

Buying A Home

A Guide For 1st Home-Buyers

Buying a home is not only one of the largest purchases you're likely to make, it can also be one of the best long-term investments you can make – so it's important that you get it right. This means doing your homework and making sure that the property you are buying is the right one in terms of price, location, value, size and lifestyle.

This guide will assist you in getting started and learning what to look for and what you can do as a buyer to equip yourself with greater knowledge of how real estate works in Victoria. This guide will help you understand the steps you will take to the point at which you become the successful buyer of a property.

PREPARING TO BUY

As a prospective purchaser you need to do some homework: decide what you want in terms of size, location and price range. Register your name and requirements with estate agents and ask them to let you know when suitable properties come up. Regularly check the local and daily newspapers. There are a number of Internet sites devoted to listing properties for sale. It is a good idea to attend some auctions and check the published results of auctions in your area.

INSPECTING A PROPERTY

Inspections should be made at the advertised times or by appointment with the real estate agent.

You may consider having a property inspected by a builder or architect to assess whether there are any defects that might affect your decision to buy. This is particularly relevant if large-scale renovation or extensions are planned.

You need to look at the location and style of the property in relation to your requirements: the size of the property, proximity to schools, access to public transport and so on should all be considered.

Once you have found a property that suits you, it is wise to check it out during the week as well as on the weekend, as a peaceful environment one-day might be quite different at other times.

ORGANISING FINANCE

It is vital you organise your finances before making an offer or bidding at an auction. Make arrangements to cover the deposit should your offer or bid be successful, and arrange to have the appropriate mortgage funds available for settlement.

Confirm with your financial institution or bank the amount they are willing to lend you and calculate this with your capacity to repay, without negativity impacting on your lifestyle and any other financial commitments.

It is important to have the bank give you pre-approval before you buy as to avoid heartache and disappointment if your finance is not approved. When you make an offer you should still make it “subject to finance” when you are borrowing, but you do so in the knowledge that your offer should be successful. (The bank may have to obtain a valuation for security purposes so your finance cannot be approved without a valuation being performed and approved by the bank.)

Don’t forget that (variable) home loan interest rates can move up and down, so you need to have a bit of leeway to cope if this happens.

CONVEYANCING

How you decide to handle the paperwork associated with the property purchase is your own decision. Options include using a solicitor, using a qualified conveyancing agent, or doing it yourself. It is strongly recommended that inexperienced buyers seek professional advice on the conveyancing process.

You may want to contact a Representative who will act on your behalf before you find a property or the agent will contact them when you have signed a Contract to purchase a property.

VENDOR’S STATEMENT (The Section 32 Certificate)

Section 32 of the Sale of Land Act (as amended) requires the vendor to provide a statement about the financial, legal and planning details of the property, before a Contract of Sale or Contract Note is signed.

The Section 32 should include at least the following:

- A copy of the title showing any existing easements or covenants, boundary measurements of the land and location in relation to nearest street;
- Information about planning or development restrictions;
- Details of any mortgage over the property;
- Outgoings such as rates, body corporate fees and so on that apply;
- Building restrictions and copies of permits issued for work carried out in the last seven years.

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Both the vendor and purchaser must sign the Section 32 before the contract is signed. If the property is being sold at auction, a copy of the Vendor's Statement and the Contract of Sale will be available before the auction.

MAKING AN OFFER

Missing out on a property that you have your heart set on can be a very disappointing experience. Quite often this happens because the offer process is misunderstood.

When making an offer to purchase a property, it is important to be aware of the following:

- The agent will submit all offers to the vendor.
- The property remains on the market while the vendor considers all offers. Just because your offer is the first submitted, does not necessarily mean that it will be accepted.
- Your offer may include a date by which it will lapse if not accepted.
- An offer may be made subject to a finance clause ie. bank approval, sale of an existing property or another condition such as a builder's inspection.
- You can make your offer conditional on certain items (such as a dishwasher) being included or excluded from the contract. Any special conditions such as these must be specified when making an offer.

An offer is not legally binding on both parties until the buyer and seller have signed a Contract of Sale or Contract Note. A Contract Note must contain details of the property, the price, deposit and settlement terms. Once the offer is made in writing, it is then up to the vendor whether or not to accept it or whether to give other parties the opportunity to increase their original offers.

The agent is not obliged to give you another opportunity to increase your offer.

It may be worthwhile making an offer for a property before it goes to auction as this gives you an opportunity to negotiate through the agent and perhaps to stipulate any particular conditions you require in the sale. If your offer is accepted, a cooling-off period applies unless the sale occurs three business days before or after the scheduled auction date.

COOLING-OFF PERIOD

You are entitled to a cooling-off period of three business days. This means that you are legally able to withdraw from the Contract if you change your mind during this time. However, it is important to remember the cooling-off period does not apply in the following circumstances:

- If the property was bought at an auction or within three business days before or after a scheduled auction;
- If the purchaser is an estate agent;
- If the purchaser has obtained independent legal advice before signing the contract;

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- If the vendor and purchaser have previously entered into a Contract of Sale for the same property on substantially the same terms;
- If the property is used for industrial, commercial or farming purposes and in the case of a farm not more than 20 hectares in area.

CANCELLING THE CONTRACT WITHIN THE COOLING-OFF PERIOD

The contract is cancelled by providing written notice to the vendor or the vendor's agent within the cooling-off period.

The purchaser is entitled to a full refund of all money paid, except for \$100 or 0.2 percent of the purchase price – whichever is greater. For example, a vendor may keep a \$300 deposit on a property priced at \$150,000.

THE CONTRACT

If you have inspected a property and decided to buy it, either by private sale or before a scheduled auction, the estate agent will generally prepare a Contract Note for you to sign. If you are buying at an auction, the vendor's solicitor will have prepared a Contract of Sale of Real Estate, which you can inspect prior to and at the auction.

Both the Contract Note and Contract of Sale include details of the terms and conditions of the sale, such as the deposit required, the settlement date and the chattels included with the property (such as carpets, curtains etc).

The Contract Note and the Contract of Sale are legally binding documents, so it is important that you fully understand your obligations before signing.

WHAT IS THE DIFFERENCE BETWEEN A CONTRACT NOTE AND CONTRACT OF SALE

With a Contract Note a purchaser makes a written offer to buy a property at a certain price and on certain terms. If the vendor accepts the price and terms, they countersign the Contract Note and the property is sold. There is no need to replace a Contract Note with a Contract of Sale.

A Contract of Sale of Real Estate is usually prepared by the vendor's solicitor and includes the terms and conditions regarding the sale of the property. If the sale is by auction, it is usually unconditional and there is no cooling-off period.

Hopefully this guide has been a useful tool for you to Help Get Started and out searching for your future home.

If you require any further information or assistance please do not hesitate to contact us and speak to one of our experienced members of staff.

Please note: this is a guide only and not to be used exclusively when seeking information about purchasing a property.

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