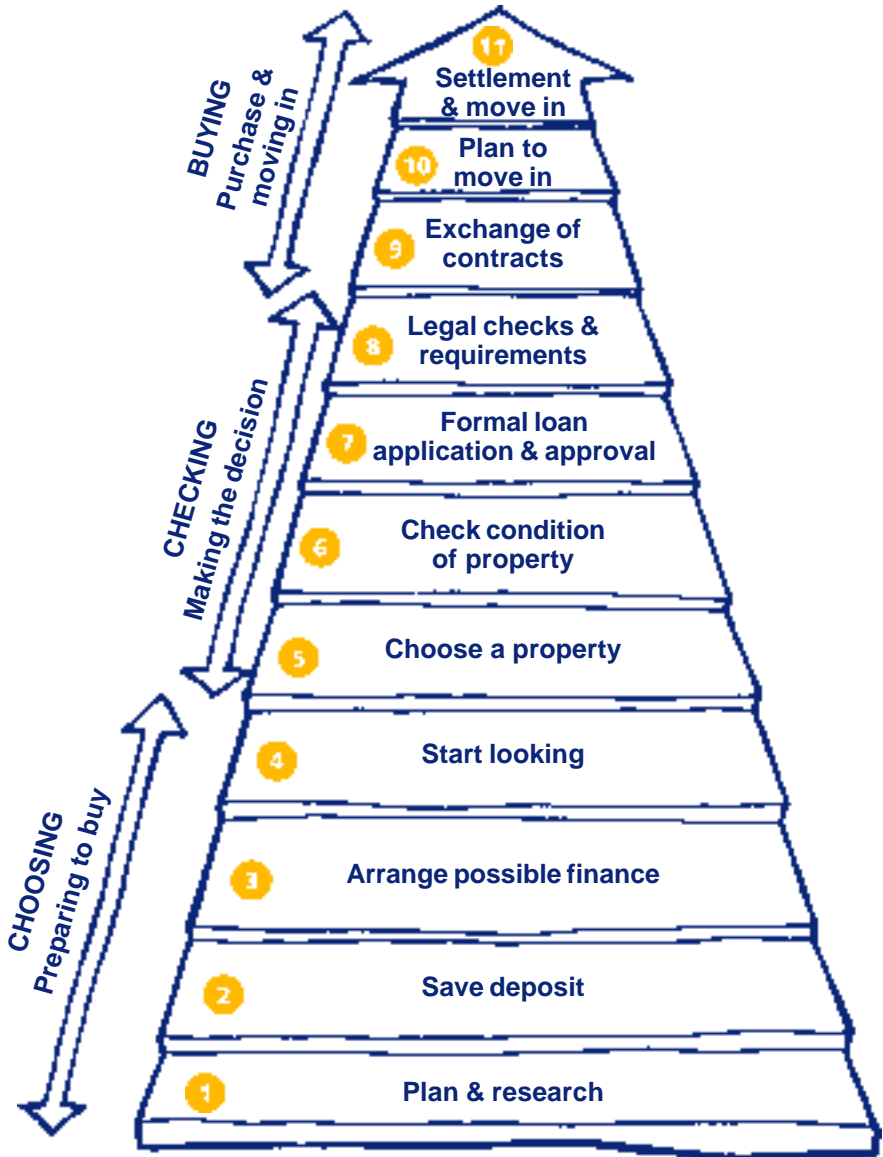
Buying right means plenty of planning, research and patience. The aim of this booklet is to give you the best chance to buy well: to warn you of the pitfalls you should avoid and provide you with the knowledge you need for mistake-free buying.

Understanding the steps in the home-buying process will help you save time and avoid uncertainty and

anxiety. What, where and when you buy are important. It is also important to know who to get help from along the way.

The Home Key guides you through the basics, explains the technical terms and gives you invaluable tips and tactics for buying smart.







• • • Starting out: where, what & when

Buying a home means planning carefully. Over time, you want to get the greatest possible increase in the value of your home. This is known as *capital appreciation*.

Unfortunately, there is no guarantee or formula. Location and the special features of a particular home can have a big impact. Another important factor is timing.

Defining your goals

Whatever your goals, define them before you start looking. It will save time and costly mistakes.

Be specific and make sure that everyone's interests are taken into account. This could well mean that your personal preference for an inner-city, maintenance-free residence may be less important than the kids' need for a backyard with trees, close to a school.

You will probably have to compromise between what you like and what you can afford.



Your personal priority checklist

Where

- ◆ make a shortlist of preferred areas or suburbs
- ◆ what do you need to have access to e.g. your workplace, school, shops, recreational facilities?
- ◆ what is your preferred outlook e.g. water, trees, a city view, a sunny garden?

