



*Step-by-step guide to*

# HOME OWNERSHIP

THE BUYING PROCESS MADE EASY –  
EVERYTHING YOU NEED TO KNOW



There is a lot to think about when buying a home. The process can be both exciting and overwhelming. Identifying what you want in your dream property, understanding home loans and navigating your way through all the paperwork can be challenging.

By becoming familiar with these steps and doing some preparation, you can reduce the stress involved in the buying process. You should seek expert advice when making a large financial decision to determine if it is right for you. Becoming a home owner gives you the ability to make your house into a home, and it gives you a valuable asset to build equity upon.

## 1 DETERMINE YOUR BUDGET

First, decide how much you can afford to spend – keeping in mind all the additional costs associated with buying a home. The largest of these is stamp duty or transfer duty, which varies by state and is generally charged as a percentage of the purchase price.

As an example, if you are a first home buyer buying a property in New South Wales for less than \$650,000, you can apply for a full exemption. But if you are buying a property valued between \$650,000 and \$800,000, you may be eligible for a first home buyer partial stamp duty concession.

Various stamp duty concessions are available for first home buyers depending on the location and the type of property you buy.

In some cases, this cost may be partially offset by First Home Owner Grants (FHOGs) intended to encourage first home buyers to enter the property market. FHOGs also vary from state-to-

state and apply mainly to new homes, rather than established properties.

## 2 RESEARCH THE MARKET

Once you've set your budget and chosen your ideal property, it is important to research the market in the area in which it is located. When you are considering a particular location, look at infrastructure and amenities such as public transport, educational facilities and shopping centres. Geographical factors should also be considered such as distance to the CBD and any infrastructure that will affect noise levels or the aspect of the property, such as substations or large electricity towers. You can use our checklist for inspecting a property (on page 6) to assist.

Websites that can help with research include [realestate.com.au](http://realestate.com.au) and [domain.com.au](http://domain.com.au). You could also build a relationship with the local real estate agents in the area, so they can let you know of properties that are coming up before they are advertised. The local real estate agent will also have additional information on any properties of interest. If finding the right property is proving difficult, you might consider using a buyer's agent who can do all the house hunting for you, will work to your budget and negotiate on your behalf. Unlike a real estate agent who works for the vendor/seller, a buyer's agent works solely for the buyer.

## 3 CHOOSE A HOME LOAN AND GET PRE-APPROVAL

While searching for your dream home or investment property, it's a good idea to get pre-approval for your loan from your

IS IT BETTER TO BUY A HOME NOW OR TO SAVE FOR A LARGER DEPOSIT? WHAT OTHER OPTIONS ARE AVAILABLE? FIND OUT MORE WITH HELIA'S DEPOSIT COMPARISON ESTIMATOR

lender, mortgage broker or one of the many emerging online options. Having pre-approval will mean you can move quickly when you find your dream home. You will need to provide employment details including income and expenses, assets and liabilities, and some personal details. Mortgage brokers may be able to offer you a range of loan products from various lenders, so they can be a good option for a first home buyer. Usually, pre-approvals will be valid for 90 days, however this can vary from lender to lender. As with any financial decision, it's wise to shop around for the best deal.

One important consideration when deciding how much to borrow is the size of your deposit. Most banks and financial institutions generally require you to have a 20 per cent deposit. This means that on a property worth \$800,000 you will need to have saved at least \$160,000 – plus enough to cover stamp duty and any legal and moving costs.

There are other options available if you don't have a 20 per cent deposit. Lenders Mortgage Insurance (LMI) may enable you to buy a home with a deposit as low as five per cent. With the benefit of LMI cover for your loan, rather than having to save a \$160,000 deposit on a \$800,000 property, your lender may be able to provide a loan with a deposit of \$40,000 (as an example), if they are satisfied that you can afford the repayments for the larger loan amount. This means you can get into your own home sooner, begin paying off your loan and potentially start building equity. LMI is an insurance policy that protects the lender if you default on your loan. LMI is a one-off premium which the lender will pass on to you to pay. The premium can usually be added, or capitalised on to your loan, with your repayments adjusted accordingly.

To calculate the approximate cost of LMI, you can use the LMI premium estimator on the Helia website [helia.com.au/the-hub/calculators-estimators/lmi-fee-estimator](http://helia.com.au/the-hub/calculators-estimators/lmi-fee-estimator)

## 4 INSPECT THE PROPERTY

Once you have found the home you want to purchase and before you make an offer, you will want to arrange the necessary inspections. You should consider a:

- **building inspection** (to check for structural damage) - costs can vary depending on location \$300 - \$700
- **pest inspection** - costs approximately \$200 - \$500
- **strata title inspection** (if you are buying a unit or townhouse under strata laws) - costs may vary from \$200 - \$350.

You should also consider checking with

the local council and state government about zoning issues and future property developments that may affect your home.

Your solicitor or conveyancer should advise you on what inspections are recommended for the type of property you are buying.

## 5 MAKE AN OFFER AND SECURE FORMAL LOAN APPROVAL

Once the inspections have been completed and you are happy to proceed, it's a good idea to contact your lender or broker to update them on the situation. The next step depends on whether the property is being sold at auction or by private treaty, which is a sale directly through a real estate agent or owner.

