

House buyer's guide to **Australia**

Part 3



WORLDFIRST

Contents

- Getting a mortgage **4**
- Building inspections **5**
- The order of things **7**
- Practicalities of life in Australia **9**
- Money matters **10**
- About this guide **12**



Getting a mortgage

Australian mortgages

Whether you're a resident or not, there are probably people willing to lend you the money. If you're not a resident of Australia, your interest rate will probably be higher than the standard rate.

Mortgages of up to 95% of a home's value are widely available. Generally, lenders will advance a couple up to five times their joint pre-tax income. Lenders view children as a drain on your resources so the more of them you have, the less you'll be able to borrow.

Factors affecting which products you're offered will include your residency status, the kind of visa you have, and the source of your income. Essentially, a lender is looking for three assurances:

1. **Serviceability** – that you are going to be able to afford the repayments
2. **Security** – that if you don't repay, the value and saleability of the home are satisfactory
3. **Credit history** – that your financial track record is reassuring (Australian lenders won't be able to access your UK credit history, so will use other criteria to assess your level of risk)

Going through a mortgage broker will make the process easier and they don't charge you a fee. But you can expect to pay set-up fees and (if you're borrowing more than 80% of the purchase price) you'll also have to buy lenders mortgage insurance to protect them should you default on your repayments. The rates vary from 0.5% and 4.5% (plus state stamp duty).

Fixed-rate mortgages with terms of up to 12 years are available for non-residents – really helpful when it comes to financial planning. Because things move fast, it's wise (in fact, it's customary) to get pre-approval before you even begin searching for a property so that you can move quickly when you find the one you want. Approvals do have an expiry date though, so watch out for that trap.



UK mortgages

An alternative is to find a mortgage from a specialist UK lender. Once the loan is agreed in principle, you'll get a pre-approval certificate confirming the amount the lender is prepared to advance. You may have to pay a holding fee to lock in the mortgage. A mortgage in the UK may be easier to obtain because the bank has access to your UK credit history and your UK earnings. However, mortgages for expats and overseas investments can be complex. Using mortgage broker will probably make things much simpler.



Matching mortgage with income

One of the key factors in deciding whether to get a mortgage in Australia or the UK will be the currency in which your income operates. If mortgage repayments are going to represent a significant proportion of your income, you need to think about the impact that changes to the £ / AUS \$ exchange rate would have. An unfavourable shift in the exchange rate will inflate your mortgage repayments, turning them into a bigger chunk of your income. A shift in the opposite direction, of course, will work in your favour. You can opt either to play safe or play the currency markets.



Building inspections

The vendor will usually provide copies of surveys with the Contract of Sale. These can be helpful, but you shouldn't rely on them. Commission your own surveys from qualified professionals who offer the protection of professional indemnity insurance.

Your conveyancer or solicitor can commission inspections on your behalf while also managing the exchange of contracts and other legal searches.

Pest inspection

The main difference between pre-purchase surveys in the UK and Australia is the termite.

About one-third of homes in Australia are affected by termites. They eat through wood at an incredible rate and the damage they cause to the structure of a home can be astonishing: an infestation of termites can destroy the structural integrity of a newly built home within a matter of weeks. Termite damage is not covered by buildings insurance so do not skimp on a pest inspection by a licensed professional.

Building inspection

This is more the sort of thing we're accustomed to in the UK. The building inspection report (aka standard property report) checks for structural soundness, signs of subsidence, damp etc and that the building conforms with the Australian Building Codes (abcb.gov.au).

One of the main differences is the issue of drainage – especially if your property is on the low side of a road. Water from rainfall must go into an absorption pit. But the illegal practice of channelling it into the sewerage pipes is not uncommon. A drainage diagram must be included in the Contract for Sale and you should share this with the inspector.

Property inspection is an unregulated profession and as such anyone can call themselves a property inspector. Satisfy yourself that you're using a reputable company or individual. If in doubt, use a licensed builder, a surveyor, or an architect.



Property survey

One of the things we take for granted in the UK is being pretty sure where the boundaries of our property are. In Australia, it seems, there are countless tales of people living under misapprehensions about the true extent of their realm. Sometimes properties turn out to have been built in altogether the wrong place. Strange but true.

Buyers often commission a surveyor to establish the boundaries of the property, identify rights of way and easements, and basically reassure themselves that they're getting what they think they're buying. This must be done by a licensed surveyor.

