



HERA
Property Group

The Author
Dax Stanley

STARTING OUT IN THE HOME

B U Y I N G P R O C E S S



Starting Out in the Home Buying Process	1
What Are the Buyer Advocate's Roles?	6
Inspections Before Offering	10
Can I Move In Right Away?	12
Expenses When Buying a Home	16
You Made an Offer – What Now?	20
Next Steps from Here	23



STARTING OUT IN THE HOME BUYING PROCESS

Many people dream of owning their own home. However, it can easily turn into a nightmare if a first-time buyer/couple is not prepared. There's a steep learning curve in terms of everything that needs to be done and what paperwork will be required. Getting the right mortgage will also be one of the most important financial decisions you will ever make in your life.



Start from Where You Are



Unless you have enough cash in hand to pay for the home of your dreams, chances are you are going to have to come up with a deposit for the house you want, and also take out a mortgage for a certain length of time - which will be a financial commitment to pay off the house each month. In doing so, you will not be paying rent, but rather, building up equity or a stake in the house, until you've finally paid off the mortgage, taxes and so on and the house is completely yours.

Your first step is to determine how much cash you have on hand for a deposit. The more you have for a deposit, the better terms you can get for your mortgage. But let's not be too hasty. There are a lot of other financial concerns you might not be aware of.

Your Income



Any mortgage lender will want to see 3 to 6 months' worth of paystubs and bank account statements. This will help show whether or not you will really be able to afford the mortgage payments.





Check Your Credit Score

The higher your credit score, the better the terms will be for your mortgage. Some lenders stipulate a minimum before they will consider approving a mortgage.



Your Budget

If you are thinking of buying a house, pare down any unnecessary expenses for several months. Don't start buying a lot of things for your new home and then discover cash is very tight.



Mortgage Pre-Approval

Armed with your personal paperwork, you can shop around for mortgages and get pre-approval. This will be a rough estimate of the top limit you will be allowed to borrow. Then it will be a case of finding the right home within your price range.





THE MORTGAGE PAYMENT IS OFTEN MORE THAN JUST THE BANK LOAN

Be clear about everything you need to pay in total before committing to anything. Many lenders include other items as part of the monthly payment, including:

- * Mortgage insurance (in case you can't make payments)
- * Home insurance (fire, damage, and theft insurance policies)
- * Taxes on the property



Other Paperwork and Fees



There will be various legal fees involved as well, such as title deed search, surveying the property to ensure it does not need major repairs, legal assistance with the paperwork, and so on. Do your research to find out how much these might add up to. You might also ask someone you know who has purchased a home recently to get an idea of the costs involved.

Beware of Predatory Lending Practices



Some people actually sign a loan agreement in order to get the deposit for the house - the equivalent of two mortgages on the same property. Others don't ever see the entire "bottom line" of what it will cost per month until it is almost too late. They are congratulating themselves on the great "bargain" until they see the grand total of all taxes, insurance and so on.

A couple might think a \$2,000 per month mortgage sounds great when they are already paying \$1,800 in rent each month, but if the payment shoots up to \$2,600, and they are only taking home \$2,500, things are simply never going to work out.





WHAT ARE THE BUYER ADVOCATE'S ROLES?

A Buyers Advocate can offer a wide range of assistance to prospective home buyers. Choosing the right one can save you a great deal of money and secure you the home of your dreams.

Is Every Real Estate Agent a Buyers Advocate?

Real estate agent:



Anyone who earns a real estate license can be called a real estate agent. They need to attend classes and pass their exams. They are focused on selling a house for the vendor not the buyer. They are working for the seller, never forget that!



Buyers Advocate:

This is a real estate agent who focuses purely on buying houses and not selling them. They work solely for the client who is buying a house so they have your best interests in mind. Advocates can work alone or hire other agents to work for them.



Find a Buyers Advocate first. Then determine if this is a person you will feel comfortable dealing with. A good Buyers Advocate can soon start to seem like a member of the family.

Find a Buyers Advocate first. Then determine if this is a person you will feel comfortable dealing with. A good Buyers Advocate can soon start to seem like a member of the family.

Showing You Homes



Showing you possible homes will be a key part of their job, but they need to get to know you and your family as people so they can help find a home that will suit your tastes and needs. They also need to have a good idea of your price range and overall budget.



