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Finders of Fabulous Properties

NSW Property Buyer Quiz #1: Are You Ready to Buy Smart?

ANSWERS

Q1. What does a Section 66W certificate do?

- A. Reduces your stamp duty
- B. Waives your cooling-off period**
- C. Extends your settlement
- D. Locks in your interest rate
- E. Is required by the selling agent

Correct: B

YES. At this point you have exchanged contracts and committed. In negotiations, a buyer may offer a 66W to show how serious and committed they are to the offer and is a well-used and successful strategy used in highly competitive areas.

Q2. What's the standard cooling-off period in NSW (unless waived)?

- A. 2 business days
- B. 5 business days**
- C. 7 calendar days
- D. No cooling-off period ever
- E. 10 business days

Correct: B

YES. You can increase this if you are wanting more time to get a pest and building inspection, or strata report done. This is open to negotiation. Cooling off periods are only waived by using a 66W.

Q3. Which of the following is a true benefit of using a buyer's agent?

- A. They can guarantee capital growth
- B. They provide free legal advice

C. They represent the buyer's interests

- D. They work for the selling agent too
- E. They handle the loan application

Correct: C

Too many people think that the seller's agent is there to help them. They are not your friend and rightfully so, because their goal is to get the best price and terms for their client. Equally the buyer's agent is there to get a lower price and better terms for the buyer.

Q4. What is a major risk when buying at auction?

- A. Cooling-off period applies
- B. No time to inspect the property
- C. Purchase is legally binding immediately**
- D. You can back out within 24 hours
- E. Vendor must accept your offer

Correct: C

Once the hammer falls at auction, you are legally required to pay 10% (unless you have negotiated otherwise) and proceed with the purchase. There is no cooling off period as a 66W is enforced.

Q5. What typically happens at settlement?

- A. The property title transfers.**
- B. The seller pays stamp duty
- C. You pay the agent's commission
- D. You sign your loan documents

Correct: A

YES. The title of deeds was once a physical document that sat at the Land Titles Office showing property ownership. Ownership is now digitally held and transferred electronically via PEXA from seller to the buyer. This is done by your Conveyancer or Lawyer.

Q6. What are TWO potential advantages of off-market properties?

- A. Less buyer competition**
- B. Always 20% below market value NO. Totally untrue.
- C. More transparency in the sale
- D. Access to properties not publicly advertised**
- E. Vendor always accepts lower offers

Correct: A, D

YES A. Less people know about it so less competition. Conversely this can be bad because the seller has not been given adequate feedback as to value and may have higher expectations. A good buyer's agent will know the difference.

YES D. There are various reasons why a seller doesn't want to have their property listed on the open market, namely inconvenience, privacy or they are just dipping their toe in the market to see if there is interest.

Q7. What is the typical deposit required at contract exchange in NSW?

- A. 2%
- B. 5%
- C. 10%**
- D. 15%
- E. 20%

Correct: C

YES. This is what is required on the contract of sale. However, this can be negotiated to 5% by the buyer. I recommend this to buyers, but I do not recommend that a seller accept this. Fraught with issues if the buyer cannot complete.

Q8. What are TWO signs a property might be overpriced?

- A. Sells within one week
- B. Priced above recent comparable sales**
- C. Has multiple offers
- D. Vendor rejects all reasonable offers**
- E. Online listing has only one photo

Correct: B, D

YES B. Sometimes the seller's agent will overprice to get the listing. Very bad practice for all concerned. It turns off buyers and results in property becoming stale on the market.

YES D. This results in unrealistic vendors not accepting good offers and holding out. They lose in the end. How many times have you heard "got an offer early on that they didn't accept and now regret it?"

Q9. What's a key benefit of obtaining home loan pre-approval?

- A. It guarantees you'll get the loan
- B. It allows you to skip LMI
- C. It shows sellers you're a serious buyer**
- D. It locks in a settlement date
- E. It avoids legal fees

Correct: C

YES. Buyer's who have their loan pre-approved are seen as serious buyers. The seller's agent places them ahead of the other buyers. Buyers represented by Buyer's Agents are known to have been pre-evaluated and are hence favoured by Selling Agents knowing that they are serious and ready to go.

Q10. What does "underquoting" mean in the NSW market?

- A. The agent quotes well above the reserve
- B. The vendor is underselling their home
- C. The agent advertises a price lower than likely sale price**
- D. The property is sold without legal checks
- E. The buyer offers less than asking

Correct: C

In NSW, by law the selling agent must provide a likely selling price range within 10% of the guide. They must provide the seller with examples of comparable properties that have sold in the last 6 or so months. They cannot underquote to entice buyers to view the property and then give them false expectations.

Q11. What documents should be reviewed before signing a contract?

A. Building & pest report

B. Council rates bill

C. Electricity usage

D. Certificate of title

E. Social media reviews

Correct: A, D

Building and pest report is essential when purchasing any home, regardless of age. Certificate of Title is usually the job of the buyer's conveyancer to ensure the title is valid and there are no restrictions or problems with the title.

