

homebuyers'

Survival Guide for WA

The Department of Consumer and Employment Protection
3rd Edition 2007/08

BOARDING
LODGING RENTING
MOBILE HOMES RETIREMENT
VILLAGES / OVER-55 COMPLEXES BUYING
AN ESTABLISHED HOUSE BUILDING A HOUSE GETTING
FINANCE INSURANCE CONTRACTS SAFETY IN THE HOME
CHOOSING TRADESPEOPLE BOARDING LODGING RENTING MOBILE
HOMES RETIREMENT VILLAGES / OVER-55 COMPLEXES BUYING AN ESTABLISHED
HOUSE BUILDING A HOUSE GETTING FINANCE INSURANCE CONTRACTS SAFETY IN THE
HOME CHOOSING TRADESPEOPLE BOARDING LODGING RENTING MOBILE HOMES RETIREMENT

**BUILDING A
NEW HOME OR
BUYING AN
ESTABLISHED
PROPERTY**

**HOUSING
CHOICES
FOR OVER 55s**

**SAFETY IN
THE HOME**



contents

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INTRODUCTION

THE HOME BUYERS' SURVIVAL GUIDE FOR WA is produced by the Department of Consumer and Employment Protection. The Guide aims to provide relevant and useful information for Western Australians when buying or building their first home. The Guide also provides information to assist people when buying their first "easier living" home. Please note that the term "property" in the Guide is used to mean either a dwelling and land or land only.

TRANSLATIONS

Call the Translation and Interpreting Service on 13 1450. Ask for Consumer Protection's Advice Line.

CONSUMER PROTECTION - CONTACT US

For further advice or information about buying or building a house, call Consumer Protection's Advice Line on **1300 30 40 54**. National Relay Service for the hearing impaired: **13 36 77**

ELECTRONIC CONTACTS

Consumer Protection's website is at: www.docep.wa.gov.au
Email address: consumer@docep.wa.gov.au

REGIONAL OFFICES

Great Southern

Unit 2/129 Aberdeen St
ALBANY WA 6330
PO Box 832
ALBANY WA 6331
Ph: 9842 8366

Goldfields/Esperance

377 Hannan St
Viskovich House
KALGOORLIE WA 6430
PO Box 10154
KALGOORLIE WA 6433
Ph: 9021 5966

South West

8th Floor,
61 Victoria St
BUNBURY WA 6230
PO Box 1747
BUNBURY WA 6231
Ph: 9722 2888

North West

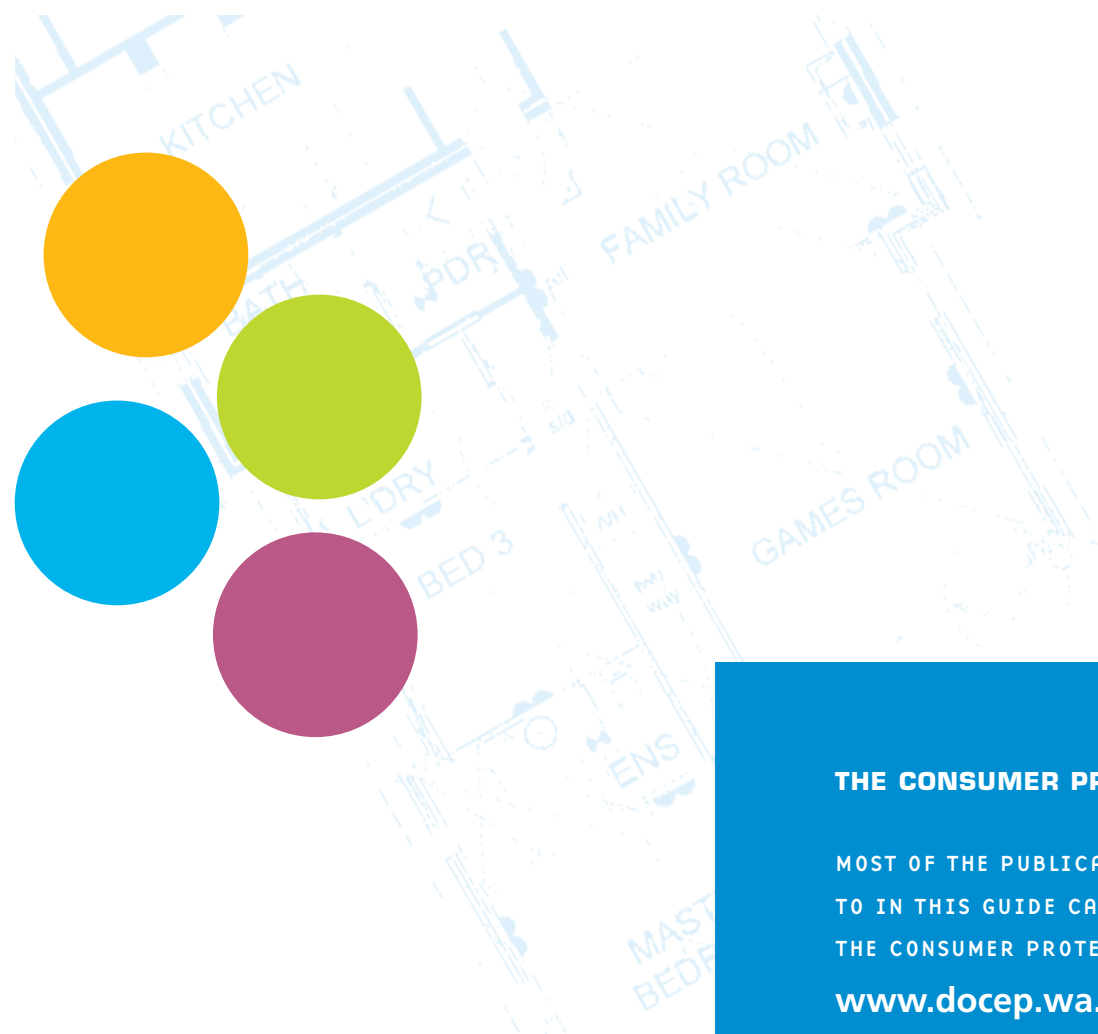
Unit 9,
Karratha Shopping
Centre,
Sharpe Ave (PO Box 5)
KARRATHA WA 6714
Ph: 9185 0900

Mid West

Shop 3, Post Office Plaza
50-52 Durlacher St
GERALDTON WA 6530
PO Box 1447
GERALDTON 6531
Ph: 9964 5644

Kimberley

Shop 24,
Kununurra Shopping
Centre,
64 Konkerberry Drive
KUNUNURRA WA 6743
Ph: 9169 2811