What

- ◆ price range
- ◆ type of home e.g. freestanding house, terrace, townhouse, unit
- ◆ new, used or old
- ◆ renovated or unrenovated

- ◆ style preferences
- ◆ number and size of bedrooms
- ◆ other requirements such as a family room, more than one bathroom, formal and informal dining areas, a home office, space for your hobbies/interests
- ◆ yard or balcony
- ◆ access for a vehicle, parking

When

- ◆ when will you have a deposit saved?
- ◆ when will finance be available for you at reasonable rates?
- ◆ when will the market be right?

The golden rules of where to buy



- ◆ Remember, you may have to sell one day so you need to make sure that there will still be people wanting to buy.
- ◆ Always consider whether you could resell the property in the worst possible economic conditions.
- ◆ Avoid declining suburbs or areas with economic problems. This is especially important in some country towns and industrialised suburbs.
- ◆ Look for *improving* areas with good facilities and city access.
- ◆ Buying the worst house in the best street is a sensible investment if the property's problems are cost-effective to repair. It helps if you have good renovation skills and the interest and patience to deal with the renovation process.
- ◆ Stay clear of streets that have no redeeming qualities.
- ◆ Avoid all serious negative factors such as living next to a smelly factory or busy pub.
- ◆ A smaller property in a good suburb is a better investment than a larger one in a rundown or declining suburb.
- ◆ Check the 'local knowledge'. It's amazing how much your future neighbours and shopkeepers know about problems and plans.

Where to look

'Where' will usually have a more immediate effect on price than 'what' and 'when' you buy.

A well-chosen location may often compensate for renovation costs, paying high interest rates or having to sell at a bad time.

It's up to you to choose an area to live in that best suits you *and* your price range. For instance, being close to your workplace may be more important than the size of the backyard or the number of bedrooms. Or a large but rundown house may be more suitable than an immaculately kept but small terrace.

Your new home doesn't have to be a house. Have you considered an apartment, townhouse or studio?



What to live in

Once you've shortlisted the areas you prefer, the type of house you'd like to live in becomes important.

The 'Key questions checklist' below outlines some of the home features that can add up to a sound investment.

Decide what factors in the table are important in your choice of home. Supplement this list with your specific needs and you'll have a very clear picture of what you want.



Key questions checklist

- ◆ Is it a style of house that you like?
- ◆ Is there natural light?
- ◆ Is there privacy and security?
- ◆ Is the house set back from the street and other houses (unless it's a terrace or a semi-detached)?
- ◆ Is the land not too steep nor below street level?
- ◆ Is there suitable access for people and for vehicles, including on-site parking?
- ◆ Are there any negative factors such as drainage or sewer easements, high-voltage power lines, excessive drainage, pollution, hazards or unresolved disputes?
- ◆ Are services available: water, sewerage, electricity, telephone, gas, cable television?
- ◆ Is the house properly built and easily maintained?
- ◆ Is the floorplan useable and would your furniture fit?
- ◆ Are the foundations stable?
- ◆ Does the property comply with council statutory requirements?
- ◆ Is there potential for extensions?
- ◆ Could it be easily rented or resold?

The golden rules of what to buy



- ◆ Look for potential. It might be creating an attic or developing a balcony or improving an unloved garden. Make sure the cost of fulfilling this potential will be less than the expected increase in value.
- ◆ Look for houses with at least one special feature - perhaps an appealing view or an outlook onto a lovely backyard. There may be a charming internal courtyard or original fireplace.
- ◆ North-facing outside areas and living areas inside the house are preferred as they allow for the best light conditions.
- ◆ Poor access, steep drives and excessive stairs will limit who you can sell to in the future. These features do not suit the elderly or young children, for example.
- ◆ Avoid properties with poor street presentation. Unless you like a secluded environment, this includes battleaxe blocks without street frontage.

TIP



Have you considered building your own home? You may even choose to buy land now and build later when you can afford it.

When to buy

The property market has its ups and downs. There are times in this cycle when the conditions suit the seller and other times that suit the buyer.

Tips for different markets

- ◆ **Flat or falling market.** This is known as a buyer's market. You can take your time. There may be bargains in properties that have been up for sale for a long time. *But*, don't try to pick the moment that the market is going to hit the very bottom or you may miss out.
- ◆ **Steady market.** Again, time is on your side but be prepared to make a decision promptly. You are in a position to negotiate the price down on less marketable features.
- ◆ **Firm to rising market.** This is known as a seller's market because prices start to rise rapidly. Do your research beforehand so you can act quickly and decisively if the right property comes up - there are likely to be other buyers to take your place. Avoid buying at the top of a rising market because the price of the home will usually fall soon after.

Buying after a failed auction

Look for properties that have been 'passed in' at auction. If bidding does not reach *reserve price* (the price the seller has set as the minimum), the property can be withdrawn from auction. It may then be offered for sale by private treaty. Since the demand is obviously not as great as the seller had hoped, the price is often negotiable and may drop.

What can you afford?

Before you can calculate what you can afford, you first need to work out how much it is all likely to cost. You are then better able to research and plan how you are going to save the deposit and obtain a loan.

