



Buy your investment property. **Together.**

PodProperty Co-Ownership Guide

For home buyers and investors

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1. Introduction

Over the last 10 years, house prices across Australia have risen by enough to leave a generation of Australians feeling like they are never going to be able to afford a home of their own. The introduction of 30 and 40 year mortgages coupled with the recent interest rate hike has put the dream of home ownership beyond reach of the average Australian and the plans of many aspiring investors on hold, yet again.

According to the recent Annual International Housing Affordability Survey, every major city in Australia is severely unaffordable, except for Canberra and Darwin (whose ratings were not much better at seriously unaffordable).

And then there are recent predictions that a significant number of Australians will spend their entire lifetimes renting, never being able to enjoy the freedom of living in their own homes.

Enter PodProperty, an exciting new service which offers an innovative home ownership solution that will cut the cost of buying a home in half (or even less).

How is it done? Through the power of something that Australians are already doing in great numbers: sharing their homes with friends, flatmates and partners.

Whether you are looking to buy your first home, an investment property or a holiday home, we are here to make buying a property with others easy, affordable and secure.

The information set out in this guide will answer many of your questions and tell you what you need to know to take part in this exciting revolution in the Australian way of life, which for thousands of people is about to get a whole lot better. The only question you have to answer is:

Am I going to be one of them?

2. Co-ownership - what is it?

Co-ownership refers to a situation where two or more people - friends, family, partners - share the ownership of a property. Put simply, it involves:

- ◆ pooling your money with others to put a deposit down on a home;
- ◆ combining your borrowing power to borrow the rest from a loan provider;
- ◆ paying off the mortgage on your home instead of paying rent (for Owner Occupiers) or earning a stream of rental income (for Investors); and
- ◆ having the flexibility to move out or sell out if you need or want to.

Sharing has many advantages. Firstly, it enables you to split the cost of running a home. (eg. rates, repairs and renovations).

Secondly, all the costs of purchasing a home (eg. purchase price, legal fees, stamp duty, building reports etc) are split between the co-owners. This means that you can get into the property market at a fraction of the cost of what you would normally expect to pay if you were buying on your own. And with a number of people paying off the mortgage, you'll pay your mortgage off in a fraction of the time it would normally take.

3. What PodProperty can do for you?

Buying a home on your own is no small feat in itself. Buying a home with others only increases the amount of planning and co-ordination that is required to ensure everything goes smoothly. The pitfalls are numerous and can be very costly if you don't have the right help along the way.

To put it simply, we will help you with everything you need to buy a home with others as quickly and as cheaply as possible. We have brought together a network of experienced, licensed and registered experts to help you with everything you could possibly need to make home ownership a reality at a fraction of the usual cost.



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4. How does co-ownership work?

There are a number of ways that two or more people can share the ownership of property. PodProperty's initiative makes use of a legal relationship between co-owners known as tenancy in common. This means that the co-owners (the "tenants in common") each get an individual share in the same piece of property. Tenants in common can sell their share to their other co-owners or anyone else they like, (subject to whatever restrictions the co-owners agree should apply when one person wants to sell their share).

Tenants in common are usually also responsible for the entire property and any financial obligations (such as a mortgage) which attach to it. See Section 6 for further details.

Groups of people who purchase property together as tenants in common often sign what is called a "co-ownership agreement".

5. What is a co-ownership agreement?

A co-ownership agreement is a legal document which sets out the rights and obligations of each person with a share in the property. It can also be used to set out how the co-owners want to deal with any other issues related to the property.

PodProperty has agreements for the following categories of co-buyers to purchase property together:

- ◆ friends/flatmates/others;
- ◆ married couples;
- ◆ de facto couples; and
- ◆ same sex couples.

All the important issues are dealt with upfront, including what happens when someone wants to sell out or doesn't make their mortgage repayments (see Section 6 for further details). Most importantly, a co-ownership agreement is legally binding on each of the co-owners.

What does it cost?

Co-ownership agreements usually cost several thousands of dollars to prepare. However, using PodProperty, you can purchase:

- ◆ the PodProperty Co-ownership Agreement; and
- ◆ a letter of advice explaining the law of co-ownership and the rights and obligations set out in the Co-ownership Agreement

for only \$350.00 per person (incl. GST) - an instant saving of thousands of dollars in legal fees to help you on your way to owning your own property without breaking the bank.

The PodProperty Co-ownership Agreement can be modified to take account of your particular circumstances and is legally binding in all states of Australia. We can arrange for a lawyer to discuss with you whether your circumstances require changes to be made to our standard form PodProperty Co-ownership Agreement (an hourly charge will apply).

If you wish, you are free to have another co-ownership agreement prepared from scratch from other lawyers at standard hourly rates (which can be up to several hundred dollars per hour), but it's not hard to see that it definitely makes sense to let us help you out!

Understanding your co-ownership agreement

It is important that you understand your Co-ownership Agreement before you sign it so we can arrange for a lawyer to explain its provisions to you and your co-owners to ensure that you each have your questions answered before you purchase together.



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6. Buying a Property: How PodProperty can help you!

This section sets out, step-by-step, what it takes to buy a property with our help. You only need to take care of step one, and we'll organise the rest. Not a bad deal, is it?

