

Your Property Buying Doesn't
Have to be a **Battle!**



KNOW THE BUYING PROCESS

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Know your Goal and Strategy

Although this is a step most people skip it is vitally important and one, if missed, could cost \$00,000's. On the surface the goal would seem relatively simple buy a property in the next 12 months. It is a goal as it has a clear outcome: a property, a clear action: buying, and a clear time frame: 12 months.

Easy right?

Well not quite. Just because you know your short-term goal doesn't mean you are ready to start. You need to also identify the what the goal of that property is.



Will it be:

- a home...forever?
- a first home that becomes an investment property?
- a home that will be sold in the future to upgrade closer to schools etc?
- is it an investment property with a capital growth goal?
- is it an investment property for renovating and selling?
- is it an investment property for renovating and renting?
- is it a property that will be knocked down and developed?

The goal of your property is your strategy, or how you are going to make the property work for you.

If you don't know your strategy then you could be looking in the wrong suburb or buy the wrong property or get the wrong loan. Hence this is a crucial first step, and we haven't even discussed what to buy ie house or townhouse or unit, or where to buy.

Finance and Strategy Match

First you need to know what funds you have available to you for the deposit. They can come from 4 sources:

1. Savings
2. Equity in another property, you can access this without selling the property
3. Gift, ie parents or extended family
4. Grants ie the First Home Buyers Grant

Once you deposit available to you then need to speak to a mortgage broker . I am not being bias here j(as I am a mortgage broker) but there is a reason nearly 60% of Australian's use a broker.



The Buying Process

The lending market is changing all the time and every lender has different policies as to how they will assess your income and your capacity to borrow money. Some lenders may even allow you to buy with just a 5% deposit and others may allow you to borrow for the construction of a granny flat or for renovations in the future. This is why knowing your goal and strategy is important so you can have a Finance and Strategy match. As lending experts we have to keep up to all the changes and lending requirements that may affect our clients. It makes sense to save you time and in the long run even money to make sure you have the right lending for your strategy.

Once we assess your borrowing capacity based on your income and your expenses and the individual lenders policies and our investigations into anything on your credit file that could affect your ability to borrow it is now time to get a pre-approval.



Now, a pre-approval typically last for three months. This's a cursory look via lender over your situation. This is not a full assessment by most lenders - this is important in knowing, especially if going to auction. As a mortgage broker we use our years of experience and daily interaction with the lenders to determine any risks associated with your application that may create issues when a property is found and formal approval is undertaken

Once the property is found you can put in an offer, even if it is slated to go to auction. Your offer should have a number of conditions in it. Which we will review below. One has to be 'finance approval acceptable to you'. This means that if your lender declines your loan application at the last step when they do all their detailed analysis, you are not going to loose your deposit, ie typically 10% of the property value.



The Buying Process

When you find the property, and your offer is accepted then you send your updates payslips, the contract of sale with the price agreed on it (it does not have to be signed by both parties at this stage) and the lender will do a full assessment.

The lender then appoints an external valuer and they are sent to inspect the property and assess its value based on similar recent sale data in the area. If you are buying an unusual property, one that doesn't appear on the market regularly then there may not be enough data to support the value and the bank can refuse to fund the loan. They do not want the risk of having a property they can't sell easily and quickly if you default on the loan in the future.



In my 15+ years as a mortgage broker I have seen this rarely occur, often as we are part of the initial process of knowing your goal and strategy then we only seek a pre-approval with a lender who suits that strategy. For instance some lenders will not fund apartments less than 50m2. I have had clients buy unusual properties like a 7 bedroom house. After discussion we were able to get the loan approved but the lender required a higher deposit to minimise their risk.

Only after the valuer has returned their report, usually 2-3 days after they get access to the property (which can be held up by tenants availability) then the lender will give a formal approval. This is a formal agreement, that the lender will give you the money. They will then send a contract to you to sign with all their requirements and your commitment to repay the loan.

Suburb Search

So you know what your goal and strategy is you have a pre-approval - now what? This is the fun part deciding where to buy. Based on your strategy this may be anything from within 15km from where I work, to being truly geographically agnostic and looking at an area with the most potential capital growth anywhere in Australia.

The good news is you can do 90% of all this work on the internet and, although it can take longer, you can do it all for free. I have bought many properties and a work of advice, don't have a scatter gun approach narrow your search down to **3 to 5 suburbs**, get to know them intimately and get to understand that market and then make sure you concentrate on the typical property for that market.

Having the typical property allows your lender to not see the purchase as 'risky' and decline it or require a higher deposit, it means it will be easier to rent and sell when the time comes as the majority of the market will want that property. The typical property data can be found at the source the most recent census results.