There is much more to the cost of buying a home than just the price of the building.

The *total cost of purchase* - not including moving - is usually around 5 per cent of the price of the home (6 per cent with mortgage insurance). The more expensive the home, the higher the total cost as the stamp duty will be quite a lot of money.

NOTE

The cost of all the elements that make up the total cost of purchase change frequently and vary from state to state. When filling in your checklist, it is best to use the quoted figures you get from your solicitor, lender or building consultant.

Total cost of purchase

Legal

- ♦ solicitor or conveyancer fee
- ♦ inquiries or disbursements (ie. title and other searches) *



Inspections

- ♦ property and pest inspection
- ♦ identification survey
- ♦ strata records inspection (if applicable)



Government charges

- ♦ stamp duty on transfer *
- ♦ stamp duty on mortgage *



Financial costs

- ♦ application or establishment fee with lender
- ♦ valuation fee
- ♦ mortgage insurance



Miscellaneous charges

- ♦ adjustment of council rates *
- ♦ insurance - fire and perils, contents



Moving costs

- ♦ removalists
- ♦ connection fees for services *
- ♦ carpet cleaning
- ♦ changing locks
- ♦ urgent repairs



Total cost of purchase

** Those items marked with an asterisk are compulsory costs. The others are up to you to decide.*

TOTAL COST
of buying your home



DEPOSIT
(what you can save)
+
LOAN
(what you can borrow)
+
COST OF PURCHASE
(see opposite)

.....

You'll need to establish a savings plan. First, calculate your future income and all your likely expenditure by looking at the past 12 months and by keeping track of your current spending for a couple of months. Then, draw up a realistic budget.

The golden rules of financial planning



Allow plenty of time

Saving the deposit will take at least two years and usually five. Finding the right people to lend you money will take at least three months - if possible, start your inquiries a year before you want to buy or find out what is required in the eligibility rules of various institutions.

The 25 per cent rule

If you are concerned about whether you'll be over-committing yourself, remember that financial institutions are primarily concerned with whether you can repay their loan. While not inflexible, most lenders won't allow your repayments to be more than 25 per cent of your total income (this rule is relaxed for those with higher incomes). If you are buying the home with someone else, most or all of that person's income will also be taken into consideration.

How much deposit do you need

The 'usual' deposit is 10 per cent of the purchase price. However, the more deposit you can save:

- ◆ the better property you can afford,
- ◆ the less you need to borrow,
- ◆ the less your mortgage repayments

This is important. You need to keep the amount you are repaying under strict control. It is dangerous to be financially over-extended. It is far better to be in a position where you can still borrow a few extra thousand dollars if something unexpected happens - which it often does.

Researching the loan

When you start saving for your deposit, you should consider the kind of loan you may eventually apply for. If you have your savings with a particular credit union, building society or bank it may improve your chances of a future loan when you are ready to buy.



Look at 'What you should know about borrowing' to see what you have to consider when you are planning your finances.



• • • What you should know about borrowing

*Before you buy, it is suggested that you have your loan approved *in principle* subject to satisfactory valuation. This will give you peace of mind so that you don't find out at the last minute that you can't get a loan.*

Before you start looking, investigate your options and find out your borrowing rate. Speak to a variety of financial institutions

including credit unions, building societies and banks. When you have selected a lender, get a clear statement of their approval conditions, in writing.

After you choose your home, pay the holding deposit and get the final checks done, *then* you can make a specific loan application. The lender will value the property and the money is yours!

What lenders are looking for

When you approach a lender for a loan, there are four main things that they will be looking for:

- **Capacity** - can you afford to repay the loan?
- **Character** - are you a good financial risk? Do you have a history of paying your debts?
- **Collateral** - is the property you are buying adequate security for the money you are borrowing?
- **Capital** - what you already own.

To answer these questions, they will require the details listed in the Loan Interview Checklist and a summary of what you own and owe (see the Assets and Liabilities Checklist).

Before approaching any financial institution, you should summarise this information on a single page.

You must also be prepared to show proof of any savings, investments and income. As outlined in the checklist, this includes copies of documents such as tax returns, bank accounts etc.

Shopping for a loan

1. Gather your information together, including details about the home you are seeking - see 'What lenders are looking for' on this page.
2. Visit the financial institution with whom you have your savings then contact others, including credit unions, building societies and banks. Use the phone to get a shortlist and then make appointments.
3. Be calm and confident in looking for the best deal. Ask questions and write everything down.
4. Ask for the following information and compare details between the different sources:
 - what will my repayments be?
 - what deposit is required?
 - what percentage of the valuation will they lend on the property?
 - are you eligible for a loan?
 - what is the likely availability of money when you plan to buy?
 - what are all the fees and charges?
 - what are all the loan conditions and penalties?
 - what loan options are available?