THE CONSUMER PROTECTION WEBSITE

MOST OF THE PUBLICATIONS REFERRED
TO IN THIS GUIDE CAN BE FOUND ON
THE CONSUMER PROTECTION WEBSITE:

www.docep.wa.gov.au

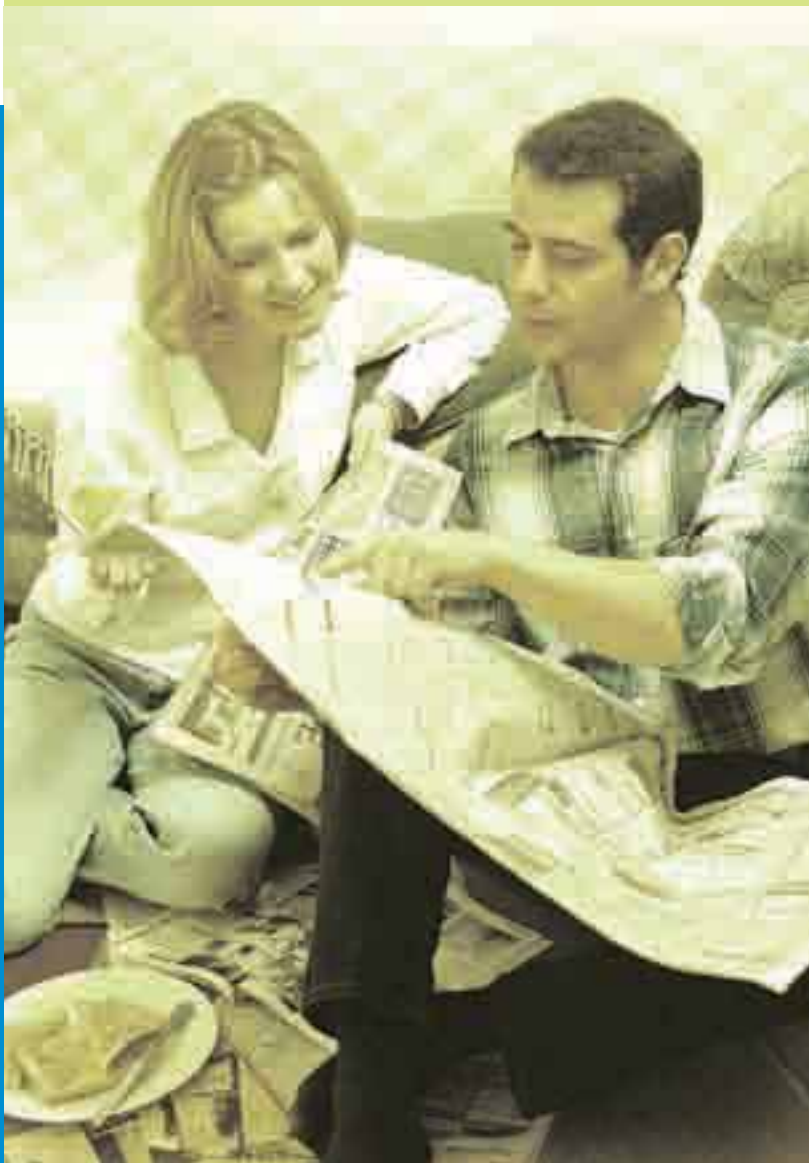
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PLANNING



OVERVIEW OF HOUSING OPTIONS

THE MEDIA ENCOURAGES US TO FULFIL THE DREAM OF OWNING OUR OWN HOME, BUT HOME OWNERSHIP IS NOT FOR EVERYONE. WHEN THINKING ABOUT THE TYPE OF LIVING ARRANGEMENT THAT IS BEST FOR YOU, IT IS A GOOD IDEA TO WEIGH UP ALL OF YOUR OPTIONS.

IT IS ALSO WORTH THINKING ABOUT HOW YOUR LIVING NEEDS MAY CHANGE IN THE FUTURE AND MAKING SURE THAT YOUR CHOICE OF LIVING ARRANGEMENT CAN MEET THOSE EXPECTED CHANGES. FOR EXAMPLE, YOU MAY BE THINKING ABOUT STARTING A FAMILY OR MOVING TO A JOB IN A DIFFERENT SUBURB, OR YOU MIGHT HAVE ELDERLY PARENTS WHO ARE LIVING WITH YOU OR INTEND TO LIVE WITH YOU IN THE FUTURE.

HERE ARE A FEW EXAMPLES OF DIFFERENT SORTS OF HOUSING OPTIONS THAT YOU MAY WISH TO CONSIDER.



BOARDING AND LODGING

If you are a boarder, you have permission to stay at another person's property, for which you pay rent, and usually, meals are provided.

Lodgers pay rent to stay at another person's property, but usually, meals are not supplied.

PROS

- The arrangement can work well if you get along with the owner and/or other housemates.
- Depending on your agreement with the owner, you may only have to give the owner a short period of notice that you intend to leave.

CONS

- Generally you can't control who is able to live in or visit the property.
- Depending on your agreement, the owner may only have to give you a short period of notice to leave.
- There may be "house rules" about matters such as keeping pets, using common facilities and the amount of noise that is acceptable.

FOR MORE INFORMATION

ABOUT BOARDING AND LODGING:

- for a free copy of our brochure *Boarders & Lodgers* call **Consumer Protection** on **1300 30 40 54**; or
- visit our website at www.docep.wa.gov.au

OWNING A HOME is not for everyone

RENTING

Renters (or tenants) can generally exclude anyone, including the owner, from accessing the property or land site that they rent. However, owners may carry out inspections of the property as long as they comply with the law.

PROS

- Tenants have their rights and responsibilities set out in the *Residential Tenancies Act 1987* and other laws.
- You may be able to afford to rent, but not to buy a house, in your preferred suburb.
- Generally, and you should check that this is the case, you don't need to worry about paying local authority (council) and water rates or doing repairs to the house that are the result of fair wear and tear.

CONS

- Generally owners are able to ask tenants to leave by giving them the appropriate notice required by law.
- There are likely to be rules about how the property should be used, for example whether pets may be kept on the property.
- You may be penalised if you leave the property before the lease expires.

FOR MORE INFORMATION

ABOUT RENTING:

- call **Consumer Protection** on **1300 30 40 54** and ask for a copy of our free brochure, *Renting a Home in Western Australia: a tenants guide*;
- visit www.docep.wa.gov.au



RETIREMENT VILLAGES/ OVER 55 COMPLEXES

There are a number of options for the over 55 age group, who may not only be thinking about “putting a roof over their head,” but may also be looking to live a different lifestyle.

PROS

- Many complexes offer residents direct access to facilities that may enhance their quality of life, such as maintained swimming pools, gymnasiums and gardens.
- Some complexes provide access to facilities that offer residents greater peace of mind, including security and health care.
- Many complexes provide opportunities for similar aged residents to meet and socialise.
- Depending on the complex, residents have their legal rights and responsibilities set out in the *Retirement Villages Act 1992*, the *Code of Fair Practice for Retirement Villages* and other law.
- A review of the laws applying to retirement villages is being conducted in 2006/07. To learn more about this and how it may affect you, call *Consumer Protection* on 1300 30 40 54.
- The units may be smaller than the current family home and therefore easier to clean, live in and maintain.

CONS

- If you own or occupy a unit in a complex, restrictions and/or fees may apply when selling the unit.
- Complexes require that residents pay ongoing fees and sometimes these ongoing fees must still be paid even if you leave and your unit is not immediately re-sold, re-leased or occupied.
- Complexes are generally designed for people to live closer together, which may sometimes create disagreements.

CARAVAN AND PARK HOMES

Mobile homes for living (rather than holidaying) include buying or renting a caravan or park home. The land on which the caravan or park home is placed is generally leased.

PROS

- The legal rights and responsibilities of caravan park owners and residents are set out in the *Residential Parks (Long-stay Tenants) Act 2006* and the *Caravan Parks and Camping Grounds Act 1995*¹.
- The cost of buying a mobile home is generally less than buying or building.
- The land sites are generally located in natural settings, are close to popular amenities where you may meet new people and might also be sites you may not normally be able to afford to buy.

