



Purchaser FAQs

PRE EXCHANGE

Do I need a loan pre-approval before I negotiate to purchase a property?

Yes. You must always ensure you have your loan pre-approval in place before negotiating to purchase a property. Pre-approval usually takes around 2 weeks and can be arranged by your mortgage broker or bank. The amount the bank will lend is dependent on an assessment of your income and expenses. *Do not* commit to buying a property before your pre-approval is in place as this will set your 'budget'. Bear in mind that 'pre-approval' is not the same as 'unconditional loan approval', which is an added step where the bank will visit the property and undertake a valuation and confirm that your offer to purchase matches the bank's assessment of the property, which happens after the exchange of contracts. The valuation and unconditional loan approval process will take a further 5-10 days upon which time you will receive an 'unconditional loan approval' letter which will confirm the bank's investment and terms which forms the basis of your loan agreement.

When should you negotiate the settlement period?

If you would like to vary the settlement period from the standard 42 days (6 weeks) to a greater or lesser period you must negotiate this with the Vendor *before* you sign the contract (especially if you're after a longer settlement as the owner may not be too keen to wait longer for the finalisation of their sale). From experience we find that owners are more willing to accept a shortened or delayed settlement proposals pre-exchange as this is when their motivation is at its highest level and owners more flexible in order to achieve a sale. It is important to discuss your settlement needs and negotiate the completion period with the agent when submitting your offer. It is also advisable to confirm the varied settlement terms in writing via your solicitor/ conveyancer before exchange of contracts takes place.

How much do I pay when signing the contract?

You'll be required to leave a 0.25% holding deposit with the real estate agent when you sign and exchange contracts. Bear in mind that this 'holding deposit' is non-refundable – this means that you will forfeit the deposit if you decide to not proceed with your purchase. The payment compensates the Vendor for the 'inconvenience' you have caused taking the property off the market during your cooling off period. For example, the holding deposit to purchase a \$600,000.00 property equates to \$1,500.00.

What is a cooling off period and what is it used for?

A cooling off period only applies to properties being sold under 'private treaty' or 'for sale' arrangements that provides the purchaser with a five (5) day window to think carefully about their purchase, undertake their 'due diligence' and inspect the property carefully, and most importantly confirm with their lender that the bank will 'unconditionally' approve their purchase. Properties that are sold under 'auction' conditions do not have a cooling off period – you will be bound by the contract immediately – so you must be certain that you have thoroughly inspected the property well ahead of the auction and your finances are 99% guaranteed if you plan to bid and purchase at an auction.

Bear in mind that a five (5) day cooling off may be extended however this must be negotiated with the selling agent and requested in writing via your acting solicitor/ conveyancer. If contracts are being exchanged by the agent it is essential that you receive in writing that an extension of the cooling off

period has been granted. This is usually evidenced on the 'sales advice' which accompanies the signed contract and forms part of the agreement.

During the cooling off period you must ensure you do the following:

1. **Obtain unconditional loan approval.** Provide your bank/ mortgage broker with a signed copy of the exchanged front page of the contract (the copy with the Vendor/ Owners' signature/s) so the bank can arrange a valuation of the property. The valuation is needed so the bank can provide you with 'unconditional loan approval'.
2. **Arrange a building & pest inspection.** These inspections are essential so that you can be made aware of any potential issues affecting the property and the costs involved for their repair. The inspections should be undertaken by a licensed builder who will attend the property and provide you with a written report of their findings upon which you can rely. You may order this report directly or ask your conveyancer/ solicitor to do this on your behalf. *Note that these reports are additional expenses to your legal fees as the report is prepared by a third party company.* A building inspection usually costs around \$350.00 and a combined pest and building inspection report costs around \$500.00.
3. **Order a strata report.** Only required if you are buying a strata property eg. unit or town house. This report will provide critical information relating to the complex which the sales contract does not. For example the strata report will inform you of the financial health of the building, if there are any increases in the quarterly levies expected in the near future, if any special levies have been struck, if there are planned upgrades/ repair works to the building, and the annual general meeting minutes, which will provide you with an insight as to whether the complex is 'harmonious', if there are any litigious issues between the occupants or the builder and other issues which may be affecting the building. A strata report is prepared by a strata inspector who will attend the strata manager's office to review and take copies of all records relating to the strata complex and provide a very detailed and quite lengthy report outlining matters affecting the complex. The cost of this report is around \$300.00. You may order this report directly or ask your conveyancer/ solicitor to do this on your behalf. *Note that a strata report is an additional expense to your legal fees as the report is prepared by a third party company.*

Be mindful that the reports must be paid for once they have been prepared so expect to be asked to pay the tax invoice in advance of receiving your report.