Assets and liabilities checklist

Name	Amount	Name	Amount
ASSETS (I OWN)		LIABILITIES (I OWE)	
Property (estimated market value)		Loans or leases owing on:	
house, unit or land	\$ <input type="text"/>	house, unit or land	\$ <input type="text"/>
motor vehicles or boats	\$ <input type="text"/>	motor vehicles or boats	\$ <input type="text"/>
furniture	\$ <input type="text"/>	furniture	\$ <input type="text"/>
other	\$ <input type="text"/>	other	\$ <input type="text"/>
Investments		Accounts, credit cards & small loans	
savings	\$ <input type="text"/>	credit cards	\$ <input type="text"/>
credit unions	\$ <input type="text"/>	store accounts	\$ <input type="text"/>
building societies	\$ <input type="text"/>	hire purchase	\$ <input type="text"/>
banks	\$ <input type="text"/>	personal loans	\$ <input type="text"/>
other	\$ <input type="text"/>	overdrafts	\$ <input type="text"/>
shares	\$ <input type="text"/>	family loans	\$ <input type="text"/>
collectibles			
artwork, stamps, coins etc	\$ <input type="text"/>	Miscellaneous	
other	\$ <input type="text"/>	accounts owed by me	\$ <input type="text"/>
		other	\$ <input type="text"/>
Miscellaneous			
insurance policies			
(surrender value)	\$ <input type="text"/>		
money owed to me	\$ <input type="text"/>		
TOTAL ASSETS	\$ <input type="text"/>	TOTAL LIABILITIES	\$ <input type="text"/>

Loan interview checklist



You will need:

Personal Details

- Names and addresses of borrowers
- Savings history - account details to verify savings period and amount
- Amount of deposit saved
- Total monthly income
- Approximate loan amount required

Employment Information

Employed applicants

Confirmation from you employer(s)

including:

- period of employment
- basic monthly wage(s)
- details of overtime, allowances, other benefits or second income(s)

Self-employed applicants

Evidence of the past 3 years' income by either:

- income tax returns or assessment sheets
- profit and loss statements certified by a registered accountant (photocopies should be provided of all accounts, valuations, share certificates and policies to substantiate assets)
- statement of your income(s) by a registered accountant or tax agent

Other sources of income

- photocopies of all bank and cheque accounts
- copies of exchange contract for sale of your present home or a letter from you solicitor confirming that you have a firm buyer and stating the likely net proceeds from the sale

- Gifts must be supported by a statutory declaration signed by both the giver and receiver of the gift and witnessed by a justice of the peace

Strata properties and land

- Copy of registered strata plan or plan of subdivision (if plans are unregistered, a letter is needed from a solicitor or developer indicating the expected date of registration)

Information for loans for building new homes

- Copy of plan and specification and quotation from builder
- Evidence of council approval and final tender price will be required before a formal authority to build will be issued by the lender

Existing mortgages

- If an existing mortgage is to be paid out by the loan, you'll need a letter from your present lender indicating how much you owe plus copies of past statements

Title particulars

- If you know which property you are buying, it is best to photocopy the front page of the contract because it will contain all the legal information your lender requires

Note: Tax agents' numbers and builders' licence numbers should be provided

Finance options

The quicker you pay the more you save. Even paying fortnightly rather than monthly may save you. You should investigate this option with your financial institution.

Types of loans

What you need from your loan is a competitive rate of interest, taking into account:

- ♦ adequate time to repay the loan;
- ♦ favourable conditions and charges; and
- ♦ options that suit your needs e.g. a redraw facility.

Most borrowers will take out a loan secured by the property they are buying (that is, the property is offered as security against the loan). These loans are usually called mortgage loans - the actual 'mortgage' is the legally binding document that explains the terms and conditions of the loan.

The basic types of loans are:

- ♦ standard variable rate loans;
- ♦ basic variable rate loans;
- ♦ fixed rate loans; and
- ♦ short-term fixed, capped, discounted variable rate loans (any of these are commonly called honeymoon loans).

Credit Unions

Before making your home loan decision, consider this . . .

A credit union is a financial co-operative owned and democratically operated by the people who save and borrow with it. Credit union members can borrow and deposit on reasonable terms and can expect to receive a sensible approach to fees and other account-keeping charges because there are no external shareholders demanding dividends.

As well as providing a range of home loan options, many credit unions will help you set a budget and make sure the loan repayments are right for your circumstances. Many also offer building and contents insurance through various organisations.

With loans in excess of \$6.4 billion, Australian credit unions are significant players in the home lending market.

Ring 13 11 28 to find out more about joining a credit union.



