GOLDEN GATE FINANCE

Guide to a Painless Property Purchase

Buying property is not only the biggest financial transaction you are likely to make, it is also potentially the most stressful. But it doesn't have to be that way, as long as you understand the process involved and how to deal with it. Here is our simple, step-by-step guide to a painless property purchase.

Step 1: Get your finances sorted

It may feel like you are doing things in reverse, but getting your loan sorted is the first thing you need to work out. Even before you have found a property, or decided which area to start looking in, you need to sit down with your bank manager or mortgage broker.

Knowing how much you can borrow and, more importantly, how much you can afford is the first step to any property purchase. Don't forget to leave some breathing room for interest rate rises or other unforseen eventualities.
Brett Morgan, ING Direct executive director of retail mortgages, says: "A lot of people just go out and borrow as much as they can. But you need to be careful to understand how much you can repay. If something happens in your life, like losing your job, it can put a lot of strain on you."

Step 2: Find the property

Finding a property is the fun bit, although it can also be quite exhausting. If you are going to be an owner-occupier, ask yourself if a property meets all the criteria that are essential for your family. Are there enough bedrooms? Is it close to schools and transport? Does it have a big enough backyard for the kids?
If you are an investor you still need to tick all the boxes. Is the property in a growth area? Is it located close to amenities and transport?
Patrick Bright, author of The Insider's Guide To Buying Real Estate, says buyers should inspect at least 100 properties before making a decision. "You need to inspect 100 to get a clear understanding of what's available and also to become price savvy," he says.

Step 3: Organise inspections

Once you've found your dream home or perfect investment property, it's time to go over it with a fine-tooth comb. Pest and building inspections are a must. Use a reputable firm and once you have a report go over it in detail.
Michael Cameron, Commonwealth Bank Group executive of retail banking, says such inspections are mandatory. "It could save you a lot of time and money in the long term if there are any problems," he says.

Step 4: Exchange contracts

Now it gets serious. Once you have exchanged contracts with the seller, it is usually only about six weeks before settlement, when the property will be yours. The contract to buy the property will contain all the vital details - from the agreed price to the settlement date and the penalties if you don't complete the purchase in this time frame - which you should go over with your solicitor or conveyancer.
You shouldn't feel overawed by the process; there are legal safeguards you can fall back on.

For one, you can insert clauses into the contract that spell out conditions that have to be met by the seller, such as that they fix a leaky roof before the sale can go through. In all states except Western Australia and Tasmania, there is also a cooling-off period, in which you can pull out of the contract without penalties. The period in NSW is five working days.

Step 5: Do background checks

By this stage you should have engaged the services of a solicitor or conveyancer.
As well as going over the contract for the property, they will complete checks with the local council. That way you will know if there are plans to build a motorway near the property, or if there is a sewer line in the backyard that the council will dig up every time there is a blockage.

Your solicitor or conveyancer should also make sure there are no unpaid rates attached to the property, interact with your bank so that borrowed funds are ready to go by settlement date and work out stamp duties and other taxes.

Property author and founder of Destiny Financial Solutions Margaret Lomas says there is very little difference between the service provided by a solicitor and a conveyancer for most property purchases. If there is something unusual about a property - you may, for example, be buying a room in a hotel - then you are better off with a solicitor.

Step 6: Insurance

It is easily overlooked, but you won't be able to finalise the purchase of a property without insurance. Banks demand a property is insured from settlement day, so you need to have this organised in advance. If you are buying in Queensland the situation is even more urgent, because the standard contract says you're responsible for insurance within two days of exchanging contracts. If you don't get insured in time, settlement will be delayed, which will expose you to financial penalties. That's the last thing you need at a time when your finances are likely to be stretched.