Get You Pre-Approved

A good Buyers Advocate should have a reliable network of trusted lenders and professionals commonly involved in the many details related to you buying a home, and they will help the sale go through smoothly all the way to closing. The first step is to get a mortgage pre-approved so you can start shopping.



Note that pre-approval means that the lender has gone through all of your financial paperwork, such as proof of employment and income, and assessed your credit report. Be sure to get a pre-approval letter if you have been shopping around on your own before working with your Buyers Advocate.

Give Advice about the Local Housing Market and Neighborhood



Some neighbourhoods have a certain character, and are more desirable than others. Not all four bedrooms are created equal, therefore. Be sure to inform your Buyers Advocate of any special requirements from the outset, such as being close to an elementary school or high school, near public transportation and shops because you don't drive, and so on.

Negotiating Your Offer



Leave this to the pros and they should be able to get the best price for you. It will be contingent on what the house inspection reveals.



Connecting You with a Reliable House Inspector



Your Buyers Advocate will want you to be happy and not stuck with a "lemon". They will recommend reliable inspectors they trust. Based on what they find, the house valuation may be lower, in which case you can adjust your offer accordingly.

They will also advise you on whether the price is in line with the neighborhood. The last thing you want is an "**underwater mortgage**" in which you will owe more than the house will ever be worth.

Attending the Home Inspection



A good Buyers Advocate will be willing to attend the inspection and take part actively. Two pairs of eyes will always be better than one. They can then report back their honest opinion as to your next steps and negotiate as needed.

As you can see, the right Buyers Advocate can make a real difference in the house-buying process and will help you find your dream house.



INSPECTIONS BEFORE OFFERING

A Buyers Advocate can offer a wide range of assistance to prospective home buyers. Choosing the right one can save you a great deal of money and secure you the home of your dreams.

A home inspection is an essential part of any housing purchase, and should be at the top of your to-do list. The house does not have to be perfect, but you do need to know what you are letting yourself in for. In this way, you can negotiate with the person selling the house from a position of having all the facts, rather than just hoping things will work out.

The Cons



The only downside to a pre-offer home inspection is that they might sell the house to another person. However, home inspections usually only cost around \$300 or \$400, so it might be worth it to risk this money rather than place an offer on the house, give in your earnest money deposit, but then find out it is a lemon you really don't want.

The Pros



A professional home inspection will reveal important things you need to know about the property before committing to it. Your Buyers Advocate should have several people he or she can recommend, and also be willing to attend the inspection. Two pairs of eyes are better than one. They will also be in a better position to negotiate for you if they have a complete picture. In addition, they can advise you on anything that might be a "deal breaker," so you don't waste any more time and effort on a property you will regret buying.



Some people believe that Buyers Advocates will discourage pre-offer inspections because they don't want to lose the deal, but this is not the case. It is far better for everyone to know the truth about the property before spending ages on the paperwork, only to have it fall through.

If it passes, you have the green light to buy the house you want right away, and usually at the right price. If you decide you don't want the house in the end based on what the inspection reveals, you won't have to forfeit part of your earnest money deposit because the seller has taken the house off the market but you've changed your mind.

Finding the Right Home Inspector



Ask your Buyers Advocate for recommendations. Interview three of them. Also, consider asking anyone in your area who has bought a house recently. They may be able to suggest someone reliable.

Inspections should take place only during daylight hours. This means you may have to be patient in getting hold of one. See if they have a website, and contact them via email with your questions in the first instance.

Determine What Services They Offer



Some will do a pre-offer walk-through, while others do a more thorough inspection. The older the home, the more thorough the inspection should be.

As you can see, a pre-offer home inspection has many advantages. Follow these tips to help you find the home of your dreams.



CAN I MOVE IN RIGHT AWAY?

One of the main questions new homeowners have is how soon they can move in once they spot the house of their dreams. The truth is that the process can take around three to six months from start to finish.

It's not as simple as just viewing the houses and falling in love with one and buying it. Unless you have cash in your pocket to buy it, you'll have to deal with various stages of paperwork from opening to closing the deal, and getting the keys so you can move in.

Getting Pre-Approved for Your Mortgage



Getting pre-approved is key so you know your budget (roughly) and Buyers Advocates will be willing to work with you. Get a pre-approval letter from your lender before you start to look.

Viewing Houses



Viewing houses can be the fun and also the frustrating part. It will depend on your needs and tastes. It will also depend on how soon you want to move. Expect the entire process to take at least three months.