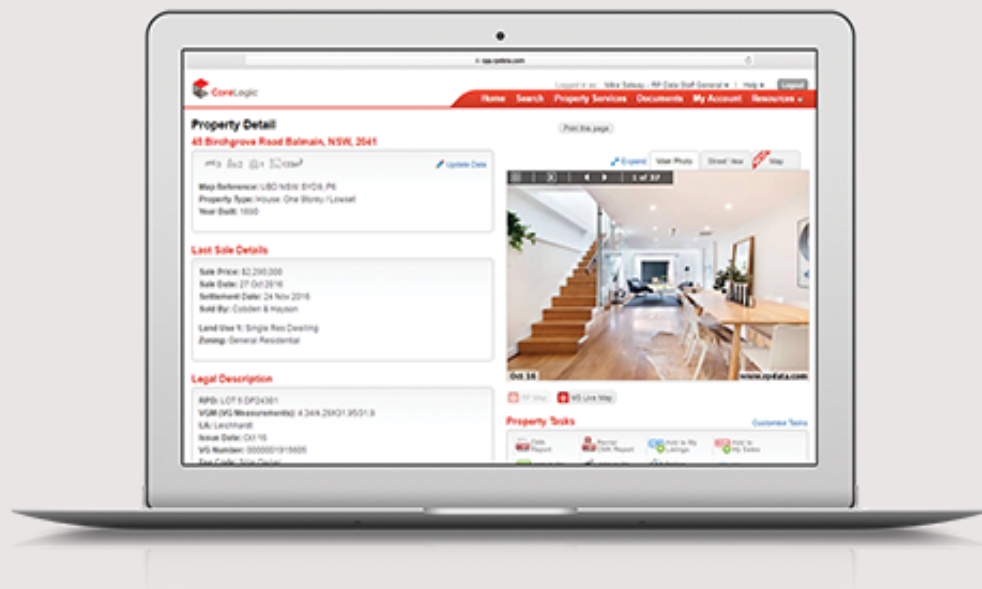
Buying Process

Once you know the typical type of property and the suburbs you are targeting then you can set alerts up on websites such as:

- [Domain.com](#)
- [Realestate.com](#)

For my mortgage clients at Investors Choice Mortgages I believe so much in the value of quality data and research for all my pre-approved clients I cover the \$150 per month that CoreLogic **RPData charges**. This not only allows you to set up searches and alerts for when a property that suits your search criteria comes on the market, giving you a heads start on everyone else, it is also the software the lenders use to do desktop valuations on properties. Furthermore you can look in detail on past property sales.

You can even be a bit cheeky and check out what your neighbour paid for their home.



Property Inspection Checklist

This is the exciting part of the process, when the rubber hits the road and you move from behind the computer to actually visiting properties. Now be prepared you possibly have months ahead of you of property inspections and over time they can all become a blur. So I suggest you use a Property Inspection Checklist. This allows you to not only track the property through its marketing campaign and record what it sells for as well, when you are starting it gives you a feel for the market.

Obviously the property inspection checklist should include all the features of the property, the state of the fittings and if you are interested in renovation as a strategy you can even record what work is needed.

For my Investors Choice Mortgages clients I provide these checklists but you can create your own. Once you are done with it, don't throw it away! Store that information, staple the marketing brochure to your checklist and file it. This builds up as a wealth of knowledge for your selected suburbs over time.



Having this body of research allows you to look at properties that have resold in a year or two and if they have had a renovation done you can check out what the people have made on that property too!

Don't forget to do this remember you're probably going to be looking at 5 to 10 every single Saturday and over time this information can provide valuable intel on your suburbs.

Negotiation and Making an Offer

Once you have found the property that suits your needs now is the time to start negotiating. You can do this even if the property is going to auction.

First you need to know where to start. The best tool for this is grabbing a copy of recent sales of similar types of properties. You need to be specific about these not just a 3br house, you need to look for very similar properties ie a 3br house, north of the main road, on 600-700m², which was last renovated in the 80's.



Buying Process

Check out that sale price and put it on your list of comparable sales. If you are an Investors Choice Mortgages client we would have given you access to CoreLogic RPData (RRP \$150pm). This is a very quick way to pull all this data together and export it.

Next you might find information on what the recent % of discounts is being experienced in your suburb. For instance if the data shows properties are selling 5% under initial listing price ie (-5%) then you might start your offer at 7% below the list price and work your way from there. This is a second way for you to work out what you should offer first.



