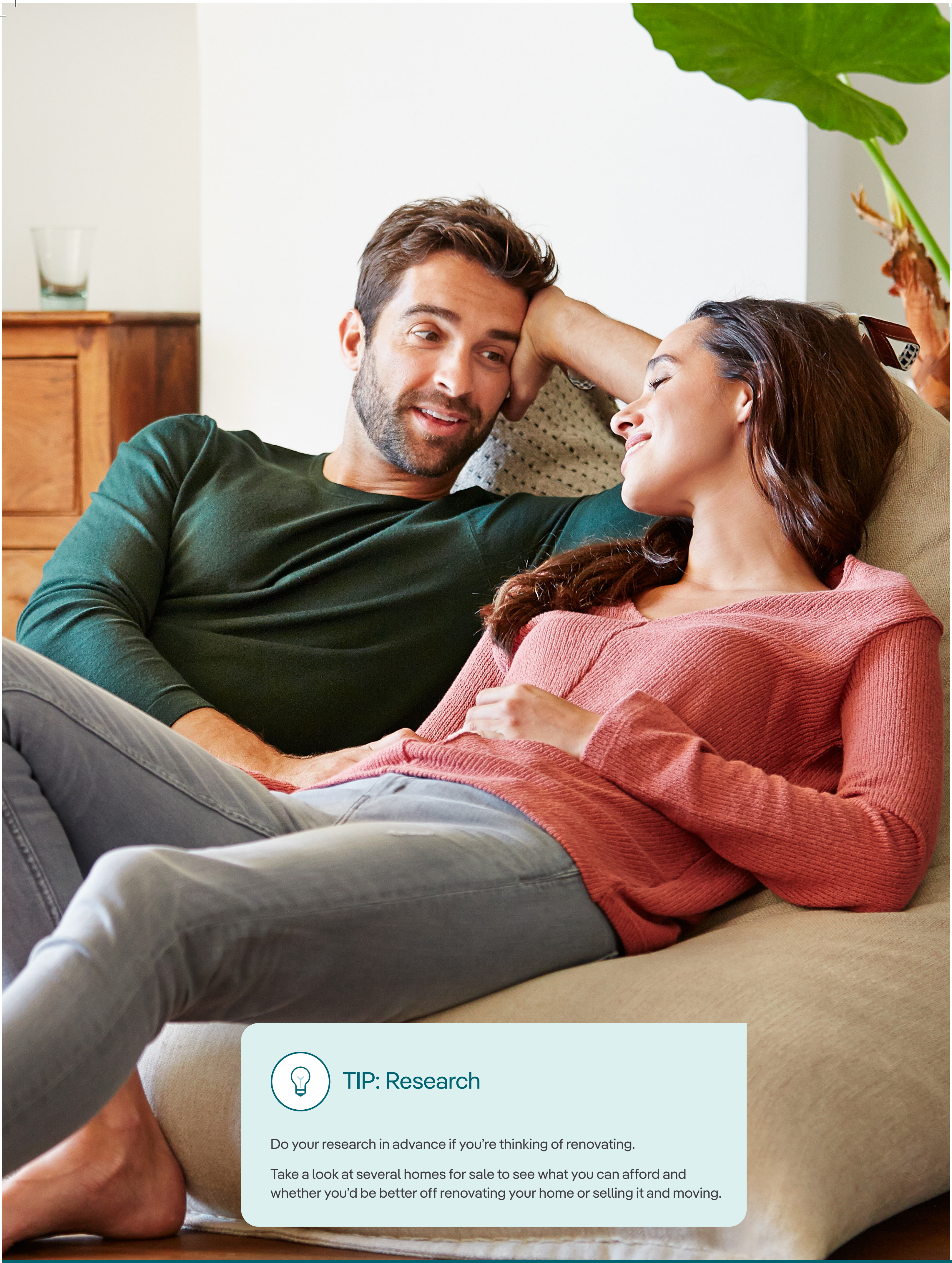
Mortgage Choice

Ready for a change?

We can help find the right home loan for you.

Upgrading guide



TIP: Research

Do your research in advance if you're thinking of renovating.

Take a look at several homes for sale to see what you can afford and whether you'd be better off renovating your home or selling it and moving.

Where to next?

Everybody's needs change over time. Couples form, families grow and children become independent. You may want more space or to downsize, to be closer to family (or the beach!). When deciding your next move, it's important to weigh up all the options.

Staying put

After years of hard work, you have a home you love, and you may feel a strong connection to your local community. But does your current home still suit your lifestyle? If not, is renovating a realistic option, or would you be better off moving instead?

