



How much deposit do I need to buy my first home?

REAL ESTATE:

A guide for buyers and sellers



Buying or selling a home can be complex and time-consuming. Even before you make the 'big decisions' about which property to buy, which home loan to select, or which agent you engage to sell your home, you have other important decisions to make.



You are more likely to make the right choices and avoid expensive mistakes by doing your research.



Start by making a list of all the essential features you require in your property. Then write a separate wish list of desired but non essential characteristics, to factor into your decision making when you find them in a property you can

Learn as much as you can:

- research the market value of property
- educate yourself about building terms
- attend auctions and monitor results.

Educate yourself about the products and services offered by agents, legal practitioners, conveyancers, buyer's advocates, mortgage brokers and lenders.

There are many free services or sources offering advice – by shopping around you can put their advice into context.

Websites – including the Consumer Affairs Victoria website consumer.vic.gov.au – can be an excellent source of information.

Seeking advice from different sources will give peace of mind that you are getting value for money and your needs are being met. Increasingly, service providers are developing smartphone apps that can assist with finding properties or funding a home purchase.



Dealing with an estate agent

Although you can buy and sell property directly, most people will deal with an agent.

Laws govern the licensing and conduct of agents. These laws prohibit unethical practices such as misrepresentations about property including the price, location, size and dummy bidding at



A person or company acting as an estate agent, advertising that they are carrying on the business of an estate agent or who holds themselves out as being ready to act as an estate agent for payment must be licensed as an estate agent in Victoria.

An agent's representative must



meet prescribed eligibility requirements and be employed

by a licensed estate agent who is responsible for the conduct of the agent's representative.

Only deal with a licensed agent or an authorised agent's representative.

To check whether someone is a licensed

representative, contact the Business Licensing Authority on 1300 135 452 or search the public register of licensed agents at bla.vic.gov.au.

Before signing a contract of sale, consider engaging an independent qualified building inspector, surveyor or architect to provide a building inspection report.

The fee for a professional inspection service is small compared with the cost of buying a property that needs unforeseen repairs.

A qualified inspector will know what to look for and will see through any cosmetic improvements that cover up faults.

The inspector will provide a written report listing:

- faults in the property
- whether they can be repaired
- how much these repairs are likely to cost.

- negotiate the price and contract conditions with the seller
- develop a maintenance program

if you decide to buy. Use an inspection service with full professional indemnity insurance. This will protect you if the inspection misses a problem that must be fixed.

Definitions

For the purposes of this guide, the:

- vendor or owner of the property being sold is referred to as the seller
- mortgagee is referred to as the lender
- mortgagor is referred to as the borrower
- purchaser is referred to as the buyer

About Finance

Buying a property is a significant and ongoing financial commitment.

As a buyer, you should spend time working out exactly what you need and can afford.

Get your finances in order before you start looking for a property.

Choosing a lender

Choosing the right home loan is as important as choosing the right home.

Researching and understanding the home loan market will help you to choose the most appropriate loan for you.



The main types of lenders are:

- Banks
- Building societies
- Credit unions

Mortgage brokers act on behalf of lenders.

There is intense competition amongst lenders who offer a variety of packages, options and methods of payment. The

loan that appears to be the cheapest because it has the lowest interest rate may not necessarily be the cheapest in the long term when fees, ongoing charges and

penalties are included.

The cheapest loan may also be less flexible and have fewer extras than other loans.

Speak with several lenders about your circumstances to work out the best type of loan. You can ask them to justify the rate,

fees and method of repayment. Take into account what each lender is offering when making your decision.

Most lenders will approve a loan in principle ('pre-approval'), allowing you to be confident of your spending limit.

Pre-approval is only valid for a limited period and needs to be renewed after this period.

Pre-approval does not guarantee loan approval. The lender still needs to make additional enquiries into your financial standing before approving the loan.

You should speak to your lender about what pre-approval means.

Typically there are three areas that lending providers look at when approving your loan:

- how you will service the loan
- what equity you will have in the property
- your credit rating

The estate agent's responsibilities to the buyer

As a buyer, you will not pay an agent for services provided in selling the property.

Buyers may deal with several agents or agent's representatives, depending on who is handling the sale of the property they are interested in.

You can leave details with one or more agents indicating the type of property you are seeking and an approximate price range. The agent may contact you when suitable properties become available.

As a buyer, you can expect an agent to:

- take your details and provide advice about relevant properties for sale
- answer your questions about listed properties
- arrange inspections
- provide you with a copy of the vendor's statement and contract of sale when available
- communicate genuine offers from you to the seller
- organise the signing of the contract of sale.



BUYER'S TIP

If the property has been renovated or extended, check the vendor's statement and contact the local council to check whether relevant planning or building permits were obtained.

Any illegal alterations may become your responsibility once the contract is signed.

Be cautious of any property inspection report offered by the agent or the seller.

Never sign a contract for an owner-built property before checking the property carefully. If there is an issue with defective or incomplete work, check with your local council or ask the property owner for information.

The independence of a report is only guaranteed if it is obtained specifically by and for the buyer.

The fee for a professional inspection service is small compared with the cost of unforeseen and expensive repairs. Even if no major faults are found.



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