CONS

- The cost of relocating a mobile home can sometimes be high.
- There are often rules that may affect how you behave on the land site, for example making noise, having visitors and pets and the use of common facilities.
- If you do not own the land, the property owner can generally ask you to leave by giving you only the notice required under the law.

FOR MORE INFORMATION

ABOUT CARAVAN AND PARK HOME LIVING:

- turn to page 70 of this Guide;
- call **Consumer Protection** on 1300 30 40 54 or visit www.docep.wa.gov.au

FOR MORE INFORMATION

ABOUT UNITS IN RETIREMENT VILLAGES OR OVER 55 COMPLEXES:

- turn to pages 64 - 69 of this Guide;
- call **Consumer Protection** on 1300 30 40 54 and ask for a copy of our free brochure *So You're Thinking About Moving into a Retirement Village?* ; or
- visit our website: www.docep.wa.gov.au

¹ The *Residential Parks (Long-stay Tenants) Act 2006* was passed by Parliament in June 2006. This Act outlines specific tenancy rights and responsibilities for caravan park owners and residents, but has not yet commenced. For further information about coverage and commencement of the Act, turn to page 70 of this Guide.

BUYING AN ESTABLISHED PROPERTY

A general overview of the pros and cons of buying an established property is provided below.

PROS

- When buying an established property you can see many aspects of what you are buying and you can generally move straight into the property after settlement.
- Home ownership is a form of forced saving toward an asset that may increase in value.
- Depending on the property you buy, you can usually make your own decisions about the use of the property, for example keeping pets, renovating or putting in a swimming pool.

CONS

- Changing the property to meet your needs may involve costly renovation or additions.
- If you are paying off the mortgage on your property, changes in your circumstances, such as a job loss may affect your ability to keep making your repayments and if so, you may lose your property as a result.
- If you are paying off the mortgage on your property, interest rate rises may affect your ability to keep making your repayments and if so, you may lose your property as a result.
- It may be more difficult to move, especially if you need to sell your property before buying or moving elsewhere.
- As a homeowner, you are required to pay local authority rates and charges for water, sewerage and drainage services each year as well as keep up with your regular bills, for example electricity, phone and gas.
- Without thorough investigation before you buy, you may be prevented, either financially or at law, from making changes to the property.



YOUR CHOICE OF
LIVING ARRANGEMENT
**should suit your current
and future needs**

FOR MORE INFORMATION

ABOUT BUYING AN ESTABLISHED PROPERTY:

- turn to pages 10 - 42 of this Guide;
- call **Consumer Protection** on **1300 30 40 54** and:
 - ask for your free set of real estate notes produced by the **Real Estate and Business Agents Supervisory Board (called REBA)** or visit **www.reba.wa.gov.au**; or
 - ask for your free set of settlement notes produced by the **Settlement Agents Supervisory Board** or visit the website, **www.sasb.wa.gov.au**



BUILDING A HOUSE

A general overview of the pros and cons of building a house are provided below.

PROS

- You can choose the design and features of the house, for example room size, light and tap fittings and floor coverings.
- Home ownership is a form of forced saving toward an asset that may increase in value.
- When you own your own house, you can usually make decisions about the use of the property, for example having pets and making changes to the property.

CONS

- There may be unexpected costs, for example, site preparation or attending to things overlooked in the building contract.
- There may be delays in completing the house, for example, due to the weather.
- You may need to spend more money to finish off your house after building, such as buying floor coverings, paint, curtains and plants.
- If you are paying off the mortgage on your house, changes in your circumstances, such as a job loss, may affect your ability to keep making your repayments and if so, you may lose your property as a result.
- If you are paying off the mortgage on your house, interest rate rises may affect your ability to keep making your repayments and if so, you may lose your property as a result.
- As a homeowner, you are required to pay local authority rates and charges for water, sewerage and drainage services each year as well as keep up with your regular bills, for example electricity, phone and gas.
- It may be more difficult to move, especially if you need to sell your house before buying or moving elsewhere.



FOR MORE INFORMATION

ABOUT BUILDING A HOUSE:

- turn to pages 10 - 24 and pages 43 - 62 of this Guide;
- call **Consumer Protection** on **1300 30 40 54** and ask for your free set of building notes; or
- visit our website: www.docep.wa.gov.au

WHAT YOU NEED TO KNOW WHEN DECIDING TO BUILD OR BUY

Making a decision to enter the real estate market is not only a financial commitment, but an emotional commitment as well. After all, you're buying a property that satisfies a basic human need and it is a place where you'll spend a good deal of your time.

The emotions involved in buying a home are important, but it is a good idea not to get too attached to a particular property or to make quick decisions.

For example, when buying a block of land, you can get carried away by the sales pitch about the position and price of a particular block. Unfortunately, you may fail to take into account that preparing the block for building may cost you thousands more dollars than you intended to spend and the house you wanted to build on the land might not even fit on the block!

Taking the time to look into a deal may mean missing out on a good buy, but more often than not, it will save you from making unwise decisions. And if you do happen to miss out on a good deal, remember there will be others.

The following are six tips that we suggest you consider before you enter the real estate market that will help you make good choices when buying or building.

Consider whether you can afford to buy or build now and maintain payments in the future



Planning tip #1:

KNOW WHAT YOU CAN AFFORD TO BUILD OR BUY
WHEN BUYING OR BUILDING A HOME, IT IS LIKELY THAT YOU WILL BE PAYING OFF A HOME LOAN OVER MANY YEARS. IN ADDITION, WHEN YOU OWN A PROPERTY THERE ARE ALL THE OTHER ONGOING BILLS THAT MUST BE PAID. IT IS NOT ONLY IMPORTANT THAT YOU CAN AFFORD TO BUY OR BUILD AND MEET YOUR EXPENSES NOW; YOU MUST ALSO BE ABLE TO CONTINUE TO AFFORD YOUR HOME AND EXPENSES IN THE FUTURE.

LOOKING AT YOUR FINANCES

To find out what you can afford, you will need to sit down and look closely at how much you spend and save now. You'll also need to think about what you think you are likely to spend and save in the future.

Below is a method that will help you look at your spending habits and work out whether you can afford to buy a house now or in the future.

THE EXPENSES FILE

Buy yourself an expandable folder with pockets from A to Z. Over a period of time, file all your bills, receipts, movie/sport/theatre tickets, credit card statements and any personal loan statements into the expandable folder. Also, file any payslips, pension or any other statements that indicate any regular payments.

Make a note (and file it in the folder) of the date when you started the process of filing all your income and expenses.

Over time, the contents of the file will give you a good idea about where your money comes from and where your money goes. The information will help you to work out a budget. A budget is a tool that helps you make decisions about where to spend your money, how much to save and also helps you regularly keep an eye on your progress.

A budget is a very useful starting point if you are serious about owning (and keeping) your own home. A budget planner is provided at Table 1 opposite.