Step 7: Final inspection

The final step is a presettlement inspection. You should visit the property 24 hours before settlement and check it thoroughly. The idea is to ensure that all the conditions spelt out in the contract have been met. Also make sure that the fixtures and fittings that were supposed to be left behind by the seller, such as dishwashers or blinds, are still there. Don't wait until after settlement to do this. By that stage it's too late.

The best deal

Getting the best deal on a mortgage is a critical part of any property purchase. But accurately weighing up one mortgage against another is easier said than done.
Simply comparing interest rates is not good enough, because the rate advertised by lenders is not always a true reflection of what you will pay.
Fees and charges can add significantly to the cost of maintaining a mortgage, but these are not reflected in the headline interest rate advertised by most lenders.
A better way to evaluate mortgages is to look at the comparison rate.
The comparison rate, which all lenders are legally required to supply, shows the interest cost once fees - such as the loan establishment and monthly upkeep charges - are added in.
But even the comparison rate is not a flawless measure, says Denis Orrock, managing director of banking research group Infochoice.
He says some costs - such as the property valuation and legal fees that are charged when you take out a loan - are not included in the comparison rate and these can vary substantially between lenders.
Some lenders also defer the loan establishment fee, which can make their comparison rate look cheap. However, this fee is often levied at a higher rate down the track.
"What people need to do is ask a lot of questions of lenders to find out the total set-up costs, as well as looking at the interest rate," Orrock says. Source: SMH

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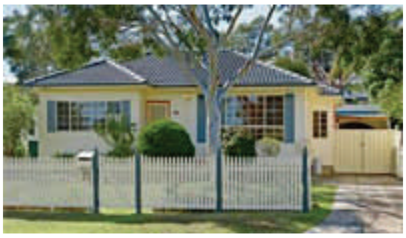
Rent law revamp to lure the investors

Tenants face swift eviction if they fall behind in their rent and many will have to pay water charges currently borne by landlords, under the first big overhaul of NSW's tenancy laws in 20 years.



But tenants' rights will also be boosted. If landlords default on their mortgages and their properties are repossessed, tenants will be guaranteed at least 30 days' notice to move out.

And for the first time, renters who need to move out of a share house or a relationship will be able to be apply to have liability on their part of the lease waived.

The changes are partly about "encouraging investment and people back into the property market", the Fair Trading Minister, Linda Burney, told the Herald.

"At the moment it can take three months to [evict tenants] and that's a long time." That will be about halved under the new legislation to cut the "red tape".

"Encouraging investors back into the market should help to reduce Sydney's rental squeeze," Ms Burney said. The rental vacancy rate in Sydney is just 1.5 per cent, and this adds to the housing affordability crisis.

The State Government will release its plans for public comment today - after several years of reviews - before introducing legislation early next year.

The tenancy tribunal now confronts more than 20,000 cases involving rent arrears every year, and the Government wants to cut its workload.

Under the changes, tenants who fall behind in rent would have "the onus placed on them to apply to the tribunal" if they wished to contest their eviction - rather than landlords having to justify their case. The tribunal could make a decision on the application swiftly without need for a hearing.

But the laws will also protect tenants who become victims when landlords default on their mortgages. The planned 30-day eviction warning follows horror stories of tenants arriving home to find the locks changed.

On the rights of renters leaving a shared tenancy, Ms Burney said: "The issues of co-tenancy are really important - particularly where you might have a domestic violence situation."

Other planned changes include: A right to a reduced rent if a landlord puts the property up for sale and prospective buyers traipse through; Greater rights for tenants to put up pictures or paint properties; Water charges to be levied on all tenants in properties with separate meters to provide "uniformity". A similar move in public housing resulted in a 29 per cent cut in water use; Powers for the tenancy tribunal to remove tenants from databases that real estate agents use to reject applicants; Cancelling eviction notices if a tenant can pay their rent arrears before the eviction date.

The Government plans to stop the payment of interest to tenants on their bond money. Currently the rental bond board returns the money after tenants move out of a property, with an interest payment of 0.01 per cent. That is just $80,000 a year on the $650 million in bonds that it holds.

