

How to Own Your Own Home Without Needing a Bank Loan...

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Congratulations on downloading the free report, and I hope that the information in this report helps you take a significant step towards homeownership, especially if you cannot currently get a bank loan.

Obviously the big question is... Where do you get the money from to buy a home if you don't get it from the bank?

And the answer is... From the seller!

(The legal term for the 'seller' is the 'vendor')

And the next question then is... Is the seller of the house really going to give me all of the money so I can buy their house?

And the answer is... They don't actually give you all of the money to buy the house, they just let you pay for the house by making monthly payments, rather than having to give them all of the money immediately. By giving you a longer period of time to pay for the house, they are effectively providing you with a form of finance, and legally it is called 'vendor finance'

So you can buy a house without needing a bank loan, by making monthly payments to the seller until you have finished paying for the house. It's that simple!

Here is some more detail...

1.

A brief history of vendor finance

Vendor finance is certainly not new. And it has been used for a very long time as an ethical and legal way to buy and sell property in Australia.

And there are periods when it becomes more and less popular.

As you will probably be aware, we have recently been through the Global Financial Crisis. This crisis, amongst other things, came about because the banks were lending too much money to people who are not able to repay the loans.

During periods where it is very easy for people to get bank loans, there is no need for people to consider buying houses any other way, so people tend to rely on just buying and selling houses by getting bank loans and relying on the banking system.

However during periods like now when the banks tighten up on their lending criteria, it is much, much harder for people to both buy and sell properties, because the people who want to buy the properties cannot get as much finance from the banks.

It is during these periods where vendor finance becomes much more popular.

How else can a seller sell their house and a buyer buy that house, if the buyer cannot get money from a bank?

It is a very effective strategy that the buyer of the house can deal directly with the seller and make their own arrangements to pay for the house over a period of time.

Currently we are going through a period where vendor finance will become more and more popular for people to buy and sell real estate, and here are some of the reasons why:

- Australia now has tighter financial controls over the banking system, since the Global Financial Crisis, meaning it is harder for financial institutions to lend people money
- the wholesale lending market around the world is not providing as much cheap and easy funding as it was prior to the Global Financial Crisis
- this means that whereas in the past people could borrow 95% to 100% of the value of a property from a bank, now borrowers in most instances are being limited to 80% of the purchase price

Now that the banking system is not providing as much easy money for people to buy and sell houses, vendor finance is becoming popular again.

2.

How does vendor finance work?

Obviously the seller of the house is looking for a sale, and the buyer of the house is looking to escape the rental market and buy a property which is affordable for them.

Instead of the buyer having to go off to the bank to try and borrow the money, and also have to come up with the difference as a deposit, the buyer negotiates directly with the seller.

The seller agrees with the buyer to allow the buyer to pay for the house by agreeing certain terms under which the buyer will pay for the house.

Because the transaction is a private transaction between the seller and the buyer, there is a lot of flexibility on how vendor finance can be structured.

Here is how it works with Low Deposit Property, in summary...

- **Low Deposit Property sells you a home for a low deposit and you move in and enjoy all the benefits of home ownership**
- **You make affordable monthly payments to pay us for the home**
- **No Banks Required!**

And here are the 3 main ways of the seller providing vendor finance to the buyer:

- An installment contract of sale
- A rent-to-buy (also known as rent-to-own)
- Deposit finance

He's more detail on how these methods of vendor finance work...

3.

An installment contract of sale

Under the banking system when property transfers from the seller to the buyer, on one day the seller is the owner of the property, and the next day, once the buyer has given the seller all of the money, the buyer is then the owner of the property.

It all happens on one particular day, called the settlement day.

And from that day onwards the buyer has a loan with the bank to pay them back the money that they borrowed from the bank.

This is what I call a 'quick sale'.

However when a seller provides vendor finance to a buyer, the buyer is not obviously turning up one day with all of the money to give to the seller. The buyer has to pay for the property gradually, most often by making monthly or weekly payments.

This is legally set up as a contract of sale between the seller and the buyer, however there are some additional terms included within the contract to allow

the buyer to buy the house by making installment payments, rather than a once off upfront payment.

This is why it is called an installment contract of sale. Because the buyer pays for the property by making installment payments.

