

# Costs associated with property purchase

## State and Federal Government costs

### Purchase stamp duty

Property transfer stamp duty is a state government tax payable by the buyer and is calculated on the price paid for the property. Because it is a duty for transferring the title of a property, it will be imposed whether or not the purchase is financed with a mortgage. First home buyers may be eligible for significant rebates on stamp duty.

### Property transfer fee

This is a state government charge to register the transfer of title of the property from one person to another. Some states and territories may charge a set fee, while others are on a sliding scale.

### Mortgage stamp duty

Mortgage stamp duty will only be payable in NSW if purchasing in a company name or for loans for non-housing related purposes.

### Mortgage registration fee

This is an administrative charge imposed by the Land Titles Office (or equivalent) in each state / territory for entering (registering) the lender's mortgage onto the title record for the property. The fee differs from state to state and ranges from around \$85 to \$125 per registration. The borrower pays this cost.

## Loan Application costs

### Lender's Mortgage Insurance (LMI)

Lender's Mortgage Insurance (LMI) insures the lender against any loss incurred if the borrower defaults and the net proceeds of an enforced sale of the security property are insufficient to clear the debt. Note that Lender's Mortgage Insurance covers the lender, not the borrower. LMI may be added to your final home loan amount (depending on the lender). It should not be confused with Mortgage Protection Insurance, which covers the mortgage repayment for the borrower in the event of death, disability, illness or involuntary unemployment etc.

### Loan application fee

To start the process of obtaining a loan, the borrower may have to pay an application or loan establishment fee. The cost can vary depending on loan type, lender, security and loan splits. In most cases, the fee includes the cost of the first valuation. The cost of additional valuations ranges from \$150 - \$250. A few lenders may ask for an upfront payment to cover costs.

## Purchase costs

### Conveyancing / solicitors fees

This is the fee charged by the conveyancer or solicitor to carry out the legal work involved in purchasing real estate. Be sure to ask about the costs of searches, settlements and disbursements.

## Pest / building inspections

Prudent home buyers will arrange for inspections of a prospective property by qualified inspectors before exchanging contracts. The inspections ensure that the property is not affected by insect infestations and that it is structurally sound and complies with building regulations. The cost of inspections is payable by the property buyer. Note that lenders may make satisfactory inspections a condition of loan approval if doubts exist about the condition of the property.

## Insurance

As a condition of loan settlement, lenders will impose a condition that all security properties are covered under a building insurance policy. The amount of the policy coverage required will be the deemed full insurable value of the dwelling, which protects the borrower (and the lender's interests) in the event that the dwelling is damaged by fire or some other catastrophe. The insurance policy premium cost is paid by the borrower and the lender's full name will be noted on the policy as mortgagee. Building insurance is not required for strata-titled properties; in these instances, the lender will require evidence that the body corporate has taken a policy for the entire block. In Queensland, insurance is required from 5.00pm on the day following the signing of the contract.

## Construction costs

### Construction loans

Construction loans normally represent more work for the lender due to the way they are progressively funded during the construction period. Some lenders will simply add an additional construction loan fee, while others will charge a progress payment fee each time the builder asks for a payment. On top of this, you may also be charged an inspection fee for a valuer to inspect the property to ensure the building is in the state the builder is claiming. A normal construction would have four to five progress payments and two inspections.

### Site costs and service connection costs

Check your building contract carefully and, if possible, make sure it includes fixed site costs and connection of services. Many people assume site costs are included in the contract, but this is not always the case. Unexpected events, such as hitting rock or the need to build retaining walls, can add thousands to the site costs.

The same applies to the connection of services such as power, water, and phones. Many providers only allow for 5-10 metres for connection from the street to the house and will charge extra for distances which exceeds this. The standard service connection may be fine for a standard residential block but can be an unexpected cost for a large rural block.