TABLE 1: WEEKLY BUDGET PLANNER

INCOME	
Income Types: <ul style="list-style-type: none"> • Wages/Salary • Pension/Benefit • Other 	\$ per week
TOTAL INCOME	
SPENDING	
Housing <ul style="list-style-type: none"> • Mortgage/Rent • Land/Water Rates • Repairs/Maintenance 	\$ per week
Groceries/Food <ul style="list-style-type: none"> • Groceries/Takeaways 	
Credit <ul style="list-style-type: none"> • Payments on personal loans • Payments (if you have outstanding debts) on credit/store cards 	
Insurance <ul style="list-style-type: none"> • Building/Contents • Car • Life/Health 	
Medical <ul style="list-style-type: none"> • Doctor/Dentist • Specialists/Other 	
Car/Transport <ul style="list-style-type: none"> • Petrol/Oil • Fares/Parking • Licence/Registration • Maintenance/Other 	
Clothing <ul style="list-style-type: none"> • Clothes • Shoes 	
Utilities <ul style="list-style-type: none"> • Water/Gas/Electricity • Telephone/Mobile phone/Internet/Pay TV 	
Education <ul style="list-style-type: none"> • School/Kindergarten/Crèche fees • Books • Excursions • School uniforms • Child maintenance 	
Pets <ul style="list-style-type: none"> • Vet/Medication/Treatment • Registration • Pet food 	
Personal <ul style="list-style-type: none"> • Haircuts • Chemist • Cigarettes/Alcohol • Dry-cleaning • Gifts: Christmas/Birthdays/Donations 	
Entertainment <ul style="list-style-type: none"> • Movies/Hobbies/Sport/Lotto • Books/Papers • Travel/Accommodation 	
Savings <ul style="list-style-type: none"> • Emergency • Voluntary superannuation contributions • General 	
TOTAL SPENDING	
Net income	

Income

The first step in filling out your budget is to work out how much money you receive per week (but don't include any tax or superannuation that you've paid). Add up all weekly sources of income and put these amounts in the 'income' section of the budget planner at Table 1 left.

The task of filling in your income may be tricky if your income is irregular.

Spending

The next step is to work out where your money goes.

If you have been using the expandable file, take out all your bills, receipts, loan and credit card statements. Group your bills together and work out how much (on average) you spend on each area per week.

For example, Jane got all her electricity bills together over a six-month period. The electricity bills came every three months, and on average, Jane paid \$120 per bill (or \$10 per week). Jane writes down \$10 next to electricity spending on the budget worksheet.

By grouping all her grocery bills together over the same six-month period, Jane found that on average, she spent about \$80 per week on groceries. Jane writes down \$80 next to the grocery item on the budget worksheet.

Keep grouping your bills together for each category of the budget planner, estimate the amount you spend on each category per week and then put the figure next to each relevant category on the worksheet.

Make sure you include items that you don't pay for often - you may need to guess. For example, Jane estimates that her contents insurance is \$300 per year (about \$6 per week). Jane writes down \$6 next to the contents insurance item on the budget worksheet.

If you don't like the idea or haven't had the time to use the expandable file, you may have to guess or estimate your spending and income for each item in the budget planner. Your budget will then only be as good as the guesses you've made.

A budget will help you MAKE SPENDING AND SAVING DECISIONS

LOOK AT YOUR BUDGET

The budget will really help you to look at your spending habits if you try to be as accurate as you can with your spending on each item.

If your total spending is more than your total income, you may need to look at ways to cut back on your spending, especially if you want to save up for a deposit on a home. If you spend a lot of money on certain areas, such as food or clothing, you may want to target these areas for possible cutbacks.

Below are some other tips to help you save money and start saving for a deposit on a home.

- Make up a shopping list before you get to the supermarket and stick to the items on the list.
- Make sure you have enough food to last until your next shopping trip, so you don't need to go to convenience stores or buy take-away food, which can often cost you more.
- Instead of buying your lunch, consider making your lunch and bringing it into work every day.
- Make paying off any debts, such as your credit card and personal loans a priority.
- Try to pay off your credit card within the interest-free period.
- Consider setting a savings goal, so you can start saving for a deposit.
- Shop around for a bank/building society or other financial institution that will set up an account or accounts for you with no monthly fees.
- Regularly check that fees do not apply to your accounts and be prepared to move your money to institutions that allow you reasonable access to your funds but do not charge you fees.

- Make sure you save for gifts, holidays and entertainment rather than buying these things on credit.
- Plan your spending on gifts so that you're not buying on impulse or leaving your shopping until the last minute.

BORROWING MONEY FOR A HOUSE

Lenders may be more willing to give you a home loan if you pay your bills regularly, have demonstrated a savings history, or have saved a substantial proportion (say ten per cent) of the purchase price.

By carefully drawing up and sticking to your budget, you can be confident that you have the skills to pay off a home loan and continue to pay all your other bills.

The budget exercise will also help you to determine how much you can borrow. If you have access to the internet, type "mortgage calculators" into your search field and try using the different calculators. This will give you an idea about the amount of money you may be able to borrow.

You may also wish to view your credit file, to ensure that it is accurate and to find out whether there are any references on your file that may cause your potential lender some concern about your ability to repay a loan. Copies of your credit file can be obtained from credit reference agencies online by typing "credit reference" into your search engine on the internet.

FOR MORE INFORMATION

ABOUT THE BUDGET PROCESS:

- call the **Consumer Credit Legal Service** on **9221 7066**; or
- call the **Financial Counsellors Resource Project** on **9221 9411**, for a referral to a financial counsellor.



TAKE TIME

Otherwise, you can search the yellow pages under "credit reporting services" to obtain your credit file.

Be aware that you will be charged a fee to get a copy of your credit file.

ASSISTANCE AVAILABLE

The budget process described above may not suit everyone or you might want someone to go through the budget process with you individually.

The information box below lists organisations that can either provide you with free advice on credit, debt and financial problems, or can refer you to an appropriate financial service to meet your requirements.



LIST OF FEES AND CHARGES

Costs associated with borrowing money

- A loan application or establishment fee may apply.
This is a one-off “administration” charge to set up the loan.
- Stamp duty is payable on your loan.
- The interest rate is a consideration. It is important to remember that the longer it takes you to pay off the loan, the more interest you will pay to your lender. The interest rate may also rise during the term of your loan, which will increase your repayments to your lender. The rise in your repayments may affect your ability to keep making the payments and if so, you may lose your property as a result.
- Consider taking out income protection insurance. Unlike mortgage insurance, this is a policy that you can take out to help pay your mortgage if you are unable to work due to illness, retrenchment, or death.

- Regular loan administration fees may apply.
- Changing the features of your loan during its term (such as applying for a fixed interest rate) may also attract fees.

Other one-off expenses

- Government charges apply. In addition to paying stamp duty on the amount of the loan, stamp duty is also payable on the market value of the property. You should check with the Office of State Revenue about the time limits for lodging the contract and payment of stamp duty.
- There is the cost of expert advice when buying or building, such as settlement agents, lawyers and building consultants. It may be a good idea to employ experts to give you information to help you build or buy (turn to page 15 of this Guide for more information).
- Moving costs may be incurred, including:
 - hiring removalists;
 - connection fees for utilities, like electricity, telephone and gas; and
 - cleaning costs associated with leaving a rental property.
- Home indemnity insurance applies when you employ a builder (included in the building contract but taken out by the builder): see pages 51 and 61 for more details.

Ongoing fees and charges

- Strata levies may apply, which include the cost of building insurance for strata titled properties.
- Consider taking out contents and building insurance.
- Home maintenance costs apply, including electricity, gas and phone bills.
- Water and local authority rates and water consumption are payable yearly when living in the property.

FOR MORE INFORMATION

ABOUT STRATA TITLED PROPERTIES:

- turn to pages 26 - 27 of this Guide.

