
A GUIDE TO BUYING YOUR FIRST HOME – THE CONVEYANCING PROCESS

Congratulations!

If you are reading this then that probably means you are considering or planning to buy your first home!

The conveyancing process involved in buying your first home can be daunting and confusing. We lawyers and conveyancers use a lot of confusing terms which you may not understand.

We have created the below step by step guide for you so you can understand what the conveyancing process is all about.

If you have any questions after reading our guide, please call us for an obligation free discussion.

STEP 1: FINANCES

Before you fall in love with that dream house you have always wanted, it is important to ensure that your finances are in order so you can afford the house you want. Often people go and see a bank or mortgage broker when they are ready to buy. The best thing you can do to ensure you will get approved for the loan amount you desire is to see the bank or mortgage broker 6-12 months before you are ready to apply for the loan. That way the lender can check your financial position and historical records and give you some hints and tips on how to improve your position and make your bank statements and other financial documentation look more inviting to the lenders so that you can get the best loan and interest rate available.

Once you have your finances in check, you can approach a bank or mortgage broker to confirm that you are likely to be eligible and approved when you apply for your home loan. Having some certainty that you are eligible and can borrow the amount you want ensures that the borrowing process is smoother and quicker and you don't miss out on that home of your dreams because it took too long to gather all the documents required or your finances weren't quite ready before you formally applied for the loan. You don't want another buyer to beat you to exchange contracts with the seller before you!

Tip: See your bank or mortgage broker at least 6-12 months before you intend to apply for a home loan. Make sure your lender is comfortable with your financial position so you are likely to be approved when the time comes to apply for your home loan.

STEP 2: OFFER ACCEPTED! BUILDING/PEST REPORTS AND REVIEW CONTRACT

Now that you know your borrowing capacity and your lender is confident you will be approved for a home loan when the time comes, it is time to start looking for your dream home. This could be an already constructed home or a new build. When you find the home of your dreams, you can place an offer on the property and wait for confirmation that it has been accepted. Once accepted, it is advised that you now obtain both a building and pest inspection to determine the condition of the property you intend on buying. You will need to seek the advice of a lawyer or conveyancer regarding the Contract for Sale. The Contract contains a number of conditions and special conditions, and all other information about the land and property you need to know about before going ahead with the purchase. Ardent Lawyers offers fixed fee conveyancing for \$1,500 incl GST (Shoalhaven land or house only). Important parts of the contract to consider include:

- Zoning – The zoning of the property will determine what you can and can't do with the property.
- Inclusions – the contract will confirm what is included in the purchase of the property.
- Title search – The title search will tell us if there are any restrictions on the use of the land.
- Special conditions – the special conditions will determine all the rules and warranties concerning the conveyancing transaction and the state of the property.

The Contract may require amendments before your lawyer or conveyancer is comfortable with the document and can then advise you on its terms and conditions and recommend that you sign. Prior to signing the contract, you should obtain unconditional approval for your home loan and advise your lender of the details of the property you are purchasing.

Tip: Be ready to negotiate when you place an offer for your dream home. Always obtain a comprehensive pest and building inspection. Obtain unconditional approval from your lender prior to signing the Contract.

STEP 3: EXCHANGE OF CONTRACTS

When your pest and building inspections come back favourable, your contract is in suitable form and you understand all of its contents and your lender has given you unconditional approval for the loan amount you require, your lawyer or conveyancer will advise you that you are ready to sign and exchange contracts.

Before you can exchange contracts, the agreed deposit must be received by the real estate agent to hold for the vendor until the time of settlement.

The “exchange of contracts” occurs when the sellers and the purchasers sign a counterpart of the contract and swap. The seller/s will receive the copy signed by the purchaser/s, and vice versa. Once this action is performed, the contracts are dated and the contract has been formally executed, meaning that its contents must be complied with.

Once exchange of contracts has occurred, you will lose your deposit if you are unable to complete the purchase. You may be at risk of further losses if the seller suffers a loss when the property is sold to someone else. It is very important to understand the importance of what it means to exchange contracts and that you are financially and emotionally ready to commit to the property before you exchange contracts with the seller/s.

Tip: Before you exchange contracts:

- **You must understand the contents of the contract for sale.**

- **You must understand the risks of not completing the purchase before you exchange contracts.**
- **Make sure you are financially and emotionally ready to commit to the purchase prior to exchanging contracts.**

STEP 4: PRE-SETTLEMENT CHECKS AND CALCULATIONS

Following exchange of contracts, and prior to the settlement of your purchase, your lawyer or conveyancer will need to calculate and make an adjustment for the balance of rates, water rates, water usage, land tax (if applicable) and any other adjustments that may need to be made on settlement.

Stamp duty may or may not be payable, depending on whether you and your partner are eligible for a stamp duty exemption. You will need to complete a declaration for Revenue NSW regarding your stamp duty payment/exemption. During this time, your bank will also be preparing to get ready to release the funds required to the seller/seller's bank.

As the majority of conveyancing transactions are moving to an online platform called PEXA, the conveyancing process is taking less time than ever before. In the past, the time between the exchange of contracts to settlement would take approximately 6 weeks. Nowadays this can be as little as two weeks.

Tip: Complete any forms required for Revenue NSW. Check with your lender as to when they will be ready to facilitate settlement. Ensure your lawyer or solicitor has ordered the required documentation to calculate any and all settlement adjustments.

STEP 5: SETTLEMENT

Upon settlement, your lawyer or conveyancer will ensure the balance of the purchase monies is paid in accordance with the seller's instructions. Using the online platform PEXA, the payments occur almost instantly and the land is registered simultaneously to the new land owners. The paper-based settlement will take a little longer for the money to be cleared (via bank cheques) and the registration of the transfer of land to you may take a couple of weeks.

Once settlement has taken place, you can collect the keys from the real estate agent. Your lawyer or conveyancer will confirm with the agent that the deposit can be handed to the seller/s and the agent's commission can be paid.

The property is now legally yours! It is time to celebrate.

Tip: Check with your local Council and NSW Land Registry Services that the transfer documents have been received and the rates are paid up to date. It is important to ensure you meet your mortgage repayments and pay your rates and water charges on time to maintain a good credit rating.