

Lending Terminology Explained

The following is a list of terms and words (and their meanings) that you may come across when purchasing a home and dealing with lenders. This list is not comprehensive, therefore if you come across any other terms that you do not understand please contact your Accredited Mortgage Consultant. It is particularly important that before signing you fully understand the terms of any contract, whether it is a purchase contract or loan contract. Once signed and executed it becomes legally binding on you.

Building Insurance

This is the insurance policy that covers you in the event your home is destroyed by fire or other events. All lenders will require you to have this cover for the life of the loan. The lender will also require you to have them noted on the policy as having a financial interest in the property. They will require you to provide them with a Certificate of Currency from the Insurer as proof of adequate cover. Please note that in South Australia, the purchaser becomes responsible for the insurance cover at the end of the cooling off period, or in the case of a property purchased at auction, upon fall of the hammer.

Conveyancer or Landbroker

This is the person who acts on your behalf for the purchase of the property. They will attend the settlement and ensure that you get clear and unencumbered title or ownership of the property. They may also conduct various searches of the title to ensure that everything is in order. They will also collect and disburse all funds in the transaction and provide you with your detailed settlement statement. A solicitor can also perform this function.

Contract Conditions

Any contract to purchase property, other than a contract for a property purchased at auction which usually cannot have any conditions, may have conditions imposed on it by either the vendor or purchaser. These could be conditions such as subject to a satisfactory building or pest inspection, or subject to finance. In fact, any condition at all can be placed on a contract but it must be agreed to by both vendor and purchaser. If a condition is not met by the nominated date or time then either party can cancel the contract, usually without penalty.

Contract Deposit

The purchase contract will specify a deposit amount that must be paid prior to the end of the cooling off period, or in the case of an auction, on the fall of the hammer. This amount is usually 10% of the agreed purchase price, however it is open to negotiation. The money is held by the selling agent in their trust account until settlement. You should ensure that you are issued with a receipt for the deposit paid.

Cooling off Period

When you sign a contract to purchase a property, you then have until midnight two clear business days later to cancel the contract without penalty. Any deposit paid will be refunded in full. A property purchased at auction does not have cooling off rights.

Cooling off rights can also be waived by signing the appropriate document prepared by a solicitor. This is generally done for a property going to auction and purchased prior to the auction.

Lenders Mortgage Insurance (LMI)

This is a once only premium payable by the borrower at establishment of the loan. Most lenders will insist on LMI cover whenever the loan is greater than 80% of the value of the property. It protects the lender (only) in case of default on the loan. If the lender takes possession of a property after a borrower defaults and there is a shortfall on sale of the property, the Insurer will cover that shortfall. The Insurer will then seek reimbursement from the borrower.

Memorandum of Transfer

This is the document that is lodged with the Land Titles Office (LTO) detailing the change of ownership of the property. This is usually prepared by the Conveyancer for the purchaser.

Mortgage

Is the legal document that registers the lender's financial interest in the property, and gives them the legal power to sell the property if the Mortgagor is in default on the loan.

Mortgagee

The lender who is providing the loan and therefore holds the mortgage on the property.

Mortgage Registration

The lender will register their financial interest in the property by way of a notation on the title. This is done by the LTO and they will charge a fee for this.

Mortgage Stamp Duty

This is a fee levied by the State Government on all loans where the borrowed funds are not being used solely for the purchase of an owner occupied property or for improvements to an owner occupied property. Therefore, stamp duty is only payable on investment or business related finance. It is calculated on the loan amount and is payable at drawdown of the loan.

Mortgagor

This is you, or the person borrowing the money to fund the property.

Personal Protection Insurance

Insurance is one of those necessities in Life; it protects us. You cannot control the inevitable risks in life but you can control how you prepare for them. The trauma of death, accident or prolonged illness can be devastating for you, your family or your business. Personal Insurance is designed to help soften the financial blow dealt by these difficulties. It gives you the flexibility in deciding what risks you want to cover, the amount of insurance and whether the insurance is purchased within or outside your Superannuation. Proper advice surrounding insurance can provide you with an effective and tailored solution to maintain those things in life you work so hard to achieve.

Registration of Transfer

This is the process by which the Conveyancer acting on your behalf lodges the Memorandum of Transfer with the LTO to transfer ownership of the property. The LTO charges a fee for this based on the contract price of the property.

Transfer Stamp Duty

This is a fee levied by the State Government on all property transactions. It is calculated on the contract price, or fair market value of the property and is payable on settlement

Head Office

200 South Road
Mile End SA 5031
Tel (08) 8300 8300
Fax (08) 8300 8399

Adelaide Office

115-117 Pirie Street
Adelaide SA 5000
Tel (08) 8223 8223
Fax (08) 8223 8299

Northern Office

42 Commercial Road
Salisbury SA 5108
Tel (08) 8182 2000
Fax (08) 8182 2099

North Eastern Office

501 North East Road
Hillcrest SA 5086
Tel (08) 8369 9111
Fax (08) 8369 9199

Eastern Office

140 Payneham Road
St Peters SA 5069
Tel (08) 8132 8600
Fax (08) 8132 8699

Southern Office

30 Beach Road
Christies Bch SA 5165
Tel (08) 8186 8186
Fax (08) 8186 8199

Freecall 1800 200 900

info@bernielewis.com.au
www.bernielewis.com.au
Bernie Lewis Home Loans Pty Ltd
ABN 22 008 284 544