TO LOOK INTO A DEAL CAREFULLY.
It will pay off in the long run



Planning tip #9:

CONSIDER FEES, CHARGES & CONCESSIONS

THE COST OF BUYING A HOME IS MUCH MORE THAN JUST THE PRICE OF LAND AND ANY DWELLING. SIMILARLY, THE COST OF BUILDING ISN'T JUST THE BLOCK PRICE AND THE COST OF BUILDING WORK. THERE ARE OTHER COSTS YOU NEED TO PLAN FOR WHEN BUYING OR BUILDING.

- Valuation fees may apply when buying an established property. The lender will generally send a valuer to the place you intend to buy to ensure that the market price you've agreed to pay for the property is close to its value. Although you pay the one-off valuation fee, you don't usually receive a copy of the report.
- Mortgage insurance may apply when buying an established property. The lender may require you to pay mortgage insurance, particularly if you are borrowing more than about 80 per cent of the value of the property or if you are buying property outside the metropolitan area. Even though you pay for the mortgage insurance, it won't protect you if you cannot meet your repayments. (It only protects the lender when you cannot repay the loan).



Planning tip #3:

FIND OUT WHAT FEATURES YOU CAN AFFORD

CONCESSIONS

You may be eligible for various concessions in relation to the costs of buying or maintaining a property from a range of government departments.

RESEARCH

After gaining some idea about the amount of money you can afford to spend on a property, think about the type of features you want within your price range.

- List the features that are important to you in a property.

To get you started, use the buying checklist on pages 32 - 33 and visit display homes.

- Get a map book and list suburbs where you would like to live, with properties that fall within your price range.
- Newspapers are a good source of up-to-date information about the general price and demand for blocks or properties in your preferred suburbs.
Be realistic and choose suburbs where you can find houses in your price range.
- Visit real estate websites on the internet and talk to family and friends about the type of real estate you're interested in buying.



IF YOU MISS OUT ON A GOOD DEAL, **don't worry,** there will be others!



Planning tip #4:

ESTABLISH A RECORDS SYSTEM

FROM THE PLANNING PHASE TO THE TIME YOU STEP INTO YOUR NEW HOME, YOU WILL NOT ONLY BE DEALING WITH A NUMBER OF PEOPLE, BUT YOU WILL HAVE COLLECTED LOTS OF PAPERWORK WITH IMPORTANT INFORMATION.

INFORMATION STORAGE

Here are some tips to help you keep all that important information at your fingertips.

- Keep a file for all paperwork to do with buying or building.
The types of paperwork to include in your file are:
 - any advertisements for properties or blocks that interest you;
 - quotes for any experts you are thinking about employing;
 - copies of contracts and other forms;
 - a copy of the building plan; and
 - general information about the home buying process or home building process.
- Keep a diary to record any discussions with salespeople, builders, or agents and indicate:
 - the time and date of all telephone conversations;
 - the name of the person with whom you spoke; and
 - what was discussed, and particularly what was agreed.

You may also use the diary to record details of any home inspections you carry out if you are purchasing an established property.



Choose your experts carefully

WHEN BUYING OR BUILDING,
EMPLOYING THE RIGHT
EXPERTS AT THE RIGHT TIME
**should save you money
in the long run**



Planning tip #5:

USE EXPERTS

THE PROCESS OF BUYING OR BUILDING INVOLVES FINDING OUT AND USING LOTS OF INFORMATION, WHICH TAKES TIME AND EXPERIENCE. HOWEVER, PEOPLE DON'T BUY OR BUILD A HOUSE EVERY DAY, SO THERE ARE TIMES WHEN YOU MAY NEED TO EMPLOY EXPERTS WHO HAVE THE TIME AND EXPERTISE TO HELP YOU MAKE GOOD DECISIONS.

TYPES OF EXPERTS

Employing the right experts at the right time may be the difference between buying or building your dream home or making a very expensive mistake.

For more information about the types of experts you may want to use when buying an established property, turn to page 34.

For information on the types of experts who can help you when building a house, turn to pages 44, 49-50 and 59-60.

CHOOSING AN EXPERT

So what sort of things should you be looking for to increase your chances of employing someone who will do a good job for you with no hassles? Here's a checklist.

- The person comes highly recommended by people you know.
 - Talk to people at work, your family, friends and anybody else who you trust.
- Contact the relevant industry association to recommend suitable experts in your area.
- The person has the relevant licence or qualifications to act for you.
- The person is a good communicator, approachable and easy to deal with.

- You understand exactly what the person will be doing for you, how much it will cost and approximately how long the job will take.
 - Get written quotes.
 - The person you employ can approach the deal as if it was his/her own property purchase or his/her own house being built.
 - Ask the person to put in writing that their only involvement in your deal is to act under your instructions.
- More information about loan contracts is on pages 22-23.

DEALING WITH EXPERTS

You will also have separate contracts between you and any experts that you decide to employ.

For example, if you employ a building inspector, there will be a contract between you and the building inspector to write up a building report.

Some of the contracts you enter, for example, the employment of a building inspector, may have terms that are agreed upon orally (spoken). However, for the purchase and sale of real estate, contracts **MUST** be in writing by law.

We strongly urge that all contracts you enter into are in writing. Oral contracts are very difficult to prove if things go wrong. Read on for more information about contracts.

Planning tip #6:



UNDERSTAND HOW TO USE CONTRACTS

A CONTRACT IS A LEGALLY BINDING AGREEMENT AND MAY INVOLVE A NUMBER OF PEOPLE (OR ENTITIES, SUCH AS COMPANIES). WHEN BUYING OR BUILDING, YOU WILL NECESSARILY ENTER INTO A NUMBER OF CONTRACTS, SOME OF WHICH ARE MENTIONED BELOW.

- ONE CONTRACT, BETWEEN YOU AND THE SELLER OF A PROPERTY, SETS OUT THE TERMS AND CONDITIONS OF BUYING PROPERTY AND MUST BE IN WRITING.
- YOU MAY ENTER A CONTRACT WITH A MONEY-LENDING INSTITUTION, SETTING OUT THE TERMS AND CONDITIONS OF A LOAN.
- AS EXPLAINED EARLIER, YOU MAY ENTER SEPARATE CONTRACTS WITH ANY EXPERTS THAT YOU DECIDE TO EMPLOY.

BEFORE SIGNING ANYTHING take the contract away to read and get advice

[SECTION 1]

PLANNING

WHAT IS ALL THE FUSS ABOUT SIGNING A CONTRACT?

Contracts can be thought of as setting rules between you and another party or parties. The contract rules (called terms or conditions) set out what each party will do for the other, the time by which such actions will be done and what happens if any party fails to play by the rules.

The contract should set out all the rules so there is no uncertainty. The law treats contracts seriously and you should be very careful before entering into a contract.

There may be certain terms that are important to you, or that you might expect when buying or building like:

- the gas heater or pool equipment is included with the property you are buying; or

- the hot water system in the house you are building is sufficient for a family of four; or
- the electrical wiring has been correctly installed by a licensed electrician and is safe to use.

If there are any terms that are particularly important to you when buying, it is important that these terms are written into the contract. Problems can be avoided if terms are in writing and their meaning is clear.

If you sign a contract, you are agreeing to abide by the terms set out in the contract. This will be enforceable through the courts. Once everyone affected by a contract has signed, generally you can only get the terms changed if everyone who signed the contract agrees in writing to any changes.



YOU SHOULD BE **very careful** BEFORE ENTERING A CONTRACT.