Types of loans

WHAT IS IT?	ADVANTAGES	DISADVANTAGES
<p>Standard Variable Rate rises and falls with market rates. May include special feature such as a redraw facility.</p>	<p>Rate will decrease in times of lower interest rates. Additional repayments can be made without penalties. Lenders may add their own features.</p>	<p>Rate will increase in times of high interest rates. Higher interest rate to cover the various options and benefits available.</p>
<p>Basic Variable As above, but without extra features.</p>	<p>Usually lower interest rate than the standard variable.</p>	<p>Rate will increase in times of high interest rates. Limited features (ie. features of the standard variable).</p>
<p>Fixed Rates Rates and repayments are fixed for agreed intervals during the period of the loan.</p>	<p>Rates will not rise above agreed rate. Repayments remain known, with no unexpected rises.</p>	<p>You will not get any benefit if market rates drop. Additional repayments may not be permitted. High penalties for switching to other types of loans.</p>
<p>Capped Loan interest cannot exceed an agreed rate for a fixed period of time.</p>	<p>Interest rate can decrease but will not increase if market rates change.</p>	<p>Cap is only for limited time and the rate after the cap if lifted, may be higher than market rate.</p>
<p>Discounted Variable Loans Same as variable loans but with an initial reduced interest rate which reduces further if variable rate drops.</p>	<p>The standard interest rate is reduced or 'discounted' for an agreed initial period.</p>	<p>There is often a penalty if you wish to discharge the loan after the 'honeymoon' period.</p>

Warning: Financial institutions use a variety of terms. Carefully check all details.



• • • Finding the right home

The most common sources of information are:

- ♦ metropolitan and regional newspaper advertisements;
- ♦ suburban newspaper advertisements;
- ♦ real estate agents' windows;
- ♦ specialist real estate magazines; and
- ♦ For Sale signs in the area of your choice.

The most common ways of buying property are:

- ♦ by private treaty through an agent;
- ♦ by private treaty directly with the owner (known as private sale, this means the seller does not have to pay a commission to an agent); and
- ♦ at auction.

The golden rules to looking without losing



Time spent looking is seldom wasted

It is either the very experienced or the very foolish who buy property in the first week of looking. It's almost impossible to look too hard. Unless you live in the area, allow one to three months to give yourself the complete picture in a particular market. A minimum of 20 properties should be seen, although buyers who buy best have often seen an exhausting 50 or more!

Act in haste and repent at leisure

In a rising market decisions have to be made quickly or what appears a good deal may be lost. However, speed should be a result of your considerable research and

organisation, not undue pressure. When you have seen enough property, you will quickly make an informed decision. Even then it is best to sleep on a decision and check it out again and again. Never make a decision after seeing a property just once. And never make a decision to buy just because you missed out on a property you'd set your heart on - rebound buying is careless buying.

All that glitters is not gold

Don't fall in love until the quality of the property, including its legal title and condition, has been thoroughly checked out and proven. In fact delay any emotional attachment until after the negotiations.

The majority of purchases are by private treaty, where you either agree to a specific price set by the seller or negotiate another price.

Negotiating

Many people find negotiating the purchase the most personally difficult part of home buying. Here are some tips from the experienced.

- ◆ Remove emotions from the situation and you will avoid disappointment and negotiate more effectively.
- ◆ Never show your hand - the only thing to tell the agent is that you will buy if the price is right.
- ◆ Persistence, not tough talk, wins.
- ◆ Be approachable and leave yourself a fall-back position. Make it known that the agent can contact you about your offer.
- ◆ Talk the agent around - they, more than the seller, want a sale and therefore their commission.
- ◆ Be aware that there is usually a buffer in negotiations. Often the agreed price is 2.5 to 5 per cent lower than the original price. In many cases, an initial offer is made that is 10 per cent below the asking price unless
 - the property is exceptional
 - the market is very strong
 - the seller is sticking rigidly to a set price

- ◆ Consider that there may be other offers. This is difficult to find out but if the agent is using this as a bargaining point, you could ask to see the offer in writing or talk directly to the seller.

Auctions

Buying at auction is a somewhat different experience with its own pitfalls. It is possible to pay an inflated price or miss out on a property you really want after paying for the inquiries.

Unlike private treaty, if you are the successful bidder at an auction, you must pay the 10 per cent deposit immediately and there is no cooling off period in which you can change your mind.

-
-
-
- **The fundamental rule**
- **in all home-buying is**
- **not to care whether**
- **you buy. Do not fall in**
- **love before the home**
- **is yours.**

The golden rules of buying at auction



- ◆ Before each auction, carry out all checking including review of the contract by your solicitor and a thorough property inspection. Do this even if you have missed out at previous auctions or suspect the property may be withdrawn.
- ◆ Only begin your bidding when the reserve price is reached - the auctioneer should say 'the property is on the market'.
- ◆ Expect the unexpected, especially high prices in rising markets and no bids in flat markets.
- ◆ Role-play the auction before the day. Visit other auctions and get to know the process.
- ◆ An offer before auction in a rising market is unlikely to be successful and may raise the price by disclosing your interest. In a flat market, however, an offer may be taken as it does mean that the seller avoids the cost of auction.
- ◆ Don't be scared - be informed!
- ◆ Don't EVER get pushed past your limit.