Other than price there are a number of other things you need to include on your offer:

1. a time and date that it will expire
2. Any particular changes to the contract, ie you only want to put down a 5% deposit
3. You might want to delay settlement to fit the sale of another property.
4. In my opinion you should always include a pest and building inspection clause, stating “that you require a pest and building inspection to be completed and the findings to be acceptable to you”
5. A finance clause is also necessary. This gives your lender time to get the valuer through, once the asking price is agreed of course.

Lenders and valuers can take their time so make sure you include enough time in your clause to get everything done, but not seem too long that the vendor rejects your offer. A clause might: “This offer is conditional on me getting finance approved that is acceptable to me and 7 working days is required for this.

These are just some examples of clauses you might include in your offer but you can add as much as you want, ie I want the chandelier included, or the furniture.



Once your offer has been accepted you also need to make sure your conveyancer or solicitor looks over it and makes any changes needed. If you are going to auction and you want to only contribute a 5% deposit not the typical 10% then you need your conveyancer to sign that off with the vendors solicitor before the auction.

You don't want all your hard work wasted so don't let the ball slip and make sure you **get those clauses right**, it's important.

Offer Accepted - now what?

Now you need to complete all those things you added into your offer.

Like the pest and building inspection.

Do not forget this! You do not want to find out years later that you have termites and they're eating through all the timber and the property is not habitable.

You want to make sure that you have a **conveyancer or solicitor review** the contract before you actually put in an offer and they can actually help you put in clauses as well, so things that they made change might be reducing the penalty **interest which is charged if you miss settlement date and have to settle late!**



Contact us, or your **mortgage broker**, send them the contract of sale with the agreed price and settlement date, it is also important to tell us how long we have till your offer expires, so we can organise the formal approval and the valuation. We will also need a copy of your latest payslips as well, so no changing jobs whilst you have a pre-approval.

Preparing for Settlement

Congratulations your offer was accepted, the valuer agrees with your purchase price, the bank has issued you a formal approval now what?

Loan Contract: The lender will send you a copious amount of contracts for you to sign, this tells you about your loan, the terms and your repayments required. At Investors Choice Mortgages we will go through this with you carefully, as it is not uncommon for lenders to get your loan type, term or even interest rate wrong. Make sure you double check everything! Otherwise you may have 30 years to repent.

In the final weeks before the settlement there are a few more things you need to do. The lender who is taking title over the property is going to require you to get insurance. **Building insurance** can be organised through your mortgage broker and it will be for an amount the lender sets for you.

You need to do :

Pre-settlement inspection. This is done the day of or the day before settlement. You need to make sure the dishwasher is still a Miele and hasn't replaced with a Dishlex make sure that all the things that you believe the property should have in place are there there might be a tenant that is still there, who is refusing to move out, which is something that has happened to one of my clients.



So you need to be doing that personal inspection before you take ownership so you know confidently that you are getting what you thought you were buying.

In the week prior to settlement your conveyancer or solicitor will also contact you to make sure you have the **remaining funds** you need to contribute to the purchase ready. We have seen many people miss settlement dates as they are often told the day before settlement that they need to get a bank cheque to their offices by 5pm that day, sometimes their office is in another State! That means you are now up for penalties! At Investors Choice Mortgages we keep contact with your conveyancer through the entire process or you can use our platform which liaises with one of our recommended conveyancers so that you are well prepared and don't miss settlement.

If you are getting a gift from your parents or require a First Home Buyers Grant these funds need to be organised well ahead of time. At Investors Choice Mortgages if you are using a Grant we will submit this on your behalf and make sure the funds are ready when you need them. If you are eligible for Stamp Duty concessions as a first home buyer your conveyancer or solicitor will organise and lodge that for you. You need to make sure that you are prepared, are ready to put in those funds to complete the purchase.

Congratulations there is nothing more to do - you have reached Settlement!!!



Some final thoughts.

Phew! That seems like a lot but you are now armed with the knowledge to make this happen.

All of the things covered are part of the process that you need to know, and this book is to help you understand when you know what to do.

Here is some final important points:

- **Don't go to auction without a pre approval.**
- **Don't buy, property without an inspection.**
- **Don't just settle on the price that the agent is saying that the property is worth.**
- **Go in and negotiate.**

There are so many things that you need to know when you're purchasing or going through the process of buying, it can feel like a battle. But, hey, at **Investors Choice Mortgages** we are here on your side to answer any questions and make sure that you are always victorious.

If you would like to make a time to have a discussion about your borrowing capacity or how much you need in savings then click here <https://investorschoice.com.au/bookacall> after you have had your call and you know your borrowing capacity.

I will then have a 1:1 strategy call with you and help you identify where to buy based on your strategy. From then we organise your pre-approval and give you access to Corelogic RPData so you can start the search.

It may seem like an uphill battle but we are here to support you every step of the way!