



What happens on

**Settlement
Day**

Louise: Hello, everyone. It's Louise and James from The Property Education Company.

James: Good morning from Hobart, Tasmania.

Louise: Yay! And it's a beautiful, sunny, winter morning. It's crisp and clear and beautiful down here. Today, we're talking about...

James: Settlement Day.

Louise: Settlement Day. So James, now, this is really important. We have a really big tip to give you that's most important for the week prior to settlement. But James, what happens on settlement day? What do you have to actually do?

James: You have to make sure everything's in order.

Louise: No, what do you have to actually do? What do the clients have to actually do.

James: Sit there and look pretty.

Louise: Ah, so absolutely nothing because until they've been notified that settlement has occurred. Years ago, settlement was a huge deal at conveyances and banks used to run around and all meet in a room and we'd hand checks and deal with titles, and it was hilarious mishmash, and you wouldn't believe how complicated it seemed. And people would yell out, oh, this file, and we'd all grab together and meet and quickly exchange checks and titles and things.

James: So with my generation, we've discovered that it's so much easier to do everything digitally. So settlement is more straightforward these days and generally, it happens at two o'clock.

Louise: No, no. Anytime.

FLASH FINANCE UPDATE

James: It can happen anytime, but a lot of the time we usually find it happens at 2pm which is, it's just the time for banks, apparently. And so what will happen is the conveyance to the bank and we'll all get together and they'll discuss how they're going to be, they've already planned on how the money is going to be transferred. But we've got some big things that the client should be doing the week beforehand.

Louise: So what happens, actually, on settlement day is everything should be in order. The institution, maybe you're refinancing, who you're leaving will give a final payout figure. Now people go, "Oh, but today I only owe, say, \$281,300" and they'll go, "Oh, but the bank took \$283,000". That is because they are taking extra interest charge for that month, the final month that you're repaying, and any discharge costs. So you've got to be aware that when you're refinancing, don't refinance for exactly the amount that you currently owe, always add a couple of thousand because on settlement day, you need to be able to pay that extra interest. So that's really important to get in first. Secondly, say it's a purchase, even more importantly. So for a refinance, it's all good. It's all done in the background. We will just notify you when it's been settled. No issues.

James: The discharge will be organized. The bank who you're going to will be aware. They'll just hand over the loan essentially.

Louise: They'll hand over the title and it's all done in the background. And the most important thing for you then is to make sure if you're getting any cashout, you put it into your offset account so it's instantly saving you interest on your new loan. And that can often throw people because they don't get it set up quickly enough.

James: More importantly, please make sure even though you've got the offset account there, make sure it's linked. Now we do send out an email on settlement day and we do check the week after that your offset is linked to your loan account. But please make sure usually it's either very quickly on the application if that's the bank that you're with they have an app to do it or you just call up your bank and they'll be able to do it for you very quickly.

Louise: Yes because note we don't get access to see that often so it's very difficult for us to see whether you've put your money in offset and this is your responsibility so make sure you do it.

James: Please don't put that money back into the loan account because then you've just paid off your loan. We've had that happen once or twice before.



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Louise: Now, for purchases, what happens? So, the week before settlement, you need to have all the funds that you need to complete that purchase into the bank you're getting your new loan from in the savings account ready to use.

James: In the little nest egg, in the little savings nest egg, I like to call it.

Louise: So, say you've paid 5 percent or 10 percent deposit on signing the contract and you're actually providing a 20 percent deposit plus costs. You need to have the other 10 percent and the costs available in this account ready to settle. Some people go, "Oh, I thought the loan would cover all of that". No, you've got to be really sure what you're putting in. It's not just for the application. It's for the settlement. So some people amazingly...

James: ...have spent the rest of their deposits after they've signed the contract, which is always a tricky thing to then try and undo.

Louise: So you need to have that money and do not try and transfer 70 or 80 grand the night before settlement.

James: It's never going to happen.

Louise: It's not going to happen. Banks love to take time when you're dealing with your big amounts of money. So there's very few lenders who allow that to happen. So you need to be really organized the week prior to settlement to have your money in the right account, ready to go, at your new bank ready for settlement well before the actual settlement day. Do not try and do this at the last minute. This is the biggest tip I can give you. Please, please, please save all your brokers and your lenders a headache because so many people are unaware. Oh, and at the last minute you might be paying extra in for say rates that were prepaid by the vendor and now you have to pay it back. So you always need some extra few thousand dollars available and in that savings account as much as you can to make sure you're well and truly covered for settlement day. Do not skimp on this. It's always better to put extra thousands in and get it back later. It's still in your savings account, which is great. Now, some conveyancers say, "Oh, we'll put the money in our trust account". Personally, we've all found it's worked so much better if it's in the lender with your loan. So you're getting a new loan there, put the money in the savings account attached to your loan. That is the easiest way to make this work.

James: Yes and we've heard other stories where sadly the money's been lost if it's with a conveyancer. Never gonna say that's going to happen to you, of course, but I've heard some personal stories where they've had to try and figure out, like, how they're going to get that money back because there was a mishap with the conveyancer. So, it's easier if it's with the bank. The bank knows it's there as well. They'll be very happy, they'll go, "Brilliant. You've got the remaining funds there. We're just going to draw that down when we're ready to". The only other thing is we will guide you through a lot of this process. So if you say, hey, open the account, we would like you to open the account as soon as possible. Whether you need to go into the bank and verify your identity with the bank, or you can just set up online through an application on like your phone app, or just online with online banking, we will help you and guide you through that process and we are always here to help you answer any questions.

Louise: Thank you. Have a wonderful week.

James: Okay, and we'll see you back in Melbourne. Bye!