

# 🔊 contracts: be confident before you sign

**Before you sign any contract remember it's better to be safe than sorry. Play it safe by following these simple steps.**

1. Firstly, negotiate a price with the seller via the real estate agent. This may go back and forth a few times until a price has been agreed.
2. You should appoint a legal representative to ensure that the contract is in your best interest and does not contain any unsatisfactory terms.
3. Once the price is agreed upon and the terms of contract have been agreed to, you usually exchange contracts and pay a 10% deposit. You may be able to negotiate a smaller deposit, and sometimes a 5% deposit is accepted. Once the exchange takes place, this means the property is off the market and no one else can make an offer.
4. The vendor usually grants at least a 5 day cooling off period. However the cooling off period varies from state to state, so check with your legal representative. During this period you need to get your legal representative to organise building and pest reports and your lender to organise the property valuation, if you have not done so already. There may be a penalty for rescinding the contract during the cooling off period, so it is best to have the reports done prior to exchange.
5. If you are purchasing the property via auction then you should arrange for your legal representative to review the contract and also organise the building and pest reports prior to the auction. There is no cooling off period for properties purchased at auction.
6. The deposit is usually put into a trust account until settlement is completed. Any interest the deposit earns in trust is generally shared between the buyer and seller on settlement.
7. Settlement is usually finalised after 42 days. However, some negotiate for a shorter or longer settlement period.

## **The 10% deposit**

If you don't have or can't organise the 10% deposit in time for the exchange, don't panic. Here are three sensible ways to handle the situation.

1. See if your legal representative can organise a deposit bond to cover the 10% deposit until settlement. Ask for a quote first. There is a premium on these bonds and it varies depending on the amount you borrow and the time you need it.
2. Get your legal representative or the real estate agent to negotiate a 5% deposit. This is quite common but you should organise it before exchange of contract.
3. If you are selling a property at the same time, sometimes the deposit the purchaser has put on your existing property can be released and used as the deposit on your new property. Once again, you will need to organise this with your legal representative or real estate agent a few days before exchanging contracts.

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