Wrapping it up: inspections and legalities

There are no warranties available to home buyers so you have to protect yourself. This is called caveat emptor or 'let the buyer beware'. You should be completely satisfied with the property's legal and physical health before you buy.

Get specialist independent advice from:

- ◆ a legal consultant or conveyancing service; and

- ◆ a building consultant before you sign a contract.

These consultants may also suggest further inquiries such as a plumbing inspection or strata-records inspection.

This information will also make your home easier to resell in the future. Store it all together, preferably in a fireproof container or with your lawyers or in a safety deposit box.

Property inspections

The inspections should give you an accurate appraisal of the condition of a property.

The majority of properties are in fair condition, with numerous problems (including serious ones). Of course, most of the minor defects can be fixed in the course of your ownership. It is up to you to decide whether the cost of repairing any major defects is already reflected in the price of the home. If it's not, you should reconsider your offer and negotiate a lower price.

Who should inspect?

It is not good enough to get a carpenter friend to jump on the floors! You need a building consultant who:

- ♦ has industry knowledge and formal qualifications in building,
- ♦ is licensed and experienced in both the supervision and the performance of inspections,
- ♦ has timber pest qualifications.

Your legal adviser or in some states of Australia, conveyancer, should send copies of any relevant documents such as surveys and drainage diagrams to your building consultant before the inspection.

What should be inspected?

Every accessible portion of the property should be assessed.

The report should tell you about problems in the following categories:

- ♦ hazards (e.g. loose handrails)
- ♦ dampness (e.g. a leaking roof)
- ♦ movement (e.g. cracks in walls)
- ♦ pests (e.g. timber pests)
- ♦ finishes (e.g. deteriorating paint)
- ♦ services (e.g. old water pipes)
- ♦ compliance (e.g. unapproved building work)
- ♦ amenity (e.g. steep driveway with no stair access)



TIP

To keep legal costs to a minimum, get a property inspection done before proceeding past the first basic legal steps.

Recently built properties

Many buyers mistakenly believe that the newer the property the less chance there is of serious problems. You should still get a property inspection done on a new

property or one that has been recently built and renovated, particularly if it was owner-built.

A building consultant should detect any incomplete or defective work and obtain any relevant documents verifying council approval or the quality of the work.

You should also obtain information about the builder including:

- ♦ licence number;
- ♦ insurance;
- ♦ defects liability period; and
- ♦ details of any warranties and guarantees for equipment and materials used in the home, including appliances.

What if you're buying a unit?

Apartments and townhouses are usually lower in price than surrounding free-standing houses, and suit people who may not need many bedrooms or a large yard.

These buildings share common property and can have their own specific problems, usually due to neglect or poor maintenance of these areas.

Flats, townhouses or villas have three main forms of title:

- ♦ strata (Rights of transfer, lease or mortgage are unrestricted);
- ♦ community (Similar to strata but with additional points regarding common areas); and
- ♦ company (Owners are shareholders in a private company and the approval of the majority of shareholders is needed if you wish to lease, sell or transfer your unit).

What to check

- ♦ Investigate the body corporate records, including the history of maintenance provision for future expenditures and/or actions. This should be compared to the actual property inspection report to give an accurate indication of what property expenses are likely to be shared with other owners in the future.
- ♦ Investigate the fire-rating. This may be unsatisfactory, particularly in older apartments, and may be costly to fix.
- ♦ Check the noise minimisation between properties is adequate.
- ♦ If it is an older property in the process of being changed to strata title, check the building conditions against council requirements to make sure they are acceptable.
- ♦ If there is an uncertainty about the ownership of a unit, garage, car space or store room, obtain a surveyor's report.

Lawyers and conveyancers

Whenever you buy, the ownership of the property is transferred from the existing owner to your name. This is called a conveyance.

Conveyancing is becoming increasingly straightforward, but getting advice isn't a luxury. It's cheap insurance against disaster if you choose a cost-effective legal advisor, or in some states of Australia, conveyancer (see *How to buy a home: a step-by-step guide*). They should be able to identify most obstacles or recommend professionals who will.

It doesn't mean that you should relax - you still have to take an active role in the home-buying process to protect yourself.

What do lawyers or conveyancers do?

Your legal advisor or conveyancer:

- ♦ checks the documents supplied by the seller are accurate;
- ♦ checks the certificate of title via a title search;
- ♦ plans how you (and your partner/s) will own the property;
- ♦ negotiates any contract conditions that aren't beneficial to you or the findings of precontract inquiries;

- ♦ coordinates all the required procedures including organising further inquiries, asking questions of the seller, getting material from the seller, preparing and lodging the required documents such as the transfer, paying stamp duty, and supervising the exchange and settlement; and
- ♦ finalises the mortgage by checking that your lender's requirements have been satisfied and checking the mortgage documents. This is usually a routine task, where the lender is given information obtained during the conveyance.



Don't Forget

Plan your move carefully.