**Private treaty** - All your research will assist you when negotiating the purchase price, however you probably don't want to be too inflexible. It would be unfortunate to lose the property to someone else for an amount that you would have been happy to pay.

Once your offer has been accepted, a holding deposit of approximately 0.25 per cent needs to be paid. There will be a length of time known as the 'cooling off period', which is a set number of business days that is specified in the

contract within which you can walk away from the agreement to purchase the property. Typically, the cooling off period will be five to ten business days, although the availability and duration of these periods vary by state. You may also be asked to waive your right to a cooling off period, which is often also the case under auction purchase conditions. If you decide not to proceed, you will typically have to pay the vendor a termination fee, which is usually around 0.25 per cent of the purchase price. Any holding deposit you have paid above this is typically refunded. If the cooling off period has expired, you will generally not be entitled to any refund of the holding deposit.

**Auction** - If you are buying at auction, be sure to have a pre-approval in place, and that all of the legal work and inspections have been completed prior to the auction. If your bid is successful you are obliged to go through with the purchase as there is no cooling off period. So, make sure you really want the property before you start bidding and, most importantly, that you don't exceed your maximum spending limit.

Speak to your solicitor regarding the amount of the contract deposit required to be paid when contracts are exchanged. This can often be reduced to five per cent, instead of the typical ten per cent, however this needs to be agreed with the vendor or their solicitor prior to auction.

There are a number of things to consider when it comes to finalising the details of your home loan. One important decision is whether you choose a variable interest rate loan, where the interest charges and your regular repayments may go up and down, or a fixed rate loan which locks in your interest charges and regular repayments for a set period of

LMI MAY ENABLE YOU TO PURCHASE A HOME WITH A DEPOSIT AS SMALL AS FIVE PERCENT

time. Both types of loans have their pros and cons and some borrowers hedge their bets by choosing a combination of fixed and variable rate loans. It's a good idea to discuss your personal circumstances with your lender, broker or financial adviser to ensure that the loan is configured in a way that best suits your needs.

Don't forget to ask about any additional benefits – most lenders will provide home loan customers with extras such as a fee-free transaction account.

## 6 ARRANGE THE CONTRACT DEPOSIT

If you are paying the contract deposit from your own funds, you can generally use a personal cheque or a bank cheque. If part of the contract deposit is coming from your home loan (e.g. your lender is using LMI and you have less than the ten per cent contract deposit usually required when contracts are signed), you may need to use a deposit guarantee (sometimes called a deposit bond). This is a substitute for the cash contract deposit and is a guarantee issued by an insurance company to pay the contract deposit. Deposit guarantees can be organised at the same time as your home loan so speak to your lender or broker who will help you to arrange this.

## 7 CONTRACTS AND LEGAL WORK

Do your research and speak to several real estate agents to find a reputable conveyancer or solicitor that meets your needs.

Your, and the vendor's conveyancer or solicitor, will check the documentation and begin to draw up the contract for the property transfer. Ask your solicitor or conveyancer to explain the contract so that

# BE CONSCIOUS OF "GAZUMPING" WHEN YOU ARE MAKING AN OFFER TO PURCHASE A PROPERTY

you understand its contents before signing. DIY conveyancing kits are available, but most people leave it to the experts and use a solicitor or a conveyancer to do the work for them as there is a lot at risk. Conveyancers will have completed hundreds of property transactions and know the hidden traps to watch out for, like finding out that someone has planning permission to build a ten storey office block next door!

The contract will contain a settlement period which is the length of time before you take legal ownership of the property. This can be negotiated but will need to be agreed to by the vendor before the auction or signing contracts. Many lenders will require home insurance to be taken out from the time contracts are signed. Even if your lender doesn't require it, it can be a good idea to take out home insurance at this time to help safeguard your interest in the property.

Once all questions have been answered, your conveyancer or solicitor will usually set a date and time for you and the vendor to sign contracts and to pay your contract deposit. The contract deposit is usually placed into a trust account held by the real estate agent until settlement.

## 8 SETTLEMENT

Settlement is usually four to six weeks from when contracts are exchanged. This is the date you take legal ownership of your new home.

Your solicitor or conveyancer will arrange a time and place for settlement to occur with the vendor's solicitor and

any other interested parties, such as your lender. The balance of the purchase price will need to be paid on the day of settlement. Your solicitor or conveyancer will arrange this with your lender who will take the balance of funds to settlement.

Generally, the contract of sale will require the vendor to deliver the property to you in the same condition it was in on the day of sale, except for fair wear and tear. It's a good idea to ensure your contract allows you to conduct a final inspection just before settlement. You can arrange this inspection with the real estate agent. If anything is not working or has been damaged, discuss it with the real estate agent and your solicitor or conveyancer prior to settlement.

Once settlement has occurred, the vendor's solicitors will contact the real estate agent who sold you the property and advise them to give you the keys. Your solicitor or conveyancer will also contact you and confirm settlement has taken place.

You are now the legal owner of the property and can enjoy your new home.

## 9 MOVE IN!

Moving house requires plenty of planning. **Scan the QR code below to access a checklist to assist you with a stress-free move!**