Don't sign a blank contract or allow details to be filled in later

HANDY TIPS FOR DEALING WITH CONTRACTS

- Make sure all things that are important to you (your rules) are clearly included in the contract.
- Make sure that the person(s) you are buying the property from is/are legally entitled to sell the property.
- Consult a lawyer when adding your own terms to a contract so that they are clear and enforceable.
- Don't use liquid paper on a contract.
- Cross out and initial any terms in a contract that you want to delete or change and ask the other party to the contract to initial the changes and deletions as well.
- Don't sign a blank contract or allow details to be filled in later by any person, including a salesperson. Draw a line through any blank spaces that do not need to be filled in.
- Take as much time as you need to read and understand each contract - don't be rushed!
Before signing anything, ask for a copy of the contract to take away with you to read carefully and to show to a friend or advisor (preferably your lawyer).
- Contracts are often complex documents, so if there is anything you don't understand, get some legal advice from a lawyer or seek other advice from an appropriate expert (for example, architect) before signing.

- Ask for a copy of any contract you sign (you are entitled to a copy).
- Remember that every person who is a party to the contract is usually responsible for making sure that the terms of the contract are followed.

It is important to note that THE LAW IN WESTERN AUSTRALIA DOES NOT REQUIRE THAT CONTRACTS FOR THE PURCHASE OF PROPERTY CONTAIN A COOLING OFF PERIOD. If the contract does not include a cooling off period, you cannot get out of a contract to buy or build because you have changed your mind.



FOR GENERAL INFORMATION

ABOUT CONTRACTS:

- call **Consumer Protection** on **1300 30 40 54** and ask for your free brochure entitled *Contracts: Information You Need to Know*; or
- visit the website: www.docep.wa.gov.au

ABOUT GETTING LEGAL ADVICE:

- consult the yellow pages;
- call **Law Access & Advice** on **9322 4911**;
- call the **Law Society** on **9322 7877** for a referral to a lawyer; or
- call the **Citizens Advice Bureau** on **9221 5711** (there is a fee for legal advice).

CONTRACTS AND PROPERTY OWNERSHIP

Not only is it important to consider carefully who will be named on the contracts you sign to buy a property and get finance, but it is also important to consider who will own the property.

When buying property in Western Australia, you will receive a copy of the certificate of title. You should note that the copy of the title usually goes to your lender if you owe money on the land.

RELATIONSHIPS AND CONTRACTS - A PAINFUL MIX

John and Leo had been renting a house as a couple for five years and decided it was time to buy a house together. Although John put down the deposit on the house, both John and Leo's names appeared on the contract to buy the house and the home loan contract.

The couple's offer to buy the house was accepted by the sellers and the bank accepted John and Leo's application for a home loan. John and Leo owned the property as joint tenants. However, it was only John that actually made the mortgage repayments.

Three years after the couple moved into their home, John decided to end the relationship with Leo. John wanted to sell the home, but Leo was determined to stay in the house. John realised he could only sell the house with Leo's agreement or with a court order.

John asked the bank to release him from the credit contract, but the bank refused. John knew it would be difficult to move out of the house and keep making the mortgage repayments. If Leo did not keep up the payments, John's credit record would be affected.

John decided that he needed to get some legal advice to sort out the situation between himself and Leo. After Leo agreed to attend a series of mediation sessions, John was hopeful that they could soon reach a fair settlement.

case study

If you are buying or building a house with another person, at law there are two types of ownership on a title that you should think about and discuss.

1. Ownership in the property as joint tenants.

As "joint tenants", you and another or others own the piece of property jointly. All owners must agree to the property being sold. When you die, your ownership in the land is automatically given to the other surviving owner or owners. The surviving owner or owners will need to lodge an "Application by Survivor" form with the Department of Land Information to amend the certificate of title.

2. Ownership in the property as tenants in common.

"Tenants in common" hold undivided shares in a piece of property. You can transfer your share of a property to others and you can specify who will inherit your share of a property upon your death in your will. All owners must agree to the property being sold.

Buying or building has long-term effects, so if you are thinking about sharing ownership, discuss whether it will be as joint tenants or tenants in common and talk about what will happen if the relationship doesn't last.

REMAINING FRIENDS

Greg and Sarah decided to buy a house together and were thinking of marrying in the distant future. Before looking for houses, the couple sat down and discussed what they would do with the house if the relationship didn't last.

When the couple found a house they both liked, Greg put down three-quarters of the deposit on the house and Sarah contributed the rest of the deposit. The couple employed a lawyer to create an agreement between Greg and Sarah, which would clearly set out what the couple would do with the house if the relationship ended.

Greg and Sarah also decided that Greg would pay three-quarters of the mortgage and Sarah would pay a quarter. The couple decided that only Greg would apply for a loan for the house. The sellers agreed to sell the house to Greg and Sarah and the bank gave Greg a loan for the house. At settlement, the certificate of title showed that Greg and Sarah owned the property as tenants in common, with Greg owning a 75% share and Sarah owning a 25% share.

The couple did not marry and the relationship ended after two years. According to their agreement, Greg had an option to pay Sarah market value for her share in the property. Greg decided to stay in the house and Greg more than compensated Sarah for her share of the house.

The agreement between Greg and Sarah made dealing with the house a lot easier for everyone and the couple remain friends.

case study

FINANCE ISSUES FOR BUILDING OR BUYING

Whether building or buying, it is a good idea to start doing some homework to find a home loan that is right for you. Home loans have different features, including fees and charges and different pay back options. The home loan with the lowest interest rate is not necessarily the cheapest.

Working through different finance options can be difficult and confusing for many people. Shop around, ask as many questions as possible and get help, if necessary.

SECTION 1

TYPES OF LOAN FEATURES

THE INTEREST RATE

The interest rate is the “price” you pay to the lender when you borrow money.

Variable rate loans

With a variable rate loan, the interest rate can rise or fall throughout the life (or “term”) of the loan. The interest rate can change depending on the economic climate and competition amongst lenders. You should ensure that you could meet any increases in your mortgage repayments if the interest rate increases during the term of your loan.

Fixed loans

With a fixed loan, the interest rate is “locked in” for a certain period - usually between one and ten years. This type of loan provides borrowers with certainty about the amount of their repayments during the fixed period and protects them from interest rate increases. However, borrowers will not be able to take advantage of any drop in interest rates either.

Introductory rates

“Honeymoon” or “introductory” rates on loans are interest rates that are generally lower than most lenders are offering in the home loan market and may be fixed or variable for a short period of time, usually between six months and one year. Beware! You should make sure that you could still afford your mortgage repayments once the fixed interest rate period finishes and the interest rate becomes the standard variable rate.

Combination loans

A combination loan allows you to split your home loan into a fixed rate part and a variable rate part. Generally, you can decide how much of the loan will be subject to a fixed rate of interest and a variable rate of interest.

Usually, the fixed rate part of your home loan is available for a period of between one to five years. Beware! You may be required to pay two sets of application fees for a combination loan and you may be charged a fee every time you re-negotiate a new fixed term portion of the combination loan.

REPAYMENT FEATURES

Some home loans, such as fixed interest rate loans, may have restrictions on making payments that are greater than the agreed or scheduled payments. It is useful when the terms of a loan allow you to make extra repayments towards the loan, including making lump sum payments. If you are able to make extra repayments on a loan, it will reduce the amount of money you must repay to the lender and it will also reduce the length of time it takes you to repay the loan.

If you have a fixed interest rate loan for a certain time period, there may be high penalties applicable if you decide to pay out the loan before the time period expires, for example, if you sell your property or you decide to refinance with another lender.