Sometimes vendors provide a building and pest inspection for the prospective buyer to purchase, or if this is not available then the onus is on the buyer to source this themselves. When purchasing a home unit which is on company or strata title you do not need a building and/or pest report, you will need a strata search done. Again, this is something that may be provided by the vendor, or your conveyancer or buyers agent will organise.

Q12. What might a conveyancer or solicitor do?

A. Negotiate your deposit

B. Review and explain the contract

C. Advise on market conditions

D. Inspect the property

E. Organise your insurance

Correct: B

Question should probably read – What **MUST** a conveyancer or solicitor do? Contracts can be hundreds of pages long and a buyer must have a legal person review the contract thoroughly and explain it to them prior to making any offer or attending an auction. In every case the seller's solicitor will skew the contract of sale to the seller's benefit, however, it is the buyer's solicitor's job to identify issues that may arise in the settlement process and work within the terms that are most beneficial to them.

Q13. What is stamp duty based on?

A. How many homes you own

B. Your income level

C. Property purchase price

D. The size of your loan

E. The length of your pre-approval

Correct: C

Stamp duty is now called Transfer Duty and you can calculate it on the [Office of State Revenue's website](#). You must pay transfer duty within three months of signing the contract for sale, or transfer if there is no contract.

However, settlement cannot take place if transfer duty has not been paid. This means that if settlement is earlier, duty must be paid on or before the date of settlement.

Q14. What does LVR stand for in lending?

- A. Long-term variable return
- B. Loan to value ratio**
- C. Land value rate
- D. Low value rate
- E. Listed valuation reference

Correct: B

Loan to Value Ratio (LVR) is a financial term used by lenders to express the ratio of a loan to the value of the asset purchased.

Tip: In Australia, lenders often require Lenders Mortgage Insurance (LMI) if the LVR is above 80%.

Example below:

- **Property Purchase Price:** \$800,000
- **Loan Amount:** \$640,000
- **LVR:** $(\$640,000 \div \$800,000) \times 100 = 80\%$

This means the buyer is borrowing 80% of the property value and contributing a 20% deposit.

Q15. Who pays the real estate agent's commission in a standard sale?

- A. The buyer
- B. The bank
- C. The seller**
- D. The buyer's agent
- E. The council

Correct: C

In Australia this can be anywhere between 1% – 3% of the sale price. Selling Agents often do not absorb the marketing costs and will charge the client for this, which can be in excess of \$10,000 plus in certain suburbs.

Q16. What is true about off-the-plan property purchases?

- A. You can inspect the completed property before buying
- B. You usually only pay a 10% deposit upfront**
- C. You get to move in immediately
- D. Stamp duty is always waived
- E. There's no risk of valuation shortfall

Correct: B

Off-the-plan purchases are fraught with problems if you choose to purchase from a disreputable or shonky builder. Be careful.

Q17. What is the First Home Owner Grant in NSW?

- A. \$5,000 grant for existing homes
- B. \$10,000 grant for buying or building a new home**
- C. \$15,000 grant for regional homes
- D. \$20,000 grant for apartments
- E. Grant for all buyers regardless of experience

Correct: B

The **First Home Owner Grant (New Homes)** in New South Wales provides eligible first-time home buyers with a **one-off payment of \$10,000** to assist with the purchase or construction of a **new or substantially renovated home**.

- **What types of properties qualify?**
 - Newly built houses, townhouses, apartments, units, or similar that have never been lived in before.
 - Substantially renovated homes that haven't been occupied since renovation.
 - House-and-land packages where the combined cost of land plus construction contract (including variations) does not exceed \$750,000; or up to \$600,000 for built or renovated homes

Certain eligibility criteria applies. Call us for more detailed information.

Q18. What happens during a final inspection?

- A. Final loan paperwork is signed
- B. You check the property is in agreed condition**
- C. You register for stamp duty
- D. You pay your legal fees
- E. You negotiate the contract again

Correct: B

Q19. What is commonly included in strata reports?

- A. Building valuation
- B. By-laws and rules**
- C. Pet registration
- D. Individual property title
- E. Body corporate financials**

Correct: B, E

In New South Wales (NSW), a **strata report** (also known as a **strata inspection report** or **owners corporation records report**) provides a detailed review of the records of a strata-titled property. This is crucial when buying an apartment, townhouse, or villa that is part of a strata scheme.

It includes: Financial Health of the Strata Scheme, Building Maintenance and Defects, By-Laws and Restrictions, Insurance Details, Disputes and Legal Issues, Strata Management and Compliance, Sinking Fund Forecast / Capital Works Plan and the Owners Roll.

Q20. What is a good way to avoid overpaying for property?

- A. Offer early and often
- B. Rely solely on agent's price guide
- C. Use recent comparable sales for reference**
- D. Emotionally commit before negotiation
- E. Skip due diligence to move faster

Correct: C

Research, Research, Research. Know who the Agents are that under-price and those that over-price. Don't get emotional about a property. GET A GREAT BUYER'S AGENT!

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