

After Pre-Approval: What you need to know

Once you have been pre-approved, you can start looking for your new home or investment property. This brochure is designed to give you some tips on what to do next and to help you avoid making some common mistakes.

1) Not all properties are suitable to the lender:

Your pre-approval will always be subject to the bank accepting the property that you buy. That is, they will conduct a valuation to confirm that the property is worth what you are paying and that there is nothing peculiar about the property. Whilst the vast majority of properties on the market will be acceptable, it is important to keep in mind the following restrictions:

- Living space greater than 50sqm not including balcony or carpark: If the unit is smaller than 50sqm on the inside then the property may not be acceptable to the bank.
- Serviced apartments/Hotel Motel style: Lenders place heavy restrictions on lending to units that are serviced apartments or apartments that are located in a motel or hotel building.
- Not in a major city or regional area: If the property is located in a small town, remote area or mining town some banks will restrict the LVR. If you have a particular postcode in mind contact us to see if that postcode is acceptable.
- Inner city unit or apartment: If the unit is in the CBD some lenders will reduce the LVR available.
- Property is larger than 5 acres: If the property is larger than 5 acres some lenders will reduce the LVR or not lend at all. Some lenders will lend for properties up to 125 acres so check with your MAP broker.
- Property is complete and in good condition: The property must be completed (i.e. not half way through construction or major renovations) and generally in good condition.
- No rebates at settlement: As a sales technique some vendors will offer cash back reward on settlement.
- These simply do not work and in most cases will result in a bank valuation lower than the purchase price.
- Nothing unusual: If there is anything unusual about the property please check with us before proceeding.
- This list is not exhaustive so we recommend that you email us a link to the property you are looking at buying before you make an offer.

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2) Not all properties are listed on the internet

Domain and Realestate.com.au are great resources, however not all properties will be on these websites. For many buyers, buyers agents are a great option. Buyers agents are agents that act on your behalf and in your best interests to locate and negotiate on a property.

They get access to properties before they goes on the market (deceased estates, distressed estates etc.) and can organise and undertake renovations to increase the value of the property. Buyers agents typically charge around 2.5% of the purchase price, but for this will generally locate a great investment property for you at a good price.

3) Choosing a Conveyancer:

Once you have located a property to purchase you need to organise a conveyancer/solicitor before you make an offer. The conveyancer takes care of all your legal requirements and arranges settlement. We recommend using a conveyancer that has been referred to you by family or friends to ensure you get good service at a good price.

4) Making an offer:

Once you have found a property that you would like to purchase it's a good idea to check with your conveyancer and seek their advice before proceeding, especially with regards to the terms and conditions of the contract. Although we have provided some basic tips below, it is recommended that you listen to advice given to you by your conveyancer over any advice from us as this is their area of expertise.

- Ask the agent what price the vendor will accept. No harm in asking and they may just let you know that a low offer would be fine.
- Ask the agent how long the property has been on the market for. If it has been on the market for a while this may indicate the vendor may be more willing to negotiate.
- Never let the agent know your borrowing capacity or what your maximum purchase price is.
- If possible, stay for the entire duration of each open for inspection, that way you can see how much competition you have.

It is always difficult to know what to offer for a particular property and will vary significantly between different markets. If the market is a sellers market and properties are selling quickly then Agents will often have a "take it or leave it" approach and will refuse to bargain with you. In slower moving markets you may be able to get 10% off the asking price with time to sit around waiting for the vendor to respond.

There is no harm in putting in a low offer as the worst the seller can do is outright decline. Ideally though, your first offer would attract a counter offer so you know you are in the ballpark.

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4.A) The conditions on your offer:

Whilst you are pre-approved, your pre-approval is still subject to conditions and the bank can still decline your application. Whilst a decline after being pre-approved is rare, we recommend that all you ask for a two week cooling off period or a finance clause to allow time for the bank to arrange a valuation and the final approval. Often the banks will approve the loan in far less than two weeks however it is better to allow for extra time in case there are errors with the processing.

In some states it is the norm to have a two or three week finance clause to allow time for the purchaser to arrange unconditional loan approval before committing to the purchase. In NSW you will either need to agree to purchase and not exchange contracts until formal approval or request a two week cooling off period.

As above, you should consult with your conveyancer to confirm what conditions should be in your offer as these will vary from state to state. Below are our suggestions only:

- 2 week cooling off period (QLD: 2 week finance clause, WA: 3 week finance clause).
- Subject to a pest inspection that is acceptable to the purchaser.
- Subject to building inspection that is acceptable to the purchaser.
- Subject to strata report that is acceptable to the purchaser (Strata title properties only, such as units & townhouses).

If you cannot get the agent or vendor to agree to a cooling off period or finance clause then you will be taking a risk that if the lender does not unconditionally approve the loan then you may be unable to complete purchase and forfeit your deposit. For some purchases though, taking this risk is unavoidable (such as going to auction) so please discuss the risks with us and your conveyancer before proceeding.

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4.B) Inspections & reports

The following inspections and reports should be ordered.

- **Pest inspection:** Used to confirm that the property is not infested with termites. Often providers will be able to do both the building and pest report at the same time.
- **Building inspection:** This is a check that the property is in good condition for its age. The report is designed to outline every single fault with the property which can make it seem a lot worse than it actually is. You should expect that there will be several minor faults with older buildings.
- **Strata report:** If the property is strata title (i.e. a unit or a townhouse), you will need to request a strata report. This is to check that the strata corporation (i.e. body corporate) has been run well. The report will include various documents, one being the financial statements of the strata corporation.

Your conveyancer or solicitor can usually recommend a good building and pest inspector to undertake the above.

5) Your offer has been accepted checklist

Once your offer is accepted you will need to:

1. Pay deposit:
2. Provide us with:
 - A. a copy of the contract of sale
 - B. receipt for deposit paid
 - C. two updated pay slips to confirm income details have not changed,
 - D. rental appraisal with estimated market rent (if the property is an investment property)
 - E. first home owners grant (if applicable)
3. Arrange building insurance on the property noting the lender as the interested party (building insurance generally not required for units or townhouses as covered by the body corporate).

6) What's next?

Next step is unconditional approval. We will keep you updated on the progress as the loan progresses.