Emotional attachment to your family home can sometimes influence the way you invest, but it's important to think practically when it comes to this type of decision.

By staying where you are, you can avoid relocation costs, changes to your commute and having to find a new school for the kids. You would also save thousands of dollars in stamp duty, agent and legal fees.

But renovating can be time-consuming, expensive and stressful. Sometimes renovating can compromise your existing space – would you sacrifice some of your backyard for a bigger kitchen? It's also easy to overspend on renovations.

Selling up

The biggest advantage of selling your current home before you buy another is that you'll know exactly how much you can spend.

The downside is you may need to find temporary accommodation while looking for your next home.

If this is the case, you could speak to your agent about the possibility of renting your home from the purchaser. You may also be able to negotiate an extended settlement with the buyer. If the buyer agrees, you'll have a little more breathing space when it comes to purchasing your next place.

Buying before you sell

If you find your dream home, it can be tempting to buy it before your current home is sold.

The main risk here is it could take longer to sell your previous home than you expect, and you may need a bridging loan.

In the worst-case scenario, you may have to sell your home for a lower price than it's worth to get a quick sale.

Your finance options

If you've owned and lived in your house for two years or more, chances are its value has increased. Because your home is usually a tax-free asset, any profit you make on the sale can go straight towards your new place.

Here are some finance options you could consider when thinking about purchasing a new home.

Bridging loan

Bridging loans are used to cover the cashflow gap between buying a new home and selling your old one. They're short term (usually less than 12 months) and repayments are interest only.

While bridging loans can provide a financial lifeline if you buy before you sell, you'll be paying two loans at the same time, and the interest cost can add up quickly.

Loan top-up

Most home loans are portable, which means you can take them with you when you move. If you're happy to stay with your current loan and lender, you could simply fund your new house by increasing your loan balance.

Topping up your loan can be a low-cost option as it attracts just a small administration fee.

Refinancing

Refinancing involves taking out a new loan with a new lender, usually to access a better rate or improved loan features.

Refinancing can reduce your repayments and shorten your loan term.

However, you need to weigh up the savings you may achieve when refinancing against the expenses involved. For example, you'll need to pay administration fees when transferring your loan over to another bank.

Costs to consider when selling

When it comes to selling a property, it's a good idea to be across any associated costs. As well as the cost of buying the home, you will need to consider fees and charges such as stamp duty and mortgage registration fees. If you're using a real estate agent you'll need to know about commissions, auction costs and other fees. Then there are extra costs such as conveyancing and legal fees, and any fees and charges if you switch home loans.

Property valuation costs

You can obtain a market estimate of the sale value of your home, either through your local real estate agent or using free online tools such as **realestate.com.au** or **realestimate.com.au**. These estimates are usually based on previous sales data for your home, and for recent sales of similar properties in the area.

You can also go one step further and seek out data and insights on a property, suburb and surrounding areas. Ask your Mortgage Choice broker for a PropTrack property report.

However, some sellers prefer to have a valuation carried out by a residential property valuer, as they inspect your home inside and out.

It's important to factor in the costs associated with property reports or valuations when considering the sale of your current property.

Real estate agent fees and marketing costs

When deciding which real estate agent to go with, start by asking friends and family for recommendations.

Don't just settle for the agent who predicts the highest potential sale value on your home. You should also look at local real estate agents who are making sales.

It also pays to ask about commission rates, as not all agents charge the same. The commission you pay makes a big difference, as it is the largest single cost associated with a property sale.

While a 'standard' real estate agent commission does not exist, the average commission for selling a house is usually between 2% and 3%, but this is also dependent on your location. Make sure you check your state's average agent commission using free online tools such as **realestate.com.au** to assist you in negotiating what commission you pay directly with your real estate agent. Your real estate agent will also suggest how to market your home. When you're engaging them, check whether they've included marketing activities, such as photography and copywriting, in their fee. These can range from as low as $200 for smaller properties to thousands of dollars for prestige properties.

Paying someone to declutter and style your home can help attract potential buyers and maximise your sale price. Your agent will be able to recommend a firm that can do this for you.

Spruce up and repairs

Hiring a professional to tackle those little repair jobs around the house can be a great investment before you go to market.

It's also advisable to hire a professional cleaner to give your home a thorough spring clean before you open it for inspections.

