



Contracts:

Be sure 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. Partner with a solicitor or conveyancer

Choose the solicitor or conveyance you'd like to work with prior to looking for your new home. This will allow you to act quickly once you find the ideal property. Your solicitor or conveyancer should be able to give you an indicative cost for their services that can be factored into your buying budget.

2. Undertake all the necessary checks before signing

Be sure to organise a pre-purchase pest and building inspection of a property before signing the contract. This will show up any defects, unapproved extensions or pest activity in the property – which could be expensive to fix. A poor report can give you extra bargaining power in your price negotiations as long as you have the funds to undertake the repairs at a later date.

3. Never sign a contract without having it reviewed

No matter how appealing a property is, always have the sale contract reviewed by your legal representative before signing it. Contracts are not always standard, and once you have signed it can be difficult and potentially costly to back out of the purchase. If there are aspects of the contract you would like changed, for example, you'd like a longer settlement period, you are entitled to request these though the vendor (seller) doesn't have to agree.

4. Know your 'cooling off' entitlements

When you and the vendor agree on a sale price, you will be asked to sign the contract of sale and pay a deposit – usually 10% of the purchase price. If you are buying at auction, once the hammer falls you are obliged to complete the sale if you're the highest bidder. If you are buying by private treaty you may have a cooling off period though this varies between states and territories. Nonetheless it could mean forfeiting part of your deposit so it pays to be quite certain about a property before signing the contract.

5. Adding conditions to the contract

As the buyer, you are entitled to make your offer 'Subject to finance'. This is a common request that gives you time to secure finance for the purchase, and if a loan is declined you may choose to end the contract. Before your solicitor finalises the wording of any conditions, speak with your local Aussie broker for a firm idea of how long it will take to arrange a loan. This will let you specify dates in the contract to avoid the potentially stressful situation where finance isn't able to be arranged on time. It makes a lot more sense to speak with your Aussie broker to secure loan pre-approval prior to looking at properties for sale.

It's Smart to Ask

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6. Paying a deposit gives you a financial interest

Once you and the vendor have signed and exchanged contracts, the property is off the market and no one else can make an offer. Your deposit is usually put into a trust account until settlement is completed, and any interest earned on the money is typically shared between the buyer and seller on settlement. As soon as you have paid your deposit, arrange for building insurance on the property – at this stage you have a financial interest in the place that needs to be protected. From here your Aussie broker and legal team will work behind the scenes until settlement date – usually six weeks following exchange of contracts.

7. Alternatives to a 10% deposit

If you don't have or can't organise the 10% deposit in time for the exchange, don't panic. There are a few solutions available:

- Ask your legal representative if they can organise a deposit bond to cover the 10% deposit until settlement. Be sure to get a quote for this first. There is a premium on these bonds and it varies depending on the amount you borrow and the timeframe you need it for.
- Ask your legal representative or the real estate agent to negotiate a 5% deposit. This is quite common but you should organise it before signing the contract.
- If you are selling an existing property, you may be able to request a release of the deposit the buyer of your place has put forward. This money can then be used as a deposit on your new property. Once again, you will need to organise this with your legal representative or real estate agent prior to exchanging contracts.

For more information contact your local Aussie broker.

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