Can my 5 day cooling off period be extended?

It may be possible to extend the cooling-off period however the Vendor is not obliged to provide you with an extension and should they wish to not do so they will retain your 2.5% holding deposit. If you are unable to proceed with your purchase you MUST arrange for your conveyancer/ solicitor to formally provide a 'Notice of Rescission' letter to the Vendor's legal representative otherwise you remain legally bound by the contract. A Notice of Rescission letter must be sent to the Vendor's conveyancer/ solicitor *no later than 5pm on the final day of the cooling off period* to avoid being 'locked into' the contract.

What is 'due diligence' and do I really need to do this when buying a property?

In a short 'Yes'! Most contracts feature a clause which states that the property "is being sold in its present state of condition, subject to any wear and tear whether latent (obvious) or patent (not obvious ie. under the surface)". It is essential that as a purchaser you satisfy yourself as to the condition of the property and factor any repair costs into your offer, as it is almost impossible to claim a discount or re-negotiate the price if issues are found post-exchange.

It is also important that you are well researched on the suburb, any potential Development Applications (DA) which may be taking place around the property or in the neighborhood. The Town Planners at your local council located at the front counter are often a good point of call to obtain 'free' advice about any projects or developments affecting the street and surrounding neighborhood. If you are also planning to make extensions/ alterations to the property it is a good idea to ask enquire about what may or may not be approved by council to avoid later disappointment.

What is the difference between bank 'pre-approval' and 'unconditional loan approval'?

Your 'pre-approval' provides you with a guide of what your maximum borrowing capacity will be. A bank may decrease their loan approval if they do not agree with the purchase price or may reduce or even not honor their offer if the property you have selected is located in a suburb which the bank deems to be high risk. It is essential that once you exchange to purchase a property a copy of the signed front page of the contract is emailed to your banker/ mortgage broker so they can arrange a bank valuation and obtain written confirmation that the amount originally offered will be loaned. You will receive an 'unconditional loan approval' letter once the property has been valued – this usually follows 48 hours after the valuation has taken place. It is important that you have received your unconditional loan approval letter before your cooling off period expires. If the valuation process is delayed it is important that your solicitor/ conveyancer negotiates an extension of your cooling off period until you have obtained your unconditional loan approval letter. If the Vendor is unwilling to consider an extension of the cooling off period you should withdraw from the sale and consider re-entering a fresh contract to purchase once the bank unconditional loan approval has been received.

What happens if I change my mind or cannot get funding to purchase my property?

During the cooling off period you may withdraw from your purchase however you will lose the 2.5% holding deposit you have paid upon exchange. It is essential that you inform your acting conveyancer/ solicitor that you no longer wish to continue with your purchase so they may formally bring the contract to an end by issuing a 'Notice of Rescission' to the Vendor's legal representative and the selling agent on your behalf. The Notice of Rescission must be issued no later than 5pm on the final day of the cooling off period. Once the cooling off period has lapsed there is no opportunity to withdraw from the contract. You are legally bound to proceed to purchase the property.

You should be aware that the cost of not settling on your purchase are significant. The Vendor has the right to take you to court and sue you for the full 10% deposit payable upon exchange, as well as be compensated for their legal fees, any late penalty fees and charges which have accrued under the terms of the contract, and sue you for the 'shortfall' of the re-sale value (if the property happens to sell for an amount lower than the price agreed to be paid originally by you). This is why it is essential to have your unconditional finance approval in place before your cooling off period expires. If you experience a delay in obtaining your unconditional finance approval it is a far better option to lose your 2.5% deposit whilst waiting to obtain your unconditional loan approval than it is to find yourself bound in a contract with no escape.

Can the agent exchange contracts or must this be done by my conveyancer/ solicitor?

An agent may exchange contracts however he/ she must first obtain authority to do so from both you and the Vendor. You will be expected to complete an additional form called an 'Authority to Exchange with Cooling off Period' when signing the contract to purchase. This form will clearly state the Vendor and purchaser names, property address, purchase price negotiated for the sale and the cooling off period terms (if you have negotiated to extend the cooling off period then this form will also specify the agreed cooling off period). Both you and the Vendor will be expected to sign this form which formally provides the agent with authority to exchange contracts based on the agreed terms of the agreed offer and acceptance. If you are seeking an extended or reduced completion (or settlement) period be sure that the agent also specifies this on this form as well so that it becomes part of your legally binding agreement.

How is stamp duty calculated?

Revenue NSW (formerly the Office of State Revenue) charges stamp duty against all property transfers in NSW. This is an additional cost which purchasers must pay at settlement, so it is important that when working out your budget for the purchase of property you make an allowance for the stamp duty which will be payable.

