

Thinking of selling and then buying at the same time?

“The Collapsing of the dominoes”.

When you sell, often you need to find another accommodation. A good idea is to sell and then immediately buy another property.

Both properties can settle at the same time.

It's a good idea to use the deposit from the deposit that was given by the vendor. You can use that deposit to put towards the deposit of the new house that you are buying.

This process is known as “the release of the deposit”.

Note that the release of the deposit can only be used to buy another property and not for personal use such as gambling at a casino.

The idea is good in theory but in practice, it can be extremely messy

Why?

You see, let's say you have sold your house at auction and then you immediately go and buy another property. The auction has no cooling off period. Therefore, your property was sold unconditionally.

Here is the big catch: your buyer cannot get a home loan (loan was rejected).

No home loan, no money to settle!

If there was no money to settle, it means you cannot settle your property either.

The vendor of the property that you are buying will then take you to court and you, in turn, will take the buyer of your property to court. (Judges will be very busy and overworked).

This is just like the collapsing of the domino effect.

How to avoid this problem?

Make it a condition of your sale either by way of auction or normal sale, that the buyer needs to show you of his or her loan is formally approved within 10 business days. (Evidence is king).

(You must not be shy in asking for the evidence as it will make your life a success).

Only then you should go and buy another property.

Summary

- Selling and buying at the same time is a great idea and happen often.
- A careful person, when selling and before committing to a new purchase do this: he or she asks for evidence that the buyer has a formal loan approval.
- If your buyer has a formal approval, you can be sure that he or she can proceed to settlement as money is assured.
- You must not be shy.
- You then can go and buy with confidence.

Note: If your buyer put down a Deposit Bond, the deposit cannot be released as a bond is only a guarantee.

Do you want to spend three years of your life going to court and be examined? Do you want your wife to slap you on your face because you are such a careless person? It pays to be careful.