



So you've found your new home. What next?

After the excitement subsides you'll need to move quickly to secure the property.

Once you have found the home you want to purchase and before you make an offer, you will want to arrange the necessary inspections. You should consider a building inspection (to check for structural damage), a pest inspection and a strata title inspection, if you are buying a unit or townhouse under strata laws.

Making an offer and securing formal loan approval

Once the inspections have been completed, the next step depends on whether the property is being sold at auction or by private treaty, which is a sale directly through a real estate agent or owner.

Private treaty - All of your research will assist you in this next stage when negotiating the purchase price. Once your offer has been accepted, a holding deposit of approximately 0.25 per cent needs to be paid and there will be a length of time known as the 'cooling off period'. This is a set number of business days that is specified in the contract within which you can walk away from the agreement to purchase the property.

Auction - If you are buying at auction you need to ensure you have pre-approval in place, and that all of the legal work and inspections have been completed. If your bid is successful you are obliged to go through with the purchase as there is no cooling off period.

There are a number of things to consider when it comes to finalising the details of your home loan. One important decision is whether you opt for a variable interest rate loan, in which the interest charges (and your regular repayments) may go up and down, or a fixed rate loan which locks in your interest charges and regular repayments for a set period of time. It's a good idea to discuss your personal circumstances with your lender, broker or financial adviser to ensure that the loan is configured in a way that best suits your needs.

Arranging the deposit

If you are paying the deposit from your own funds, you can generally use a personal cheque or a bank cheque. If part of the deposit is coming from your home loan (eg you are using LMI and have less than the 10 per cent deposit usually required when contracts are signed), you may need to use a deposit guarantee (sometimes called a deposit bond).

Deposit guarantees can be organised at the same time as your home loan so speak to your lender or broker who will help you to arrange this.

Contracts and legal work

Your conveyancer or solicitor, and the seller's, will check the documentation for any problems with the property or the deeds at this stage and begin drawing up the contract for the property transfer. Ask your solicitor or conveyancer to explain all items within the contract so that you understand its contents before signing.

Typically, the contract contains the expected settlement period. This can be negotiated, but will need to be agreed to by the vendor or their solicitor prior to the auction or signing of contracts.

Many lenders will require home insurance to be taken out from the time of signing of contracts. Even if your lender doesn't require it, it can be a good idea to take out home insurance from the time of signing of contracts to help safeguard your interest in the property.

Once all questions have been answered, your conveyancer or solicitor will usually set a date and time for you and the seller to sign contracts and to pay your deposit. The deposit is usually placed into a trust account held by the real estate agent until settlement. Once contracts have been signed, both parties are legally committed to the sale.

Settlement

The date of settlement is usually four to six weeks from the time contracts are exchanged. This is the date you take legal ownership of your new home.

Your solicitor or conveyancer will arrange a time and place for settlement to occur with the seller's solicitor and any other interested parties, such as your lender. The balance of the purchase price will need to be paid on the day of settlement.

Your solicitor or conveyancer will arrange this with your lender who will take the balance of funds to settlement.

Generally, the contract of sale will require the vendor to deliver the property to you in the same condition it was in on the day of sale, except for fair wear and tear. It's a good idea to ensure your contract allows you to conduct a final inspection just before settlement. You can arrange this with the real estate agent. If anything is not working or has been damaged, discuss it with the real estate agent and your solicitor or conveyancer prior to settlement.

Once settlement has occurred, the seller's solicitors will contact the real estate agent who sold you the property and advise them to hand over the keys to the property to you. Your solicitor or conveyancer will also contact you and confirm settlement has taken place.

For more information

The LMI Toolkit on the Genworth website contains tools and resources that will assist you to better understand LMI and the mortgage market. Among these resources are It's My Home, our free home buyer magazine, fact sheets and videos that further explain LMI, the process of buying a home, and information on what you should do if you find yourself in financial hardship.

genworth.com.au/lmitoolkit

genworth.com.au/itsmyhome

Disclaimer: information contained in this fact sheet is intended to be a general information source regarding the matters covered, does not constitute legal, accounting, tax or other financial advice, and is not tailored to a borrower's specific circumstances. Borrowers should consider their own personal circumstances and seek advice from their professional advisers before making any decisions that may impact their financial position.

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