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## PRE - PURCHASE ADVICE INFORMATION SHEET

If you are considering purchasing a property then we highly recommend that you spend 15 minutes reading and understanding this Pre-Purchase Advice Brochure before you sign a Contract of Sale of Real Estate. This brochure has been written by the lawyers at Local Lawyers who have significant experience in property law and is provided to you, our clients, free of charge.

This Advice Brochure is designed to provide you with 8 key issues that you should be aware of in **every property** purchase before you sign any contract, and reading it thoroughly will make you aware of issues you may not have considered.

### 1. Approach your proposed purchase with care

Purchasing a property, particularly your family home, will be one of, if not the, biggest decisions you will make in your life, and therefore you should treat it with respect. For most people, it will take 25 years plus to repay the mortgage on their property. As such, if you enter into the transaction unprepared then it will increase the chances that you will be unpleasantly surprised when it comes time to settle on the property.

### 2. Work out your budget before you start looking to purchase

When you start looking for a property you need to factor in expenses such as stamp duty and Lender's Mortgage Insurance ('LMI') so that you can determine what you can afford to purchase. Victorian stamp duty is a significant proportion of the purchase price; approximately \$30,000 for the price of an average home. LMI is also a significant amount, often greater than \$10,000, and applies where you want to borrow more than 80% of the purchase price. It is also a complete waste of your money as it is solely designed to protect your bank in the event that you default on your mortgage repayments. If you can avoid paying for LMI by borrowing less than 80% of the purchase price then you definitely should.

### 3. The Contract is King

Here is a rule to follow when purchasing a property: ***'If it is not written in the Contract then it is not binding'***. There are no exceptions to this rule. Has a real estate agent told you something will be done: for example, that the grass will be mowed prior to settlement? Or perhaps that broken window will be fixed prior to settlement? The agent may have even sent you a text or an email confirming this. However, if these statements are not in the Contract then they are not part of your agreement with the vendor and are therefore not binding. Therefore, if you want to ensure that something is legally binding then you must instruct us to include an appropriate Special Condition in the Contract.

### 4. Keep in mind that the real estate agent works for the vendor not for you

Many real estate agents are trustworthy people; however a real estate agent's primary skill is the ability to sell a product. If you have ever dealt with real estate agents before you will probably know that many are good at trying to make a sale – that's their job after all. However, no matter how nice the real estate agent is to you and no matter how much they tell you what a great deal you'll get if you buy the property, you must always remember that a real estate agent works for, **and is paid by**, the vendor, not the purchaser. You must always bear this in mind when negotiating with agents.

### 5. What you see is what you get

Too often, after a Contract is signed and settlement of the property is approaching, a client will raise concerns that the grass hasn't been mowed, or that the stove doesn't work, or that the bathroom is dirty. Here is another rule to bear in mind: ***'When you buy a property, you buy it in the condition that it was in on the day you sign the contract'***. Is there a burnt out wreck of a car in the driveway on the day you sign the Contract? If so, then legally it can, and most likely will, still be there on the settlement day and it will then become your problem as purchaser. If you want to protect yourself against this possibility then our advice is that you instruct us to include an appropriate Special Condition in the Contract.

### 6. The vendor has all the power

Rightly or wrongly, the vendor is **always** the stronger party in a real estate transaction. It is the vendor's lawyer who prepares the Contract of Sale and as such it is **always** prepared to the vendor's advantage. Whilst you can be assured that we will always try and get the best outcome for you as a purchaser, you need to be aware of the bargaining positions of you and the vendor and accept that we are often in an uphill battle in a context which heavily favours the vendor. The vendor has your deposit and this is a strong bargaining tool. If these situations occur and recommend that you try to bear in mind that one day you will be the vendor in a real estate transaction.

## **7. It is solely your responsibility to get your finance sorted**

Many people choose to engage a mortgage broker to assist them in obtaining their finance and the very best brokers will make the whole finance process easier. However, at the end of the day it is up to you to make sure your finance is approved and that your bank is ready for settlement, because it is you who will suffer financial loss and stress if there are problems. We recommend that you follow up your broker or bank contact regularly, and make sure that you have signed your loan documents **at least** two weeks before settlement, preferably three. Turning up at our office a few days before settlement with mortgage documents to sign is a recipe for disaster this can happen because of inadequate communication between you and your broker/bank.

## **8. Use your full name on the Contract of Sale**

This is a simple point but it so often overlooked. The name which appears on the Contract of Sale **must match your full legal name**. Your bank will need to verify your identity and will want your loan documents to be in your full legal name, and have the Contract of Sale documents in that same name. If you ensure that your full legal name is written in the Contract of Sale at the beginning of the transaction it will avoid complications closer to settlement. Also, ensure that you sign all documents the same way. You do not have to use your full name in your signature but your signature must remain consistent throughout the transaction.

You should consider whether you would like Local Lawyers to review the Contract of Sale so that we can bring to your attention anything concerning before you decide whether to sign it. If the Contract is standard (most are) then our legal fees to review the Contract would be \$220 (inc. gst). If you purchase the property, this amount will be credited to your final costs.

## **9. Verification of Identity**

After you have signed the Contract of Sale you will be required to produce your passport and drivers licence (or other form of proof of identity) in a face to face interview.

This can be conducted at our office at no charge or at an Australia Post Office at accost of \$40.