



FIRST HOME BUYER MANUAL

Settlement
Steps 29 - 31

John Ruddick's step by step guide to buying your first property in NSW.

Steps 29-31. Settlement

PREFACE

If you need to borrow money to buy a residential property in New South Wales, I want to be your mortgage broker.

To apply for a home or investment loan you can either contact a lender directly or speak to a mortgage broker. In recent years, more than half of all Australian mortgages have been taken out with the help of a mortgage broker. The advantage of a broker is we are mortgage specialists who can introduce you to products from many lenders, including all the major banks.

The rising dominance of mortgage brokers can also be attributed to the increasing complexity of the mortgage process. Government and lender policies change frequently, and it takes a dedicated professional to stay informed.

These 31 steps are a rough sequence of events for first-time property buyers in NSW. But every individual and every mortgage application is unique. Since 2001 my passion has been to help borrowers properly structure their mortgage debt and, just as importantly, understand the strategy behind the structure.

I hope this guide inspires you to begin mapping out a plan to buy your first property. A good first step on that journey is to contact my office and arrange an obligation-free appointment to discuss your circumstances. Even if you think you may not buy for a year or more, it's worth having a general discussion now.

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Old-fashioned tips

Having worked closely with several hundred first property buyers, I know that following these guidelines will put you in a stronger position when applying for your first mortgage.

- Drive a modest car. Often the first thing people do when they start earning a full-time income is borrow money to buy a car. Car loans usually come with high repayments, which significantly reduce how much you can borrow for a property. A less expensive car often means a better first property.
- Holidays should be funded by savings, not credit cards. Travellers tend to be more prudent if they are spending their hard-earned savings. A large credit card debt will weigh down a savings plan for your first property, and reduce your borrowing capacity.
- Open a dedicated savings account that is separate from your everyday bank account. A good online savings account will offer a better rate of return than conventional bank accounts, and usually with no fees. It's better not to have ATM access to your savings account so you can resist impulse spending. Name the account something like 'Deposit for My First Property' to encourage a mindset of saving and frugality.
- A debit card is preferable to a credit card because you're spending your own money, rather than spending the bank's and incurring high interest. If a credit card *is* necessary, the key thing in a mortgage application is the limit, not the balance. A high credit card limit reduces borrowing capacity, even if the card is barely used.
- There's no better savings plan than living at home until you buy a property. If that's an option, save at least the rent you would otherwise be paying.
- While it's tempting to rent somewhere expensive, you'll have less savings for a deposit. The more modest your rental accommodation, the more options you'll have for your first property.



Every person who invests in well-selected real estate in a growing section of a prosperous community adopts the surest and safest method of becoming independent, for real estate is the basis of wealth.

Theodore Roosevelt



STEP 29

Settlement

Settlement is the big day when you get the keys to your new property. A few days before, your legal representative will have advised if there is any outstanding payment from you to make for the deposit or fees and how to forward those funds so they are available at the settlement.

On the day of settlement you have the legal right to conduct a final inspection. This is a final check to make sure the property hasn't been altered or physically damaged. For example, the vendor may have stripped it of inbuilt appliances that the contract for sale said would be sold with the property.

The settlement is a physical meeting that's usually over in less than a minute. You do not attend. Instead, representatives of your legal advisor, your lender, the vendor and potentially others will get together to exchange documents and cheques. At the end of that process you are the legal owner of the property, and entitled to the keys and occupation. It's also the day your mortgage starts.

STEP 30

Post-settlement

If you set up internet banking, you can see your account numbers and account transactions.

A day or two after settlement it's worthwhile speaking with your lender to:

- Ensure your direct debt is in place to make your repayments.
- Check when your first and subsequent repayments are due.
- Record if necessary, your new residential and postal address with your lender.
- Double-check that your offset account is plugged into your loan (if you have an offset).

If you have a new bank account, remember to inform your employer's payroll department. If you have direct debts coming out of an old account (such as for a gym membership), it's important to put aside some time to phone regular recipients and advise them of your new bank account details.

STEP 31

Congratulations!

Buying your first property does change your life in a few ways. You now have quite a responsibility in ensuring the repayments are made ... but this can result in the borrower being more focused on their career. Having your own home from which a landlord cannot evict you at short notice also brings greater peace of mind ... and hopefully with time will also become a worthwhile financial investment.



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