Making an Offer



If you decide you want to make an offer, do so through your Buyers Advocate.





Giving a Holding Deposit

Once you decide to make an offer, you will need to give a deposit of 1% to 3% of the price of the home. This will show you are serious, and the seller will then take the house off the market.



The House Inspection

The house inspection is essential in order to determine if the price is right, and if the house is in good repair. You can adjust your offer based on what the inspector finds. Once the list of repairs is completed, or you've agreed to a lower price, the sale can go ahead.



Finalizing Your Mortgage

Once you are clear about how much you need to borrow, you can finalize your mortgage.





Gathering Your deposit

Make sure your deposit is ready so you can hand it over as and when needed.



Decide on When to Go Unconditional

Decide when you will have all the paperwork and money available to be able to confirm and go unconditional on the contract of sale for the purchase of your new home.



Determine a Settlement Date

Make sure your deposit is ready so you can hand it over as and when needed.

If the seller is still living in the house, be sure to negotiate a settlement (move-in) date before you go unconditional. If you are in a hurry, this could put you both under a lot of pressure. However, you don't want to be paying rent and a mortgage at the same time, so the sooner you can move in, the better.

You should usually get the keys within a day of settlement. It is usually 30, 60 or 90 days after going unconditional on the contract of sale.





What If They Can't Move?

What happens if the seller hasn't moved? This can happen if they are looking for their ideal new home too, and are delayed in completing their purchase.

Your occupancy date should not be changed once it is set. It is part of the entire legal agreement in buying the home. However, you could offer to rent the home to them for the price of the mortgage payment each month until they finally move. This is commonly referred to as a leaseback. It can be frustrating, but it will be worth the wait.

Keep in regular communication with your Buyers Advocate until such time as you have the keys and are completely moved in. They can help you with any issues so you can all do your best to make sure your move-in date will go according to plan.



EXPENSES WHEN BUYING A HOME



Many people get so excited at the prospect of owning their own home and dealing with the deposit and mortgage, that they overlook the many expenses that go into buying a home - both at the start and on an ongoing basis. Note that some of these fees might be upfront, and others rolled into the total cost of your mortgage, in which case they can have a significant impact on the actual amount you will have to pay at the end of each month.

A Deposit



Sometimes you will be asked for a deposit right away to secure a home. It will usually be part of your deposit. It should be refundable if the house does not pass inspection for any reason.

Home Inspection



Every house should be inspected to make sure there are no hidden issues that can end up costing you big time once you move in. The average price is around \$500-\$800.



Title Deed Search and Transfer



The paperwork pertaining to the legal aspects of the property and its sale might be billed individually, or as part of the work, a lawyer will do on your behalf to make sure the sale goes smoothly. The most important things are to be sure of the extent of the property, the right of the person to sell it to you, and any reasons why the house might not be eligible for sale - such as because it is located in a Flood Area . This can hold up the whole sale, and/or require you to take out special flood insurance.

Homeowner's Insurance



This will usually be required by the lender. In some cases, they might insist on their own insurance and add it as part of the monthly repayment. In other cases, you will have to shop around. However, this type of insurance is usually based on one's credit score, so if your score is not good, you will end up paying more.

Lenders Mortgage Insurance



Some lenders require that you take out insurance just in case you won't be able to pay back the mortgage. This is usually only if you are looking to loan more than 80% of the total value of the property. Again, this will usually be rolled into your monthly repayment.

Property Tax



This should be current at the time you are interested in buying the house, but if the sale drags on for some time, you could sign on the dotted line and then get slapped with the bill. In other cases, this will also be rolled into the monthly repayment. Check the due dates.



Closing Costs

There are a number of costs associated with completing the sale and purchase of the home, commonly referred to as closing costs. These can include:



- * Real estate attorney fees
- * Title expenses
- * Mortgage processing fees
- * Title deed fees
- * And others

These costs will be payable on the day of completion. Experts suggest you save 2% to 5% of the purchase price of the house so you don't get hit with sticker shock.



Moving Fees

A lot of people forget to factor in the cost of moving and/or storage once they buy the home.



Renovation

The house should be in good repair, but if you plan any major changes to it such as painting or decorating a nursery, set aside money for your projects.