PLANNING



BEFORE
DECIDING TO
BUILD OR BUY,
**shop around
for a home
loan**

REDRAW

Some loans will allow you the flexibility to withdraw any extra payments that you have made towards the loan. You should check the rules about withdrawing these extra payments, such as fees you may be charged and minimum amounts you can withdraw at any one time.

OFFSET LOANS

Offset loans are a particular type of loan facility where you pay all of your income into the loan account and withdraw funds, as required. The loan typically includes the use of a credit card to pay for your daily expenses, which can be paid off once a month via the loan account.

A benefit of this type of loan is that your income is being used to pay off the loan. A drawback with this type of loan is that it may be tempting to overspend.

With this type of loan, if you do not pay off your home at a reasonable rate, you could end up paying the loan off over a longer period of time. If you overuse the credit facility, you may find that the amount you are required to repay blows out so that you are unable to repay the loan and if so, you may risk losing your house.

FEES AND CHARGES

A list of typical fees and charges associated with taking out a home loan are provided on page 13. You should also ask about any fees or penalties that apply:

- paying out your loan early;
- redrawing any extra payments you may have made towards the loan; and
- negotiating another fixed term on your loan.



LENDERS

The following are the types of lenders that can offer you a home loan.

BANKS

Banks often have a convenient branch network and offer a range of different savings and credit accounts, in addition to home loans. Banks, which are subject to supervision by the Australian Prudential Regulation Authority, provide security for their customers, but may be stricter about who is eligible for a loan.

NON-BANK LENDERS

Non-bank lenders include credit unions, building societies and other financial institutions.

Some non-bank lenders operate through mortgage brokers and increasingly via the internet. However, most of the business is done over the phone and you can make an appointment to be visited by a representative.

Non-bank lenders may offer competitive and creative home loan products. Lenders that are not so strict about who is eligible for a loan may charge higher interest and fees.

Non-bank lenders may also offer associated products, such as deposit accounts and credit cards. However, some non-bank lenders may not have the ease of access to such accounts through local branches and automatic teller machines (ATM's).

DISPUTES WITH LENDERS

If you have a dispute with your lender, you should try to resolve the problem (preferably in writing) with the lender's customer relations department. If the problem is still unresolved, you may be able to lodge your complaint with the Banking and Financial Services Ombudsman.

FOR MORE INFORMATION

ABOUT BANKING COMPLAINTS:

- contact the **Banking and Financial Services Ombudsman** by:
 - calling **1300 78 08 08**; or
 - visiting the website: **www.bfso.org.au**

KEYSTART

Keystart aims to provide Western Australians with access to home ownership, and can offer loan packages to borrowers who may find it difficult to borrow money in the general marketplace, including:

- low-income earners;
- people who have a low deposit for a house; and
- those in casual employment or on commission.

Keystart also operates specific schemes for people with disabilities, Aboriginal people, Homeswest tenants and people experiencing temporary financial hardship.

FOR MORE INFORMATION

ABOUT LOAN PRODUCTS AVAILABLE:

- contact a number of banks and non-bank lenders;
- contact **Keystart** on **1300 361 517** or visit the Keystart website at **www.keystart.com.au**

SHOPPING AROUND FOR FINANCE

Ways you can shop around for finance include:

- checking television, newspapers and the internet to find out whether lenders are offering any special deals, such as Keystart;
- checking various consumer and finance magazines;
- considering the comparison rate for loans (see page 22); and
- using the services of a mortgage broker (more information opposite).

WHAT DOES A MORTGAGE BROKER DO?

A mortgage broker can help you find out about different home loans available in the marketplace and may be able to arrange special deals. A mortgage broker may also be able to assist people who might otherwise find it difficult to borrow money, for example, if you have had problems repaying a debt in the past. However, you may pay a higher interest rate if you have a bad credit history.

It is useful to note the following information and tips when using mortgage brokers.

- Do your own research about the type of home loan that suits your circumstances. Shop around for loans by doing some research, for example on the internet, check magazines, talk to family and friends and set your own financial limits (see pages 10 - 12).
- Contact two or three mortgage brokers by phone or over the internet and find out what they can offer. Some brokers may offer a limited range of loans. Ask the broker to provide you in writing with a list of the lenders whose products he/she promotes or considers on behalf of clients.
- You can find out if a mortgage broker is licensed by contacting Consumer Protection by:
 - calling 9282 0835;
 - emailing: consumer@docep.wa.gov.au or
 - viewing a list of licensed brokers at: www.docep.wa.gov.au/financebrokers, click on **Information for Borrowers**, and then **Register of Current Licensees**.
- Check if the mortgage broker will charge you a fee for their service. Generally, mortgage brokers do not charge you to look for a home loan, but do not assume that this is the case. Mortgage brokers are usually paid by lenders. The maximum fees that a mortgage broker can charge you for their services are regulated by the *Finance Brokers Control Act 1975*.
- Find out in writing if the mortgage broker receives a commission or other benefits, (such as profit sharing) from the lender for negotiating or managing the loan. Brokers are sometimes paid for the length of time the loan remains with the lender.
- A mortgage broker should act in your best interest. By law, the broker must tell you if they have any involvement in the transaction, other than as your agent, or if they know anybody else who is involved in the transaction, for example employees of the broker or members of the broker's family. Consider whether these associations might affect the broker's ability to act in your best interest.
- A mortgage broker should carry out all relevant instructions. Instruct the broker in writing to find you a loan that best suits your circumstances and ask the broker to explain in writing how they make any recommendations.

FOR MORE INFORMATION

ABOUT MORTGAGE BROKERS:

- contact **Consumer Protection** on **1300 30 40 54** or visit our website: **www.docep.wa.gov.au/financebrokers**
- check out government internet sites that discuss mortgage brokers, including the website for the **Australian Securities and Investments Commission: www.fido.asic.gov.au**

CHOOSE A MORTGAGE BROKER **carefully**

THINK CAREFULLY BEFORE SIGNING A CREDIT CONTRACT, as there is no requirement for a cooling off period in WA

[SECTION 1]

PLANNING

THE CREDIT CONTRACT AND THE CONSUMER CREDIT CODE

Once you have selected a lender, you may be given a finance contract to sign.

Make sure you read, understand and accept the terms of the contract before you sign it. Obtain legal advice from a lawyer if you are at all unsure.

Remember, THE LAW IN WESTERN AUSTRALIA DOES NOT REQUIRE THAT CREDIT CONTRACTS CONTAIN A COOLING OFF PERIOD. If the credit contract does not include a cooling off period, you cannot get out of a credit contract because you have changed your mind.

Most loan contracts for residential homes will be covered by the Consumer Credit Code. We'll call it *the Code* for short. Some information about how the Code protects you before and after signing a credit contract is provided.

INFORMATION

Before you sign a credit contract, the Code requires that lenders give you the following information to help you make good credit choices.

- You must be told about fees and charges, if these are known before the contract is signed.
- The contract should set out how the interest charges are calculated and how often these charges are made.
- The contract may allow for changes to be made to the interest rate and credit fees and charges.
- If the contract allows for new charges to be made, the contract should specify how you would be notified of any changes or new charges.
- If mortgage insurance is required under the contract, you must be told the name of the mortgage insurer and the amount payable, or how the insurance is calculated.