Strata title investigation

If you're buying an apartment or unit, the ownership is likely to be via 'strata title' which allows you to own your own apartment plus a share in the common areas. Due diligence involves checking the finances of the 'body corporate', the state of the building, and the charges you can expect to pay. There are companies who specialise in such inspections.

Local council information

Check with the local council for information such as flood maps and bushfire zones.



The order of things

When it comes to property transactions, things move fast in Australia. It often takes as little as a month for property to change hands. Having a pre-approved mortgage before you even begin your property search is a smart move. It often makes the difference between winning and losing a desirable property.

As a non-resident you're at a disadvantage, as you'll need to get FIRB approval too, and this takes time.

As a non-resident, the process is:



1. Find a broker, apply for a mortgage, get a mortgage pre-approved (aka 'conditional approval' or 'approval in principle') so the seller can be assured you are bona fide.

2. Check with the FIRB that you meet its requirements.

3. Find a property and agree a price. The buyer's agent will present you with a Contract of Sale.

4. Send the contract to the lender to get formal mortgage approval. **At this point, the bank may value the property.** They may not tell you the result, but if they let you know that the valuation is below the selling price, there's an opportunity to negotiate further on price.

5. Exchange contracts and pay the deposit – typically 10% – to secure the sale. In most states, there is a 'cooling off' period ranging from three to 10 days.

6. Formally apply for FIRB approval (your legal representative will have made this approval a condition of the contract).

7. You and your conveyancer carry out your due diligence – searches, surveys and the like.

8. Arrange buildings insurance.

9. Settlement day.

It's customary to visit the property to make a final inspection. The loan is advanced, all paperwork is signed, the bills are paid, and the ownership transferred. This all happens without you needing to be present.

Power of attorney

If you aren't going to be in Australia to sign the contract in person you can give your solicitor power of attorney to do it on your behalf. This can be done in Australia in the presence of an Australian notary, or through the Australian consulate in the UK, or through a British Notary Public with a Hague Apostille.

Contracts of sale

Details of the conveyancing process and contracts differ between states but here are some things you might well expect to see in a contract:

- A covering statement about your rights, any cooling off period and the what happens to the deposit in the event of you pulling out of the deal.
- Check that all your conditions are explicitly included and if they aren't, ask the agent to add them. For example:
 - Subject to obtaining finance
 - Subject to FIRB approval
 - Subject to satisfactory pest and building inspections
- Make sure the contract has been produced by the Real Estate Institute of the state concerned.

When you are happy with the contents of the contract it will be put to the vendor for approval.

Property titles

These vary depending on the state/territory, but broadly:

Freehold or Torrens Title

Similar to the UK. Providing there's no mortgage, the property belongs to the person named as the owner on the title deed.

Leasehold

Less common than in the UK, leasehold properties are mainly restricted to government properties in rural areas although all land in the Australian Capital Territory (ACT) is held under a form of leasehold title.

Group title or strata title

Mostly used for apartments and units as a way of providing exclusive ownership of the apartment and shared ownership of (and responsibility for) common areas. Maintenance and upkeep of the total property is in the hands of a 'body corporate' elected from the owners.

Company title

An older form of ownership for complexes which has largely been superseded by strata title. Ownership of an apartment is achieved by purchasing shares in the company.

Practicalities of life in Australia

Health

The Australian healthcare system is somewhat confusing but at the heart of it is Medicare, the government scheme providing access to health care and paid for by taxes. Much of it involves paying for treatment and then claiming the money back. The list of what's covered (and to what degree) is complicated. Private health insurance is widely used to plug the gaps, but waiting periods apply before you're covered. For example, you're unlikely to be able to claim for major dental work in your first year.

Although British citizens are covered for emergency treatments while visiting, Medicare is only available to Australian citizens and permanent residents so you will need to adequate private health cover. There are dozens of providers to choose from.