At Low Deposit Property here is how it works:

- let's say you want to purchase a home from low deposit property
- low deposit property and you enter into a contract of sale (called an installment contract as you pay for the house by installments)
- you pay an upfront deposit
- there is interest charged on the outstanding balance still to be paid (i.e. the price of the home less the deposit you have paid)
- You move into your home straight away and enjoy the benefits of home ownership
- Then you simply make payments either weekly or monthly for up to 30 years or until you have completely paid for your home, just like you would with a bank loan

After you enter the installment contract of sale, you become the owner of the property because you have entered into a contract to buy it. However there is an agreement that you still have to finish paying the outstanding balance.

As the owner of the property you are then responsible for ownership costs i.e. insurance, council rates, water rates and all repairs and maintenance because it is now your house!

This is a very secure way to buy a property without needing a bank loan.

However in all business transactions, there are important things that need to be in place, and here are a few tips to ensure your contract and relationship with the seller is set up properly,

- ✓ always make sure that you get independent legal advice on the contract before proceeding
- ✓ make sure you have the right to put a 'caveat' on the title of the property, which tells everyone that you have bought the property via an installment contract of sale
- ✓ if the seller of the property still has bank finance on the property, you need to be able to make sure that these underlying mortgage payments are being made, so you need to have access to this information
- ✓ ensure that you are comfortable with the track record, ethics and integrity of the vendor that you are buying the property from.

Assuming that you have these things in place, you can proceed confidently knowing that you can buy a property without having to wait until you qualify for bank finance.

4.

A rent-to-buy (also known as rent-to-own)

A rent to buy is different to an installment contract, because of the fact that different paperwork is used to allow you to buy the house.

Here is a summary of how it works:

1. Typically in a rent to buy structure, you will enter into a rental agreement with the seller to rent the property for a set period of time.
2. As well as the rental agreement, you will have a legal 'option agreement' which will give you the legal right at the end, or during, the rental term to buy the house.
3. In most cases this will mean that you need to qualify for a bank loan on or before the end of the rental term.
4. Sometimes at the end of the rental term, the seller will allow you to buy the property by way of an installment contract, which was explained in number 3 above (this way you don't need to have a bank loan by the end of the rental term).

At the end of the rental agreement, you have the option to buy the house.

You do not have to continue and go through with the purchase if you no longer want to.

One of the big advantages of securing a property under a rent to buy structure is that if you change your mind later, or if you just can't get into a position to get bank finance, you do not have to proceed with the purchase. You are not obligated to proceed, you just have the option to proceed if you want to.

On the flipside, if you do want to definitely buy the house, then you need to be to make sure that you have all of your bank finance in place by the end of the rental agreement, otherwise you risk losing some of the deposit you paid and some of the additional payments that you have been making during the rental period.

5.

Deposit finance

Deposit finance is another way where the seller can help the buyer to buy their house.

In this particular case the buyer of the property can qualify for a certain level of bank loan, but not quite enough to enable them to pay the full asking price for the house.

I.e. there is a shortfall.

Let's say you are wanting to buy a house for \$400,000, and the bank would only send you \$320,000, i.e. 80%, then there is an \$80,000 shortfall.

If you have available let's say a \$40,000 deposit then the shortfall has been reduced down to \$40,000.

Without some form of vendor finance, the buyer would not be able to buy this house.

However what the seller can do is say to the buyer, I understand that you are only \$40,000 short, and I will let you pay that back to me over a few years, normally somewhere between 2 to 5 years.

This way the seller is just providing deposit finance to the buyer. I.e. not finance for the whole purchase of the property, but just for the shortfall they have in the deposit.

6.

Summary

At the moment it is difficult in the Australian property and finance market for many people to be able to get a bank loan or via the banking system.

This means that at the moment they are locked out of the home ownership market and are resigned to renting, or staying in a lesser house than what they can afford.

By purchasing a property using vendor finance you can secure the purchase of a home and become a homeowner without having to rely on the fluctuating criteria of the banks in providing money for people to buy houses.

Just make sure you do your homework and that you are comfortable with the terms of the paperwork!



Regards,
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PS: Low Deposit Property has been helping people who can't get bank finance to buy houses for 11 years... the proven paperwork systems are handled by professional solicitors, and as managing director I have 23 years professional experience in the property and finance industry.

PPS: Here are just some of the testimonials from people who have bought properties through us...

