

Conveyancing Solutions focus



Summer 2011

Home Warranty Insurance

The Home Warranty Insurance Scheme started on 1 May 1997 and it is designed to protect home owners who have had faulty, incomplete or sub-standard building work done. It even extends coverage in the event the owner-builder or developer becomes insolvent, dies or disappears.

Home warranty insurance needs to be provided by:

- a builder or tradesperson performing works under a residential building contract
- a "spec" builder
- a developer, if a builder is doing or has done residential building works to the property
- an owner builder (before entering into a contract for sale of the property, if the work was done in the previous 6 years).

This insurance needs to be supplied when the contract price exceeds \$12,000 or the contract price is unknown. If the contract price or the reasonable market cost of the labour and materials involved does not exceed \$12,000, there is no legal requirement for home warranty insurance.

The new home warranty arrangement for NSW commenced on 1 July 2010 when the NSW Self Insurance Corporation took over as the sole provider of this insurance (known as the NSW Home Warranty Insurance Fund). Policies issued prior to commencement of the new government scheme will remain in force.

When contractors are applying for insurance, they simply complete an application form that can be obtained from their insurance broker.

Visit us on-Line

Conveyancing Solutions recently launched our new website – www.conveyancingsolutions.com.au.

The new site is packed with conveyancing news, FAQs and lots of links to useful sites that will help your property transaction proceed smoothly. It's also a great platform to support our on-line conveyancing services – visit today and send us a message.



Show Caution when Witnessing Legal Documents

A recent court decision in NSW will change the way many people view witnessing property transaction documents. In the landmark case of *Graham v Hall* last September (2010), a wife sued the person who witnessed a forged document. After her husband had died, Mrs Hall found that he had forged her signature and refinanced the family home to pay his debts!

Mrs Hall took action against the Justice of the Peace for breaching his duty of care, when witnessing the forged documents and by not knowing her or seeing her sign the documents. The court ruled in her favour with a \$136,479.66 damages order.

This case will carry far-reaching implications for solicitors, conveyancers and their clients. Most service providers will be introducing enhanced rigour when signing documents.

Many clients will now be asked to attend the office of their legal representative and possibly even provide proof of identity when document signing is required. These enhanced safeguards may seem like an inconvenience to some – but rest assured, they will minimise the risk of fraud or forgery for all concerned.



Save Money on Your Mortgage

This year is the perfect time to get ahead on your mortgage. For many home owners, their property is their single greatest asset and, as a result, their mortgage represents their largest debt. Our mortgage brokers at Mortgage Options have prepared a few simple ideas to help reduce your mortgage and become debt free sooner!

Avoid Penalties

Keep track of fees and stay abreast of payment dates to avoid late penalties. Late payment fees can be costly. If you have missed a payment, ensure it is paid as soon as possible, as some lenders will charge default interest which can be costly.

Increase Repayments

One of the most effective ways to reduce your mortgage is to increase your repayments. This can also provide a great buffer in the event of an emergency. If an extra \$100 per month was paid on a loan of \$300,000, you would save \$45,000 in interest over the life of the loan and repay the loan two years sooner! That equates to sacrificing one coffee a day but provides an impressive return.

Be sure to understand the terms of your mortgage, though, to ensure you don't incur penalties for additional payments. Most lenders are fine with small additional payments, but large one-off payments may attract fees.

Savings Offset

Why not link your existing savings to your home loan and save? This allows for your savings to offset your mortgage. Interest is calculated daily on the mortgage balance minus the amount in your savings account. These offset accounts can be used as transaction accounts, which make them an ideal place to park monthly salary payments.

Lowest Interest Rate

Keep abreast of interest rates and know what your lender is charging. If you think your lender could accommodate a lower rate, be sure to ask them. Also understand what facilities you require in a loan product and only pay for what you need. Redraw and offset loans can attract a higher rate than a basic variable loan product.



Interest Only

Investors use interest-only accounts to reduce their repayments and maximise their tax benefits – perhaps you should too! There are many benefits to an interest only loan – the repayments are smaller, as you are only repaying the interest, which can free up your cash flow for other investments. These loans traditionally do not have a long life span and after a period of time the lender will require principal repayments also. While these loans have benefits, the owner requires capital growth in their property for them to be truly effective.

Line of Credit

These types of loans allow you to redraw on payments made and provide low interest loan facilities for renovations and larger purchases. Interest is only calculated on the funds actually borrowed.

To be sure you have the right mortgage product, talk to Mortgage Options for free, unbiased mortgage advice today.

Don't forget our special offer – take out a loan or refinance with Mortgage Options and save \$500 on conveyancing (with mortgages over \$200k).

Special Offer

For more information visit www.mortgageoption.com.au or call 1300 85 90 20