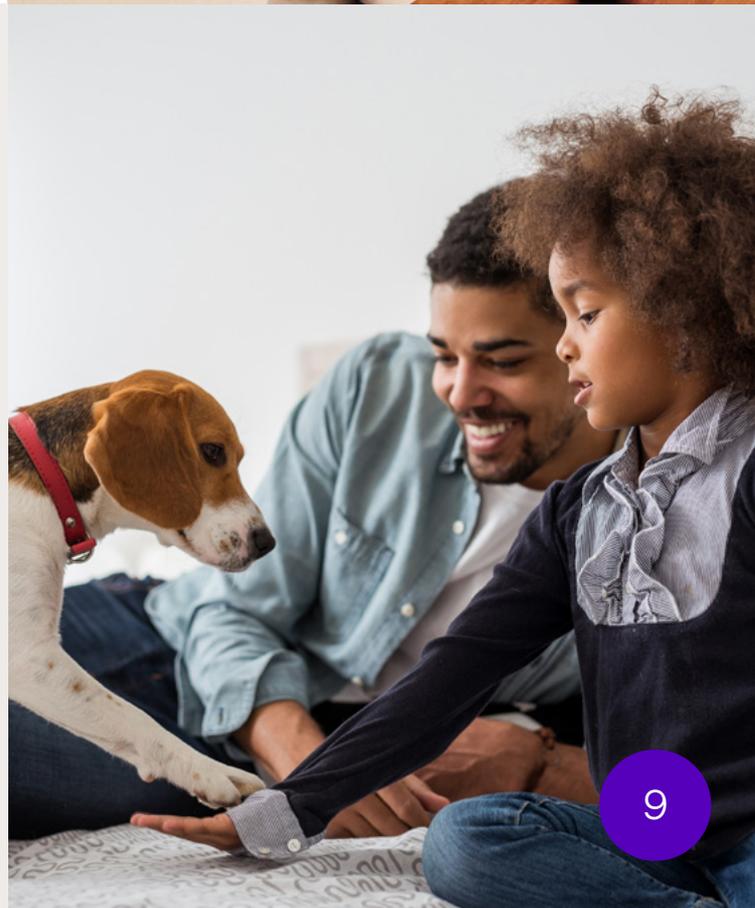


Education

Australia has a great school system which is free to Australian and permanent citizens. It also has a large and thriving private education sector.

Pets

Australia is very conscious of biosecurity risks. Don't expect to get an apple through customs without it being confiscated, earning you some hard stares in the process. So, you can imagine what's involved in taking your cat or dog with you when you emigrate...



Money matters

Opening a bank account

If you're going to Australia to live, you should be able to set up a bank account between three and 12 months ahead of moving. All four major banks allow you to open an account online. Expect the usual due diligence to establish that you are not in the money-laundering business etc. They may also demand to know your exact arrival and departure dates.

When it comes to transferring money from the UK to your new account, however, proceed with caution...

Moving money to Australia

When you need to transfer money from the UK to Australia (or vice versa) be aware that doing so through your bank is one of the most expensive options. Not only can the bank charge you a hefty fee, they might also use an unfavourable exchange rate. If you're moving small amounts of money, the fee will be disproportionately large. If you're moving the capital to buy a house, the rate will hit you hard.

By far the cheapest way to move money across borders is to use **a service such as WorldFirst's**.

Faster. Easier. Cheaper.

Transferring money to Australia with WorldFirst

We provide a faster, easier and cheaper alternative to high street banks. Our award-winning customer service team can have your Aussie dollars on their way in no time at all.

All it takes is three quick and easy steps:

1

Make an international transfer.

Tell us how much you want to send (over £1,000) and where. We'll quote you a rate and you can book the transfer.

2

Send us your money.

Pay World First by debit card or bank transfer.

3

We make your payment for you.

That's it. Put your feet up. WorldFirst will do the rest. We'll convert your funds and send the money to the account you requested, all at a great rate.

WorldFirst's transparent pricing: 0.50% or less*

We offer a cheaper service than the banks but how do we do it?

Simple – we typically make less profit on every transfer.

Most banks and FX providers don't tell you their pricing/margin – it's hidden in the exchange rate they use. At WorldFirst, we do things differently – we tell you exactly what our margin is.

Annual transfer amount (AUD)	\$0 - \$750K	\$750K - \$7.5m	\$7.5m+
Pricing / Margin	0.50%	0.25%	0.15%

Many banks and FX providers also charge you an additional fixed fee. WorldFirst will not charge you any fees for opening an account, cross-currency transactions, receiving funds, or account management. Fees may apply for same-currency transactions.

* Correct at time of publication. See worldfirst.com/au/ for current rates.



About this guide

We hope you found our guide useful. The information we've provided is for general guidance only. Before making any important decision, always take advice from a qualified lawyer, conveyancer, accountant, surveyor or other relevant professional.



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