Information about fees and charges will be contained in a *Precontractual Statement*. You should also receive an *Information Statement* outlining your rights and obligations. These statements may be given to you separately or included with the credit contract. Read through these statements before you consider signing a credit contract.

THE COMPARISON RATE

A comparison rate is a figure that gives you a better idea about how much you are really paying for credit and allows you to compare the cost of credit for loan products from different lenders.

Comparison rates apply a standard formula that uses the fees, charges and annual interest rate applying to a loan product (using specific loan amounts and loan periods) to obtain a single percentage figure.

The Code now requires lenders to supply their own list of comparison rates to consumers with applications for credit.

However, it is recommended that you treat the comparison rate as a guide only, particularly if you are choosing a loan with optional features that attract fees. The comparison rate does not take into account government charges, mortgage insurance, or fees that cannot be determined at the start of a loan. You should also note that the comparison rate does not apply to credit cards and may not apply to home equity loans.

FOR MORE INFORMATION

ABOUT COMPARISON RATES:

- contact **Consumer Protection** on **1300 30 40 54** and ask for our free brochures *Interest Rates - Comparison Rates Decoded* and *Interest Rates - Comparison Rates - FAQs*.

The Code
requires that
lenders give you
information to
help you make
good credit
choices

YOUR RIGHTS AFTER SIGNING A CREDIT CONTRACT

THE CONSUMER CREDIT CODE PROVIDES SOME LEVEL OF PROTECTION IF SOMETHING UNEXPECTED SHOULD HAPPEN THAT AFFECTS YOUR ABILITY TO REPAY YOUR LOAN OR IF THE CONTRACT IS “UNFAIR”.

LISTED BELOW ARE SOME TYPICAL CONCERNS AND HOW THE CODE MAY HELP.

Q. Can I get out of a loan after I have signed it?

- A.** If you have only signed an offer to borrow, you can withdraw that offer before the lender accepts it. Upon the lender’s acceptance of an offer to borrow, you will not generally be able to get out of the loan.

Q. Who can change a loan contract?

- A.** There are different ways that a loan contract can be changed:

- **Changes by the lender**

If the contract allows and the legal requirements for giving notice are followed, lenders can make changes to the contract, such as varying the interest rate or repayments.

- **Changes by the borrower**

You can ask your lender to agree to change the loan contract. If the lender agrees, the lender should give you a notice showing details of any agreed changes.

If you are unable to repay your loan because you are suffering hardship, such as if you are sick or unemployed, you may be able to get your lender to agree to change your contract. You can contact Consumer Protection for help in dealing with the lender. If you and your lender still cannot agree, you may be able to make an application to the State Administrative Tribunal for an order to vary the contract.

Q. What is a guarantor?

- A.** A guarantor is someone (for example, a parent or relative) who signs a contract, called a guarantee, with a lender. The guarantor promises to repay the loan if the borrower is unable to pay.

Generally, lenders ask for a guarantor where they believe there is a greater than average risk that the borrower may not be able to make their repayments on the loan.

The guarantor may be asked to list assets, such as a family home, to provide as security for the guarantee. If the borrower is unable to repay the loan, the lender can take possession of, and sell, any of the assets owned by the guarantor that have been listed to repay the debt.

The Consumer Credit Code outlines rules to ensure that guarantors are made fully aware of their potential obligations when signing a guarantee. Guarantors should be given an information notice headed ‘Things You Should Know About Guarantees’. Guarantors should also be given a copy of the contract or proposed contract.

In Western Australia, a guarantor can withdraw their guarantee at any time before credit has been provided.

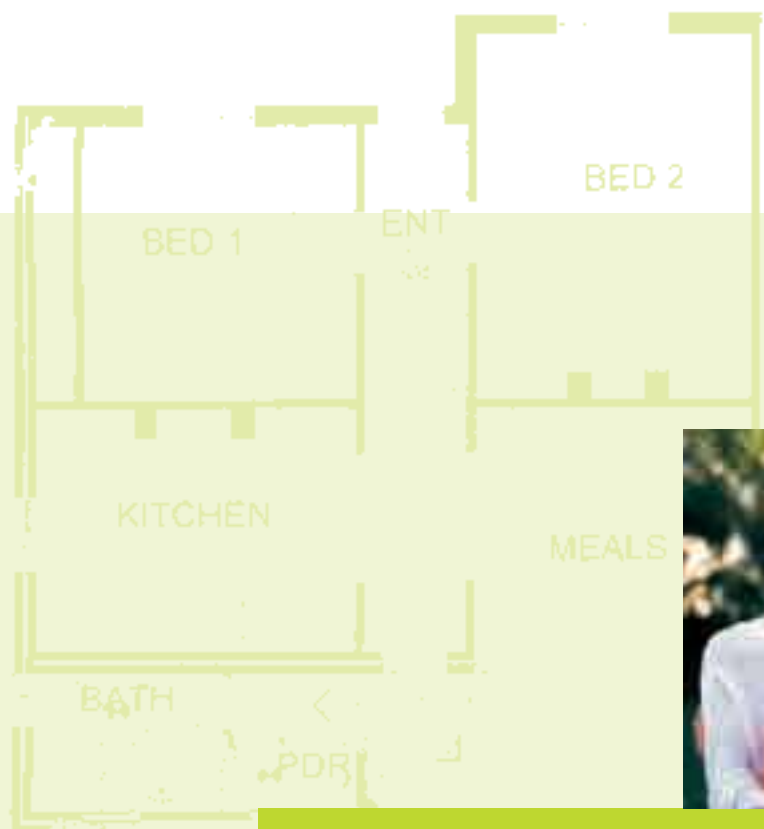
Q. What should I do if I’m late making repayments and the lender threatens legal action?

- A.** If this happens, the most important thing to remember is to be upfront and honest with the lender. If you explain the problem, you may be able to come to an arrangement with the lender. In most cases, the lender must give you 30 days notice before it can take legal action, which will give you some time to seek advice from a lawyer or financial advisor.

If you become ill, unemployed or experience genuine hardship, Consumer Protection may be able to assist you to come to an arrangement with the lender to help you meet your obligations.

Q Where can I get more help with loans?

- A.** If you have a dispute that you are unable to resolve with the lender, are experiencing genuine hardship with your loan or you think that your contract does not comply with the Credit Code, consider doing the following.
- Ring Consumer Protection on 1300 30 40 54.
 - Seek independent advice from a lawyer or financial counsellor.



case study

BUYING A HOME IS A LONG-TERM COMMITMENT!

Carol and Geoff have been married for two years and have a young son. Carol and Geoff both work outside the home and their combined income is more than enough to cover their monthly mortgage repayments. However, the couple were finding it harder and harder to make ends meet. The stress between the couple was beginning to mount and their young son was also feeling the tension.

After some time, with their situation worsening, Carol and Geoff decided to see a financial counsellor. The couple were not sure where their money was going and relied heavily on their credit cards.

Carol and Geoff agreed to work with the financial counsellor to come up with a budget that they could live with. The couple also returned their credit cards and the banks agreed to a payment plan to pay off their considerable debts. This would take some time, but Carol and Geoff were determined to get back on track and were so relieved that their problems were finally getting sorted out.

Geoff was able to find some extra work on weekends to help pay the bills, like water, electricity and the yearly rates. The couple continued to make their mortgage payments. It was hard at first to stick to the budget, but the couple found it easier as it became part of their routine.

As the credit cards were paid off, Geoff was able to leave his second job and had more time to spend with family and enjoy their home.