Appliances

Some people will leave various items behind. Others will take them with them, such as appliances. Be sure what will be included and factor in these extras as needed.



Essential Furnishings, Curtains, Blinds, Carpets

You might be moving from a smaller place to a much larger one. Make a list of the essentials you will need. You probably won't be able to afford to fill every room at once, but shopping strategically can help.

As you can see, your mortgage is not the only cost when you buy a home. Use this list when working out your budget.





YOU MADE AN OFFER – WHAT NOW?

You've found the home of your dreams and made an offer. What happens next? Quite a few things, is the answer before you get the keys to your new home.

The offer may seem like the end of the process, but it's actually just the beginning of the really important things you need to take care of.

1. Give Your Holding Deposit



Most house sales will include a holding deposit to show you are serious about your offer. The deposit will be accepted by the Selling agent and put into their trust account. It will count towards your deposit. It will usually be 1% to 3% of the asking price for the house.



2. Apply for Your Mortgage



Ideally, you've been pre-approved with a lender, but now you need to finalize terms and get ready to sign on the dotted line. This is a crucial step because even though you have been pre-approved, you still might not be able to get a mortgage or one with the favourable terms you might have hoped for. Your credit score or employment situation might have changed, or the bank's lending policy.

But it's not the end of the world. You'll have to start again, but you do have all the paperwork organized and you can compare terms.

3. Get the Home Appraised and Inspected

The appraisal will assess whether or not the price is in line with what the house is worth. No mortgage lender will give you a loan for more than the house is worth.

The inspection will assess whether the house is in good repair, or whether there might be issues that need to be fixed by the seller before the sale can go through.



Ask your Buyers Advocate for the names of two or three reliable home inspectors and get an appointment for them to inspect the property. They will produce a detailed report on their findings.

If the house inspection is not perfect, in most cases the seller will have the "right to cure" the issue - that is, time to fix things so the sale does not fall through completely. However, this can take some time and you need to be certain all the repairs are carried out before completing the deal.



If you want to take them on yourself, then you should be able to reduce your offer because you will be paying for the repairs. Be sure your Buyers Advocate attends the inspection and renegotiates based on what has been found.

4. Get Your deposit and Closing Costs Ready



Make sure the funds you need are both accessible. If you plan to sell stocks and shares, don't wait. Keep all your paperwork to show you have the money ready.

In terms of the closing costs, be clear about what is involved, like title and deed fees, legal fees and so on. Your Buyers Advocate should be able to give you guidance on what to expect.



5. Get Homeowner's Insurance

This might be included with your mortgage, or you may have to shop around.



6. Do a Final Walk-Through

You can do this 48 hours before closing, just to make sure you are happy with any work that has been done. Now is the time to speak up. After the sale will be too late.



7. Close the Deal

You and your Buyers Advocate will be there to sign all of the official documents for your mortgage and for the home. Now it's all electric and your conveyance will manage the transaction.



NEXT STEPS FROM HERE

Does this sound like a solution that could help you and your family right now?

We'd love the opportunity to help build your wealth through property, be that your home or investments.



HERA
Property Group

www.heraproperty.com.au

INTERESTED IN UNPACKING HOW WE CAN HELP WITH FINDING THAT IDEAL NEXT PROPERTY?

Our Team meets the whole gamut of property buyers and sellers...

New home buyers, investors looking for residential, commercial or retail opportunities, subdivisions and renovations -- and people wanting larger development-style projects.



ONE thing that stands true for all...?

People embark on - or look to accelerate - their wealth creation journey via property to ensure their retirement is financially secure and relaxing.

The Team at Hera Property Group has helped hundreds of everyday people build their nest eggs through property (with many becoming millionaires along the way) and secure a future of their dreams



HERA
Property Group

www.heraproperty.com.au

Property aside... we LOVE talking about money! And, a big part of our job is talking to you about money and wealth creation.

Do you want to talk about it?



We'll talk to you about your ...

Finance

Assess and understand your financial goals and timeframe.

Budget

Ascertain your budget. Our initial borrowing assessment budget feeds into your property and finance strategy..

Strategy

Based on your estimated budget, we recommend strategies to consider. We build your finance and property strategies together so it doesn't cost you later.





Interested in unpacking how we can help with finding that ideal next property?

**Do You Want Wealth Through Property?
- Book a Session Now**



HERA
Property Group



HERA
Property Group

www.heraproperty.com.au