



The Role of Finance in Property Sales

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Australian College
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The Role of Finance in Property Sales

In almost every CPD session, our trainers are hearing from agents that the property process brings so much stress to the lives of vendors and purchasers – not to mention the stress it creates for themselves as agents.

One aspect of the process that causes stress is the financing side of the deal. When purchasers are obtaining finance to acquire a property, this can often be a long and tedious process. At this point, real estate agents often become aggravated by the mortgage brokers and vice versa. When a real estate agent talks with a buyer and the question of finance is raised, the response will be 'that their funding is in place' either with a bank or through a broker. On occasion, potential buyers will say they are 'just looking' and a real estate agent may recommend them to a local bank manager, broker or in the case of some larger franchised property agencies - a linked mortgage provider (i.e. Ray White Real Estate agents may refer the buyer to LoanMarket).

Mortgage brokers play an important role in assisting borrowers to source funding when purchasing a property. They will advise their client on appropriate lending options, costings which may include lender mortgage insurance, stamp duties and other borrowing costs. Under the National Consumer Credit Protection (NCCP) Act 2009 legislation, the broker needs to assess what the maximum amount a person/s can borrow without creating financial hardship for that borrower. The role of an experienced broker will often go further, as lenders may have issues with certain types of properties and they need to match the property choice with the lender. It could be that the lender has a maximum LVR (Loan to Value Ratio) on certain postcodes, or the lender may have a reduced LVR to 70% without mortgage insurance, while some lenders may just not provide finance to that postcode. Lenders have regulatory obligations when financing a residential dwelling that is to be occupied by the owners or used for an investment purpose. If lenders fail to follow these obligations they can be fined, prosecuted or have their licence to offer credit withdrawn.

The essence of responsible lending can be summed up in four points:

1. The loan offered must meet the borrower's requirements and objectives
2. The lender must gather financial information from the applicant
3. The lender must verify that the financial information supplied is correct
4. The loan offered will not create substantial hardship for the borrower.

With all of these requirements, the process of loan appraisal is complex and time consuming for the lender. With some lenders operating offshore processing centres, delays can amount to not just days but in some cases weeks.

What this process means for real

estate agents, is that you should be talking to your purchasers about confirming their finance arrangements as quickly as possible, and providing their personal information to their broker or lending institution, so that they can be ready for settlement if they proceed with the purchase of the property.

The financing process is complex and mortgage brokers and lending institutions are always under scrutiny of their practices.

As such, you, as a real estate agent, need to be aware of the timeframes and the processes that are involved in a person gaining finance. After all the hard work of selling the property, it would be awful if the transaction 'falls-over' because of the finance.

Rosy Sullivan

Director | College Principal

From the office

Our newsletters have been so full in the past month or so, that we haven't had the space for a 'From the Office' update. So here's a catch-up.

Now that the CPD year for property agents in NSW is over (huge sigh of relief), our trainers are catching up with writing, assessing and working with students who are completing their assessments for licensing purposes. And of course, we are in serious planning for the next CPD year, which will commence on 1 July 2024 (yes – there is a change to the CPD year which will now align with the financial year – that's right, no more 22 March end dates).

We have had a number of birthday's in the past month, starting with Rosy at the end of the CPD year, then Anthony, Rosemary and just this week we have celebrated Michelle's birthday. There has been much discussion about how many birthdays have been celebrated at ACOP by each of these people and it was a monstrous 65 years, with Rosy naturally at 21 years, Anthony at 12 years, Rosemary at 17 years and Michelle at 15 years. WOW – what a team of long-term ACOP'ers. Obviously, this meant a fabulous cake for each birthday – and then there was Easter (there is no desire from anyone for any chocolate – we may (just may) have overindulged).

Almost everyone at the College has been involved in some capacity in assisting Rosy with her planning for the annual fundraising gala for the Northern Beaches Women's Shelter on 6 April. It was a fabulous night with 300 super-glamorous people in attendance – and over \$450,000 was raised for the ongoing operations of the Shelter and its programs. What an achievement.

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