

Money Matter\$ - 26 May 2022

By Standard Chartered Bank

Title: Upgrading your home

You may have thought about selling your current home in search for a new home that will suit the changes to your lifestyle. Here are some tips you can use to consider for your home upgrade.

Consult an estate agent and test the market

Get an estimate of your property's worth and the speed with which you can sell it. This is important if you are depending on the sale of your current property to finance the purchase of the new one. You will need to know how much cash you can expect from the sale that you can use. And if you need a bridging loan, timing is critical. Estate agents charge a small commission for the sale of private properties.

Decide how much you can afford for your new home

Take income adjustments, future financial needs, interest rate movements as well as your existing home loan outstanding amount into consideration. A loan statement from your bank can tell you what the outstanding loan amount is. Decide on a comfortable instalment amount. For a firm indication of your budget, obtain an in-principle approval of the amount you can borrow from your bank.

Choose the right home loan for you

Banks offer a wide variety of home loans. Choose one that has features that suit your financial situation, income pattern, savings habits and goals.

Timing is critical

If you intend to use the proceeds from the sale of your existing home to purchase the new one, the bank can provide you a bridging loan, which will be repaid once the sale of your existing home is completed. Timing is important here. You do not need to have sold your existing house when you apply for a bridging loan, but it can only be disbursed when the buyer of your home has exercised his option. Note that there is usually a default penalty charged to the party who cannot meet the completion date agreed on. If you decide to buy before selling, you might not be able to sell your home at the price and in the time frame intended. If you need a bridging loan you might have to sell at a lower price to meet the time frame. You might have to service both the existing and the new housing loan while waiting for someone to offer the price you want for your home. If you decide to sell before buying you have the luxury of waiting for a good offer but you may have to move to a temporary place before your new home is ready.

Appoint legal representation

To reduce your legal costs, engage a lawyer to act for you in the sale of your existing home and the purchase of your new home, and who is also on the bank's panel of lawyers.

Make an offer

When you have found your ideal home, consult a lawyer before making an offer to purchase the property. The lawyer will do a title search on the property to determine whether the seller is the owner and a bankruptcy search to ensure the seller is not a bankrupt. The process varies depending on the type of property purchased and whether the property is bought directly from developer.

When buying a property, normally you will have to pay a booking fee of about 5% to 10% of the purchase price. Upon signing of the Sale and Purchase Agreement and subject to the terms agreed in the agreement, you may have to pay about 20% of the purchase price less

the booking fee as well as any progressive payments that may have become due.

Standard Chartered's panel valuer can give you an indicative current market value of the property you wish to purchase. Obtain an in-principle approved loan before you confirm your purchase by signing the Sale and Purchase Agreement.

Submit your Home Loan application.

Your Bank will tell you the basic documents to provide to process your loan application. Once you have the letter of offer from the Bank, check that you can fulfill all the conditions of the offer. Be satisfied that you understand all the important terms and conditions as they are generally non-negotiable part of the contracts once signed.

Property valuation

Upon acceptance of the loan offer, the bank will commission a valuation report of your property to determine its current market value. This will form the basis of the maximum financing allowed on your home loan.

Meeting with your lawyer

Be satisfied that you understand all important terms of the Sales & Purchase Agreement and mortgage documents as they are generally non-negotiable once signed.

Meet with your lawyer at least twice during the process of purchasing a home. The first meeting is to sign the Sales and Purchase Agreement. The second meeting is to sign the mortgage and relevant documents. Stamp duties and legal fees are payable at this stage.

Completion

After conducting title searches and legal requisitions and once title and other issues are confirmed to be in order, the lawyer will have received the loan cheque from the Bank and can now pay the seller the rest of the purchase price due at completion. Congratulations! The home is now yours

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