Visit the Revenue NSW website link below to calculate your stamp duty liability. Please also bear in mind an additional \$20.00 will be charged to print the duplicate and the Transfer by Revenue NSW,

and a processing fee of around \$50.00 will be charged by the company processing your application (Revenue NSW only have one office in Parramatta, so duty is processed by a number of companies who have been appointed to act on Revenue NSW's behalf). A link to Revenue NSW's stamp duty calculator can be accessed at the following link:

<https://www.apps08.osr.nsw.gov.au/erevenue/calculators/landsalesimple.php>

Which key payment dates must I diarise for my purchase?

The key payment dates in a property transaction are as follows:

Exchange of contracts – 0.25% deposit (usually \$1,000.00 - \$3,000.00, depending on the purchase price of the property);

By 5pm on the final day of the Cooling Off Period - payment of the remaining 10% (this being 9.75% or if a 5% deposit was requested and agreed by the Vendor then the remaining balance payable would be 4.75%);

On the day of settlement - The remaining balance owing for the property plus the council, water and strata adjustments. You will also need to pay your stamp duty at settlement as well as the NSW Land Registry Services fee to transfer the property into your name and register your loan onto your new certificate of title.

If you are contributing funds and obtaining a loan you may chose to pay your 'shortfall' amount into a linked offset savings account (which is established as part of your home loan application by your bank/ mortgage broker). If this facility is not available your solicitor/ conveyancer can establish a trust account linked to your PEXA settlement platform to facilitate a transfer of your funds which can be made over the counter at your local branch or by EFT directly into your settlement workspace. Note that security limits on your Netbank may need to be increased to allow the transfer of funds to take place by EFT.

What are property 'adjustments' and why must I pay for the council, water and strata property certificates?

When you are buying a property you must pay for your 'share' of the council, water rates and strata levies (if applicable) from the date of settlement through to the end of the billable quarter as these bills become your responsibility once you take over ownership of the property.

As the owner is not legally obliged to provide you with copies of their most current bills (and also these bill may not feature late interest and/ or penalties which may be accruing on the account), your conveyancer/ solicitor will order property certificates from the local Council, Sydney Water and the Strata Owners Corporation (if you are purchasing a strata property) on your behalf before settlement. The cost of these certificates are usually between \$300.00 - \$350.00 (the price varies according to the Council's fee to issue their certificate and also how many Lots affect the strata property you are purchasing). These costs are in addition to the purchase price and must be paid at settlement so that the property may be transferred into your name with all outstanding debts cleared.

Your conveyancer/ solicitor will provide you with a settlement adjustment calculation 1-2 weeks before settlement which will feature the breakdown for each expense for your review and approval. They will also provide you with copies of the property certificates which they have ordered and based their settlement calculation with the settlement adjustment calculation. If bills are found to be outstanding the owner will be instructed to pay their 'share' of these bills which are deducted from their proceeds of sale at settlement and paid by EFT via the PEXA at settlement.

What are By-Laws?

By laws are the rules that govern a strata complex and outline the things you can and cannot do without first obtaining approval from your strata manager eg. renovating your unit/ townhouse. It is important to read through the by-laws featured within the contract as you are expected to abide by these rules. Think carefully about your lifestyle and ensure that you will be able to maintain your way of life living under these conditions. For example some by-laws will not allow you to keep a pet, smoke on your balcony, and for investors, some by-laws will limit the number of occupants living within the property, how the real estate agent can advertise the letting of the property, and the minimum terms

of the rental agreement (eg. some complexes do not allow AirBNB letting/ short term stay arrangements. Should you or your tenants breach any of the by-laws a notice or fine may be issued by the owners corporation which can be costly so please be aware of the by laws affecting the property you are looking to purchase.

Do I need to attend settlement?

No, it is your conveyancer/ solicitor's role to coordinate settlement on your behalf. All settlements now take place electronically via the PEXA Settlement platform which is a secure password protected portal accessible only by your legal representative, the owners' legal representative, the discharging bank and your new incoming bank (if applicable). The Certificate of Title, Transfer document, Notice of Sale and registration are now lodged in electronic format in real time at settlement. Outstanding payments owed to Council, Sydney Water, Strata as well as stamp duty payable to Revenue NSW and NSW Land Registry Service registration fees are also paid by EFT on your behalf at settlement and the title registered immediately into your name. Settlement usually takes 30-45 minutes to be finalised. Once complete your legal representative will issue a 'Order on the Agent' letter on your behalf which notifies the selling agent of the settlement having been finalised and authorizes his release of the keys to the property into your possession and the deposit to be released to the Vendor. You are then able to collect the keys from the agent's office and begin your relocation or renovation.