“Within 2 weeks of contacting Darren we were approved for a 4 bedroom, 2 bathroom home. The process was run very professionally and there was no problem with all of the questions we had, which made us very comfortable with the process. Because we were a little short on deposit, Low Deposit Property approved us to pay. \$10,000 upfront (i.e. 50%) and then pay a further \$10,000 within the 1st 12 months... and we also got to use our First Home Owners Grant to help with this. We have now moved into our home, and in total we went from renting to home ownership in 7 weeks! Thanks again for all your assistance Darren if not for you we would not have even dreamt we could have purchased our own home at this stage in our lives.” – **Stacy, Ormeau, Qld**

“In just 3 weeks we went from a lifetime of renting to owning our home! We spent 11 years at our last rental property and knew we could afford the \$546 weekly payments on a house, we just couldn’t save the deposit needed to qualify for a bank loan. Darren understood our situation and now we are paying off our own home rather than continuing to waste money on rent. If you are serious about owning your own home we highly recommend you call Darren at Low Deposit Property. Darren is professional, honest and kept us informed during every step of the process.” – **Dean & Julie Sharpe, Ormeau, QLD**

“Thanks to Low Deposit Property my weekly payments are going towards buying my own home rather than being wasted on rent. For only \$490/week I now own a 2 bedroom / 2 bathroom home in walking distance to the beach and restaurants and Darren put it all together within 10 days of me first contacting him. If you want a quick and easy way to stop renting and start owning your own home, definitely call Darren.” - **Kata Volarevic, Broadbeach, QLD**

“I wish to thank Low Deposit Property for making it possible for me to obtain my first home. This process was made easy and hassle-free thanks to Low Deposit Property. It made my dreams come true to be able to purchase a home. Low Deposit Property advised me of every process and helped make it all happen easily. Thanks Darren.” - **Sandy, Traralgon, VIC**

“Buying my first home through Low Deposit Property was the best thing I’ve ever done. The support I received while going through the process was great. If I was unsure about anything, or had any questions at all, somebody was always there to talk things through with me. Buying my own home is great. I know that my payments aren’t paying off someone else’s home loan, there paying off mine. It was the biggest decision to make, but one I never regret. It’s totally great!!!” - **Susan, Yaragon, VIC**

“We would like to thank Darren and Low Deposit Property. Without Darren’s help we would not have our beautiful home . . . We were living in a 3 bedroom home that was cold and mouldy. We had to get out. We have 3 children and needed a 4 bedroom home as the age difference of 2 of our kids were 9 years apart and they couldn’t share a room. We saw 2 or 3 adds in the paper and rang them. 2 of them were terrible and they wanted heaps of money but when we spoke to Darren he was awesome and did a great deal to suit us all. He helped us find an ideal 4 bedroom home. Thanks Darren for all your help and always keeping in contact with us throughout the deal and even after we settled. You gave us a chance at owning our own home. Without Darren’s help we wouldn’t be where we are today, thankyou again from the bottom of our hearts...” - **Michelle, Morwell, VIC**

“Low Deposit Property were the only vendors that came to our home to sit down and explain their process of buying a house off them . . . After looking around for 12 months for a house and different vendors, we realised that Low Deposit Property were the ones that we were going to buy a home off. It’s great to have a home to bring my children up in.” - **Kristine, Morwell, VIC**

“Thanks for all your help and advice. When I bought my home you went to such great lengths to help which I appreciate. When I recently refinanced, Darren advised and helped in every way.” - **Peter, Hampton Park, Melbourne**

“I would recommend Low Deposit Property to anyone. I have found everything Low Deposit Property did for me to be of an excellent standard and would not hesitate recommending them. Thankyou for everything I’m so happy with my new house.” - **Ian, Traralgon, VIC**

“The banks were saying no, but Darren at Low Deposit Property believed we were able to commit and pay our own house off. When we pass away we want something to leave our children and are in a routine which makes paying payments on time easy. We thank Low Deposit Property for this opportunity.” - **Martin & Sharee, Narre Warren, VIC**

“We found this house and it was like we just knew. My wife and I made a call to Low Deposit Property and spoke to Darren, he was genuine and upbeat to help – the rest is history. Thank you Darren and may you be blessed in your business.” – **Kevin, Morwell**