Get the locks changed.

Get timber pest inspections done each year.

Unless it's a 'renovator's delight' don't rush into any extensions or alterations before living in the home for at least six months. Concentrate on landscaping and other inexpensive but effective ways of improving your property.

The golden rules of decision-making



Compromise

- ◆ if there is nothing better to buy;
- ◆ if the price is right and the saving will pay for the defects; and
- ◆ if the defects are reasonably cost-effective to fix.

Don't compromise

- ◆ if the defects are difficult and expensive to fix (e.g. severe rising damp);
- ◆ if you know that you won't grow to accept a defect that cannot be fixed (e.g. poor location or difficult access); and
- ◆ if you think that the marketplace will not accept the defects when you try to resell.

Top 10 tips for smart home-buying

1. Get informed. Read this booklet carefully and do lots of research.
2. Start saving your deposit as soon as you can.
3. Try not to buy around the top of a boom in property prices.
4. Location and special features are the most important factors in choosing your home.
5. Don't get your heart set on any particular property - it will impair your judgement. If you miss out on one, you will in time find something as good or even better.
6. Always check the condition of what you are buying with a property inspection.
7. Shop around for a loan by talking to credit unions and other financial institutions. Also choose your legal advisor and building consultant carefully and make the most of their advice and expertise.
8. Before making the final decision, ask yourself whether you could easily resell the property in the worst economic times.
9. Never sign anything in haste and if you don't understand what you are signing get your legal advisor to explain it to you.
10. Pay off the loan as quickly as possible.

How to buy a home: a step-by-step guide

TIME	WHAT HAPPENS	WHO CAN HELP	
	1 Get loan approval in principle		
	2 Choose a solicitor or conveyancer*		
	3 Choose the home you want		
	4 Ask for a copy of contract from seller/agent		
No legal obligation 3 days - 4 weeks	5 Start price negotiations	You may agree to a price at this stage subject to satisfactory condition (determined by property inspection) and security (determined by a financial valuation and your loan approval). You may then pay a holding deposit. This is not legally binding and is fully refundable. You may change your mind . . . but the seller can also sell to someone else.	
	6 Check contract	This involves checking that the conditions are acceptable and fair, making precontract inquiries and ensuring that you fully understand the contract.	Your legal advisor
	7 Check property	This involves a property inspection. Also a strata-records inspection if it's a unit etc.	Your building consultant
	8 Make a formal loan application		Your financial advisor
	9 Lender values property and approves loan		Your financial institution
	10 Exchange of contracts	Contract is signed by both parties and a formal deposit is paid. Generally, this deposit is not refundable. If you have paid a holding deposit, this can be transferred to a formal deposit. Some contracts have a cooling off period, although this is often waived.	Your legal advisor or conveyancer*

TIME**WHAT HAPPENS****WHO CAN HELP**

Legally bound
about 4 - 10 weeks, depending on contract

11	Organise building and contents insurance		Your insurance advisor
12	Inquiries made to various government bodies	This involves issues such as zoning and land tax.	Your legal advisor or conveyancer*
13	Requisitions	Seller is asked a set of standard questions and asked to provide documents.	Your legal advisor or conveyancer*
14	Complete special documents	(i) memorandum of transfer. This is a document that verifies the change in ownership from seller to buyer. (ii) mortgage.	Your legal advisor or conveyancer*
15	Pay stamp duty	This is paid on (i) contract (ii) mortgage.	Your legal advisor or conveyancer*
16	Settlement	Also known as completion, this involves paying the rest of the purchase price. You then get legal title, which is a legal document that is your proof of ownership.	Your legal advisor or conveyancer*

**Solicitors can undertake conveyancing in all states of Australia. In some states other professionals may also act for you (see points 10, 12-16 above). The following is a list of states and commonly used professional titles in each of those states where you are permitted to use an alternative to solicitors:*

NSW - Licensed property conveyancer

VIC - Conveyancer

SA - Registered conveyancer

WA - Licensed settlement agent

NT - Licensed conveyancing agent

What does that mean?

This list will help you understand many of the terms that real estate agents, lawyers and building consultants use.

agent a person authorised to act on behalf of a person (usually the owner) in the sale, purchase, letting or management of property.

allotment smaller parcels or portions of land subdivided from a larger area of land. Also known as a 'lot' or 'block'.

auction public sale where property is sold to the highest bidder.

body corporate all the owners of units or apartments in a strata building. These owners elect a council which handles administration and upkeep of the building.

boundary a line that defines the perimeter of a property.

breach of contract when the conditions of a contract are broken.

bridging finance short-term finance (usually at a higher interest rate) while waiting for a loan or for your existing property to sell.

building regulations rules (usually council) which control public health and safety, and the manner, quality and acceptable standards of construction of any building.

caveat warning on a property's title to any purchaser that a third party has some right or interest in the property.

caveat emptor 'let the buyer beware'. This principle puts the responsibility on the buyer to be satisfied with any item before buying.

