

Buying at Auction

You have finally found the right home and you find that it is being sold at auction. This is enough to scare some potential buyers away, however, provided you are adequately prepared, purchasing at auction need not be a traumatic experience. Auctions are a popular way of selling homes, particularly those in the middle to higher price bracket, or homes that are considered unique in their area. Following is a step-by-step guide of what we recommend you do to successfully purchase a home at auction. If you have any further questions or require assistance, please do not hesitate to contact your Accredited Mortgage Consultant who will be only too happy to assist you.

Prior to the auction, you may wish to use these steps as a guide:

Finance Pre-Approval

You need to make sure that you are able to finance the purchase, so it pays to arrange a finance pre-approval prior to attending any auction. A pre-approval is an indication from the lender that they will lend you a predetermined amount of money, subject to a satisfactory valuation on the property and, if required, mortgage insurance approval. Having said that, it is worthwhile considering getting the lender to conduct a valuation of the property. This will then give you an idea of the value of the property and also give you a bidding limit at the auction. This is particularly important if you have a limited deposit or if you are borrowing 100% of the purchase price as the lender will use that valuation as the basis for the loan. This means that if you pay more than the valuation amount you will have to come up with the difference yourself. Obviously if your deposit is greater than the minimum or if you can access more funds then this is not so important.

Contract

Obtain a copy of the contract and other statutory documentation to check the terms and conditions of the sale. It would be wise to have your solicitor/conveyancer peruse the contract and perhaps conduct preliminary searches. It would be terrible to find out after you have bought the house that, for example, there will be a four lane highway built along your back fence, or that the electricity company plans to build high voltage power lines nearby, thereby lowering the value.

Finance

If you bid successfully at an auction then the house is yours at the fall of the hammer. You will then have to sign an unconditional contract, which means there can be no conditions which might halt or delay the sale. This is where your pre-approval is important.

Deposit

Ensure that you have the correct deposit available on the day of the auction, usually 10% of the agreed purchase price, as you will be required to pay the deposit immediately.

Most agents will accept a personal cheque within 24 hours, but ensure you confirm with them prior to the auction. If your deposit is not immediately available then you could consider using a Deposit Bond. Your Accredited Mortgage Consultant can explain how a Deposit Bond works as well as arrange it for you. The standard deposit is 10% of the purchase price, however, if you do not wish to pay this much, ensure you negotiate this with the agent and/or the vendor prior to the auction.

Conditions on Contract

It is very rare for the vendor to allow you to place conditions on the contract. This means that generally you must arrange everything prior to the auction including finance, building inspections, pest inspections, land surveys, etc. Also make sure the settlement date noted on the contract is suitable to you. If not, then you must negotiate a mutually agreeable date prior to the auction.

If you are the successful bidder at the auction you may want to use these steps as a guide:

Building Insurance

In most states you become liable for the insured risk on the property immediately. Make sure you contact your insurer and arrange for adequate building insurance as soon as possible.

Personal Protection Insurance

Now that you are financially committed to this property, it makes sense to ensure you can continue to meet the mortgage repayments in the event of something unforeseen occurring. If you wish, one of our Financial Advisers can arrange income protection insurance for you. Please refer to 'Insuring Your Most Important Asset - You' information sheet for further details.

Deposit

Pay the deposit into the Agent's trust account, usually within 24 hours. Make sure you obtain a receipt from the Agent. If you are using a Deposit Bond then just hand them the Guarantee Certificate.

Finance

If you have not already done so, arrange your finance for the purchase. If you already have a pre-approval (the recommended method) then all you have to do is forward a copy of the contract and deposit receipt to your Accredited Mortgage Consultant so that final approvals, etc, can be obtained.

Conveyancer/Solicitor

Notify your conveyancer or solicitor of your purchase so that they can commence the necessary paperwork and searches prior to settlement.

See our 'Process from Contract to Settlement' information sheet for a detailed explanation of the process from contract signing to settlement. Again, if you have any further questions, please contact your Accredited Mortgage Consultant who will be only too happy to provide guidance.

Importantly, the service provided by Bernie Lewis Home Loans is at no cost* to you.

* Except some private mortgage lenders, some personal loans and some leasing/hire products for business purchases.

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