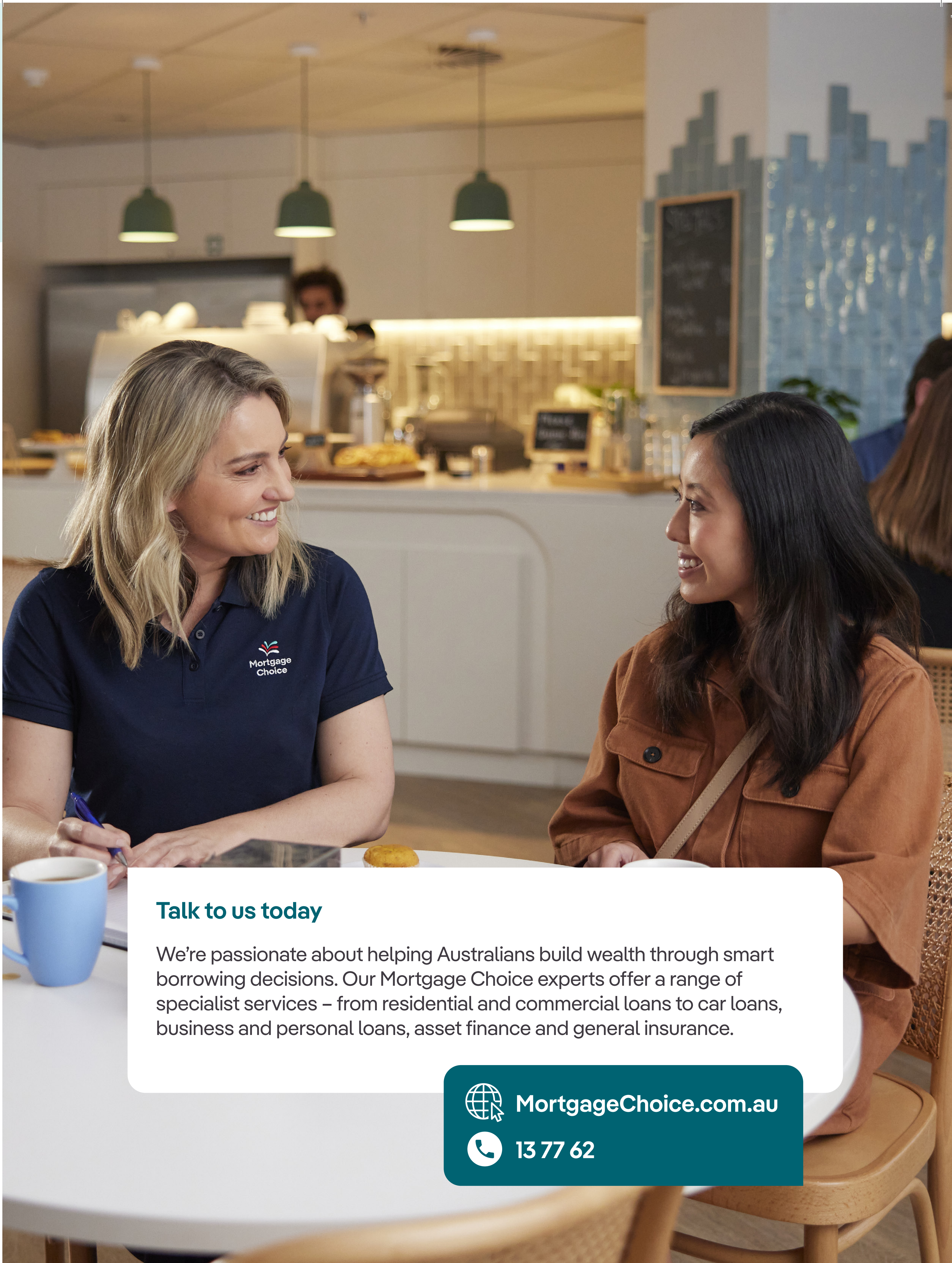
Legal fees and conveyancing

You will need to engage a solicitor or conveyancer to manage the legal aspects of your settlement, including the transfer of title from you to the new owner. Fees can vary depending on the complexity of your sale, but usually sit between $700 and $1,500.

Lender fees

If you have a mortgage on the current home you're selling, there's a chance you may need to pay your lender a discharge or early exit fee. Each lender charges its customers a different amount for this service, but it usually falls within $150 to $1,500. Additional fees may be applicable if you break a fixed loan.

Your lender should have its own mortgage discharge forms to fill in, with the entire discharge process usually taking between 14 and 21 days.



Talk to us today

We're passionate about helping Australians build wealth through smart borrowing decisions. Our Mortgage Choice experts offer a range of specialist services – from residential and commercial loans to car loans, business and personal loans, asset finance and general insurance.

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