The principal solicitor for the tenants' union, Grant Arbruthnot, said it was "retrograde" to put the onus on tenants when they fall behind in rent. It would hurt people with low literacy and of non-English speaking background the most. The Government claims those people would receive special consideration.

The Real Estate Institute of NSW welcomed the quicker dispute resolution but needed a closer look at the detail.

Source: SMH

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Sydney tops in property growth prospects

Big investment institutions and property companies believe residential property in Sydney has more growth potential than any other class of property on Australia's east coast, a survey says.

Residential property markets in Melbourne and Brisbane are also poised to generate positive returns for investors despite a possible tightening of credit related to the US sub-prime mortgage crisis.

A survey of 31 firms, including the major banks, by the Australian Property Institute (API) asked respondents to gauge where they believed each asset class of property - residential, commercial, retail and industrial - was positioned in terms of the market cycle.

A clock was used to represent the market cycle, with noon representing the peak of a boom and six o'clock representing the bottom of a bust.

At seven o'clock, residential property in Sydney was placed as having the most outstanding potential for growth, followed by Melbourne residential at nine o'clock.

Brisbane residential is sitting at 10 o'clock, respondents said.

"The survey found that respondents see a tightening of credit in Australia, especially from non-bank lenders," API New South Wales president Tom Webster said.

Sharemarket volatility was also seen by respondents as likely to dent investor confidence.
But while sub-prime mortgages represent 20 per cent of the total US market, they only account for two per cent of Australian mortgages.

"The survey revealed that people are less certain about any major long term negative impact in Australia ... but generally it was felt it wouldn't have any major impact."

A rise in interest rates related to higher funding costs for lenders could effect different parts of cities in different ways.

Mr Webster warned that the Sydney market is "very segmented".
"There are large chunks of the Sydney property market that won't go up, but there are other parts, more at the higher end, that will," he said.

Fast forwarding to September 2008, respondents said the Sydney, Melbourne and Brisbane residential property would still have the best growth prospects than any other class, and would continue to do so through 2009.

Retail property, meanwhile, is currently at 11 o'clock, and will hit noon in all three state capitals in 12 months time before going into retreat in 2009.

Commercial and industrial property are both sitting at 10 o'clock in most of the three capital cities today, and will continue to grow through 2008.

But commercial and industrial property markets are likely to hit noon in September 2009.

Compared to investments other than property, over the next 12 months, 65 per cent of respondents said domestic non-residential property was likely to outperform equity markets.

But domestic listed and unlisted property trusts are only expected to post "moderate growth" as demand for quality properties fuelled by compulsory superannuation outstrips supply.

"The scarcity of quality Australian properties is having a major impact on the prices people pay, and of course yields," Mr Webster said.

Global property was seen as presenting investors with far more opportunities, with 68 per cent of respondents saying it offered significant prospects for strong returns.

Over 50 per cent of respondents said local property was already priced at a premium, and 81 per cent said their was a scarcity of Australian properties in which to invest.
Source: AAP

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Buying at auctions

1. View the property well ahead of the auction date. Ask if it has a reserve price. If you are interested, arrange pest and building inspections before the auction.

2. Obtain a copy of the contract well ahead of the auction. Get your solicitor to check the sale conditions.

3. Arrange your finance. If your bid is successful, you will need to provide the auctioneer with a 10 per cent deposit.

4. You will need to register to bid before the auction. You can have your solicitor or a friend act for you at auction, but they will need a letter authorising them to do so.

5. Once the property reaches the reserve price, the auctioneer will say "the property is now on market", which means it is really for sale.
Source: SMH

You can share the above information with your family members, relatives, friends and colleagues.

However, if they would like to receive our Property & Finance Matters directly, please just ask them to send us their names and email addresses.

Our email address at Golden Gate Finance is: info@goldengatefinance.com.au