

Getting the experts on your side

During the home buying process you'll need to deal with, and pay for the services of, a whole range of professionals. Here are some tips to get the most out of these allies

As a first homebuyer, you'll rely heavily on the professionals you use along the way to guide you through the process, and help you achieve your goal as quickly and efficiently as possible.

It makes sense to ensure you put some effort into selecting the right people and develop a good relationship with them.

The professional players

When first deciding on a house, you'll deal with a real estate agent. At the same time, you'll be talking with a lender or a broker to secure a good mortgage because getting the right home loan is a big part of buying a home.

Once a decision has been reached, you'll enlist the help of house inspectors and conveyancers. Throughout the whole process, you may also consult a property adviser.

All these people will have crucial input into the home buying process and in most cases you'll be paying them. So finding the right people is crucial.

Lender or broker?

It is up to you, as a first homebuyer, to decide whether you deal with a lender directly or use a broker. Most brokers make their money on commissions from the lender and don't charge the borrower for their services.

Using a broker means you can benefit from their experience and knowledge of the market, and you may get a better deal. Whether you deal directly with a lender or go through a broker, you'll need to get your finances in order to have the best chance of a good loan.

Mark Armstrong, director, Property Planning Australia, says lenders will look at a snapshot of your finances at the point of application.

"You have to get that snapshot looking as good as it possibly can – we liken it to taking a photo. If you have an unpaid credit card bill, wait until the next month before applying and make sure the payment is made. A good financial snapshot will show the bank you're low risk, and you're more likely to get a better deal. It's about knowing how to present yourself in the best possible light, to get the best possible deal," he says.

Armstrong adds that using a mortgage broker is often the best way to achieve this, due to their knowledge of the market and what each lender has to offer: "If you get the right broker, with access to 30-plus lenders, you'll get more clarity. By going to one bank at a time you'll get a smaller view of the marketplace. You can take some of the guesswork out of getting the best interest rate and loan for yourself."

Ian Pepper, director, Property Penguin, advises first-time buyers to choose their brokers carefully. "Make sure the broker has an adequate panel of lenders to choose from – if major lenders are missing, ask why – and make sure they have appropriate professional membership of the FBAA and/or MFAA. They should also have an independent body in case you need to seek resolution of a complaint with their service.

"Make sure they have your interests at heart and not their commission – most brokers are paid different commissions from different lenders!" Pepper says.

Property adviser or buyer's agent?

Buyers agents provide a full service of finding the property and dealing with the entire buying process from inception to completion. However, they tend to cost more than the less-comprehensive advice service offered by property advisers.

"The buyer's agent is more focused on finding the most suitable property to suit their client's needs and wants," explains Julie-Ann Cronin, director of buying agent firm, The Home Straight. "Unless you're a very confident purchaser, a good buyer's agent will bid on your behalf at auction and could save you thousands of dollars. They develop a good eye for properties that may 'have a twist' – properties that have opportunities where you can add value," she says.

The cheaper alternative is to use a property adviser. "Historically, there's been no one for the buyers to turn to for independent advice when buying a home," says Pepper.

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“The real estate agent is working for the vendor, and the other service providers such as lenders, brokers and conveyancers generally know a lot about their area of the process but not the whole thing,” Pepper continues.

“Buyers agents tend to be good if you can afford to part with 1–2% of the purchase price. Property advisers, such as Property Penguin, can provide the buyer with truly independent advice, from how much to pay, to what loan is best and whether the contract is okay to sign.”

Real estate agents

Real estate agents work for the seller. Therefore, buyers really have no way of getting one on-side. What you can do, however, is attempt to develop a good working relationship with the agent, while respecting the fact that they’re working for the seller.

Armstrong says buyers need to remove the emotion from the purchase and look at the deal rationally before speaking to an estate agent.

“Buyers need to look at the property in isolation, away from negotiation, and have a very clear understanding of what they’re willing to pay. They can then go and negotiate with that figure clearly in mind. This is much better than making up a limit as you go.”

Armstrong also advocates developing a relationship with one or more real estate agents and getting reliable information about previous sales of similar homes in the area.

“Getting really solid information that allows you to assess where that price limit should be will help you to negotiate,” he says.

Paul Garson, director, Stonnington Conveyancing, Melbourne, believes a buyer should never reveal to an agent how much they like a property.

“Try never to show your cards. You have to try and play it cool, and not show how much you like the property – you have to keep a few cards up your sleeve,” he says.

“You have to respect that the agent works for the vendor and their job is to get as much money out of your pocket as possible. A lot of first homebuyers don’t understand that.”

Tips for dealing with an estate agent

- Find out how motivated the vendors are. Have the owners bought elsewhere? Why are they moving on?
- Ask for comparable sales in the area
- Are the vendors negotiable on the price?
- Keep emotions out of the equation
- Have a ‘walk-away’ figure in your head
- Don’t disclose your budget or top dollar
- Have a negotiation strategy before negotiations proceed
- Spend time researching to have a good knowledge of the market value of the property
- Attend a few auctions to get a feel for the process before you actually take part in the bidding

Source: Julie-Ann Cronin, *The Home Straight*

Conveyancer or solicitor?

Conveyancers and solicitors take care of the legal work and documents in the transfer of the property into your name. They’re a critical part of the process and should be chosen carefully. It’s important you get quotes for fees from a few solicitors before the procedure.

A cheaper alternative to a solicitor is a licensed conveyancer. Consider contacting the state body responsible to ensure the conveyancer has the appropriate qualifications.

“The critical thing for getting the best out of a conveyancer is to get them involved early,” says Garson. “We have a large practice in checking documents before going to auction. The earlier we’re engaged, the better job we can do. Once you have the property, the key is to give clear written instructions – this way we can do our jobs better.”

Building inspectors

A full building inspection should cost around \$500 and could save you thousands by being a valuable negotiating tool.

The building inspection report can identify areas of concern and provide valuations on how much it will cost to fix any problems.

Angus Kell, state manager for Archicentre, says having the costs in black and white can help reduce the price of the house.

“The average house has \$20,000 to \$30,000 worth of defective work that will need fixing. Most people negotiate and then have the report done – if there’s a major problem, they then pull out. The advantage of having it done early is that it acts as a negotiation tool.”

Kell says you should always choose a reputable inspector who is fully insured and licensed with the Department of Fair Trading. He also advocates being on-site when the inspection is carried out to get a full explanation of the problems.

“You should visit the house with the inspector, run through the report and have a chat about any problems. It’s quite surprising how many people buy a \$1m house, get a building inspection but don’t use it. They come to us and ask about a problem after the purchase. At that point, it’s too late.” 🏠



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