Step 1: Finding the right co-owners

Step 2: Co-ownership Agreement & Advice

Step 3: Finance (working out each person's borrowing power, obtaining approval)

Step 4: Conveyancing (preparing for the transfer of your home)

Step 1: Finding the right co-owners

Examples of arrangements that work well include:

- ◆ current or former flatmates;
- ◆ friends;
- ◆ siblings and/or other relatives;
- ◆ partners;
- ◆ work colleagues; and
- ◆ two or more sets of couples (for a home or holiday house).

Your **PodProperty Co-ownership Agreement** will provide you and your co-owners with the flexibility for each of you to move out or sell out of your shared property if necessary.



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It will also make provision for situations where a co-owner does not or is not able to make the repayments under his or her mortgage. This will usually involve the other co-owners taking over that person's mortgage and their share of the property or selling it to someone else who is interested in moving in or selling up all together. The choice is yours. However, even with the co-ownership agreement in place it is important to remember that:

- ◆ You and your co-owners will usually be financially responsible for each other's financial obligations relating to your home; and
- ◆ Buying and selling shares in a property (which you might have to do if you want to move out) can be expensive.

There are forms of insurance available which make it possible to insure against the risk of one of your co-owners failing to make their mortgage repayments and to protect you in the event that someone defaults on his or her mortgage. See Section 7.

Once you have selected your co-owners and you have all agreed to purchase a property together, contact us and we'll get the ball rolling!

Step 2: Co-ownership Agreement

As mentioned above in Section 5, people who purchase property together often sign what is called a "co-ownership agreement". A co-ownership agreement is a legal document which sets out the rights and obligations of each person with a share in a property. It can also be used to set out how the co-owners want to deal with any other issues related to the property. All the important issues are dealt with upfront, including what happens when someone wants to sell out or for some reason doesn't make their mortgage repayments. Most importantly, a co-ownership agreement is legally binding on each of the co-owners.

You can purchase a PodProperty Co-ownership Agreement and a letter of advice which has been prepared by our lawyers (\$350.00 per person, including GST).



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Step 3: Financing your purchase

Before you start looking for a property, it is important to determine a realistic price range taking account of what each person has in savings and, more importantly, what each person can borrow and afford to repay.

Tip: When you are considering how much you can afford to spend on a property, you also have to factor in the cost of other expenses involved in buying a property, apart from the purchase price. Expenses such as legal costs may need to be paid for at some point prior to those funds being made available to you by your lender. We can help you calculate an estimate of what these costs will be and help you plan accordingly.

This means that each of you will have to consider what you will be able to set aside for your mortgage repayments taking into account your present level of expenses and income, and foreseeable changes to both in the future. We will arrange for one of our mortgage broking specialists to call you to discuss:

- ◆ the different loans that are available to you and the best one that suits you;
- ◆ how much you can borrow; what your repayments will be; and the government charges that apply.

Once our mortgage broker has helped you find a loan that suits your needs, your loan will usually be pre-approved, meaning that subject to the satisfaction of a number of conditions, your loan has been approved, or will be approved when you find a property to purchase.

Our mortgage broking specialists have access to one of the largest ranges of home loan products available in Australia. From all the big lenders you know, to ones you don't and more, they'll find you a home loan that suits your needs and get you the best deal they can on it.

Step 4: Conveyancing

Conveyancing refers to the process of preparing for the transfer of the legal title to property from one person to another. In your case, it will be transferred into your name and the names of those you are buying your home with. As part of this process, the lawyer will undertake a range of inquiries relating to the property and carry out a number of checks which can take from 6 to 8 weeks to complete.

These inquiries are normally completed before the date selected for settlement which will have been set out in the contract for the sale of the property. We can arrange for a lawyer to carry out the conveyance of your property to take place once you have exchanged contracts.

Tip: The purchase price you are willing to offer for the property should be adjusted to take account of the cost that will be involved in repairing any deficiencies.



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7. Insurance

There are several types of insurance which a person may need to take out when they are buying a property. Some are designed to protect your lender and some are designed to protect you. The two most common forms of insurance which new home buyers take out are Mortgage Protection Insurance and Lender's Mortgage Insurance.

Mortgage Protection Insurance- Protection for You

Mortgage Protection Insurance policies protect you from losing your house if you or one of your co-owners cannot make the minimum mortgage repayments due to:

- ◆ death;
- ◆ temporary or permanent injury or sickness which prevents you or one of your co-owners from working; or
- ◆ if you or one of your co-owners become temporarily unemployed.

As such, mortgage protection insurance insures you against some of the general risks associated with buying a property and protects you against the risk of losing your home if someone defaults under their mortgage in the circumstances covered by your policy. Your broker can discuss your mortgage protection insurance options with you at the appropriate time.

Lender's Mortgage Insurance - Protection for your Bank

If you borrow more than a certain percentage of your property's value from the bank (usually around 80% for standard loans), your bank may require you to take out Lender's Mortgage Insurance. This insures your bank against any loss incurred in the event that you default on your loan and the amount which the bank can sell your house for is less than the amount that you owe the bank. It is important to understand that lender's mortgage insurance does not provide you - the borrower - with any form of protection.



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The **PodProperty** Co-ownership Guide for Home Buyers and Investors

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