certificate of title (CT) a document identifying ownership of land showing dimensions of land, name of owner, details of mortgages, easements or encumbrances.

chattels movable possessions (other than real estate) that may be included in a sale e.g. furniture.

cluster housing group of detached houses sharing open space.

commission fee paid to real estate agent by owner for services, usually for selling the property.

common law title see old system title.

common property areas in a strata property that are not individual lots. All owners are tenants in common.

contract of sale usually referred to as 'the contract', this legal document is prepared by the seller's solicitor or agent. It describes the property, price, seller, buyer and conditions of transaction. It is legally binding when signed by both buyer and seller and after a deposit has been paid.

conveyance the transfer of ownership of property from seller's to buyer's name.

covenant terms, conditions and restrictions noted on a property's certificate of title. The covenant may effect future plans or resale.

co-operative housing schemes a registered group that is authorised to obtain finance for granting advances to members who wish to buy land and build homes.

deposit non-refundable percentage of purchase price paid by a buyer at exchange of contract, usually 10 per cent.

easement a right over your own or another person's property to use or prevent the use of the property in a particular way.

encroachment use of part of an adjoining property without consent - usually a structure overhanging onto the street or onto neighbour's land.

encumbrance an obstruction to the use or transfer of the property in the form of a right or interest in the property e.g.

easement, mortgage or caveat.

fittings items such as light fittings which can be removed without causing damage to a property. They are usually not included in the sale unless specified in the contract.

fitments items such as baths or stoves which cannot be removed without causing damage to a property. They are usually included in the sale.

fixtures built-in items actually fixed in position e.g. kitchen cupboards, linen or storage cupboards.

flat interest rate interest calculated on the original amount of the loan for the whole term.

freestanding a building that stands unattached to any others.

gazumping a situation where the seller agrees to sell to a particular buyer and then either sells to another buyer or raises the price if two or more buyers wish to purchase.

holding deposit refundable amount paid to the real estate agent when the buyer decides to purchase a property. It is an

indication of goodwill and not a necessary part of the process of buying a home.

interest-only loan only the interest is repaid throughout the course of the loan. The original amount or principal is repaid at the end of the term of the loan.

joint tenants two or more purchasers owning the property in equal shares. If one dies, those shares pass to the surviving owners.

land tax a tax based on the value of property (which is not a principal place of residence) and payable by owners.

lease where possession, but not ownership, of a property is granted for an agreed period to a tenant. The lease document specifies the terms and conditions of occupancy.

lessee a person or legal entity that leases a property.

lessor the owner of a property which is leased to another person or legal entity.

memorandum of transfer a document that verifies the change in ownership from seller to buyer.

mortgagee person or legal entity who lends the money.

mortgagor person or legal entity who borrows the money.

old system title consists of a series of title documents called a 'chain of title'. The overall title is sound only if every document in the chain is sound. The legal investigations required are complicated and expensive. Old system titles may be converted to Torrens title and are converted automatically following the sale. Also known as 'common law title'.

option (to buy) legal document giving a purchaser the right to buy a property at a specified price and time. The purchaser may choose not to proceed with the purchase and only forfeits the option fee which is usually less than one per cent of the purchase price.

passed in when a property is withdrawn from sale at auction because the bids do not reach the reserve price.

private sale the selling of a property by the owner without the use of a real estate agent. The owner saves on an agent's commission and deals directly with the buyer.

private treaty sale sale of property through a real estate agent where the purchaser agrees to pay the price set by the seller or negotiates a price.

real property land with or without improvements.

reserve price the minimum price a seller will accept when selling a property at auction.

right of way a right of one property to access across another property.

semi-detached two buildings attached together by a common wall or walls.

settlement completion of conveyance where the balance of the contract price is paid and ownership of the property passes from seller to buyer. (The word 'settlement' can also refer to the downward movement of soil or any part of the structure which it supports.)

stamp duty state tax paid by the purchaser, calculated as percentage of the sale price of a property.

survey (identification) identifies the boundaries of the land and improvements to be transferred and confirms that you are actually buying the property you have chosen.

tenants in common two or more purchasers owning a property in equal or unequal shares. If one dies, his/her shares passes to the beneficiaries under his/her will.

tenancy the right to occupy a property on the basis of agreed terms and conditions.

terrace one of a row of buildings attached by common or 'party' walls.

Torrens title system of recording ownership of property where registration on a single certificate of title guarantees ownership.

townhouse strata-titled, two-storey attached building.

transfer a document registered at the Land Titles Office, and noted on the certificate of title, which verifies change of ownership of a property.

unencumbered a property free of encumbrances, covenants and restrictions.

valuation a report by a registered valuer giving their opinion of the value of a property.

vendor a person who offers a property for sale - the seller.

villa a single-storey attached dwelling.

zoning description of the allowable uses of a property as set out by planning authorities and local councils in a law/statute.

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