

Costs associated with a property purchase

State and Federal Government Costs

Property Stamp Duty

Property transfer stamp duty is a state government tax payable by the purchaser 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 are eligible for significant concessions on this 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 charge a set fee, while others are on a sliding scale.

Mortgage Stamp Duty

In some states, stamp duty is payable on the mortgage, calculated on the amount of the loan. This is a state government tax and may vary depending on the state or territory.

Mortgage Registration Fee

This is an administrative charge imposed by the Land Titles Office in each state/territory for registering the lenders mortgage on to the title record of the property. The fee differs from state to state and ranges from \$86 to \$124 per registration. The borrower pays this cost.

Loan Application Costs

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 the loan type, lender, security and loan splits. In most cases the fee also covers the first valuation. A few lenders may for this as an upfront payment fee. Some loans also have a monthly statement fee as well.

Lender's Mortgage Insurance (LMI)

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 this insurance covers the lender and not the borrower and is only applicable when the purchaser borrows more than 80% of the purchase price of the property. It should not be confused with Mortgage Protection Insurance which covers the mortgage repayment for the borrower in event of death, disability or illness.

Annual Professional Package Fee

Some lenders charge an annual package fee for their professional packaged loans, these loans usually have inbuilt benefits such as interest rate discounts and as a trade off. This is charged annually on the loan anniversary.

Purchase Costs

Conveyancing/Solicitor

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

Building and Pest Inspections

Prudent home buyers will arrange for inspections of a prospective property by qualified inspectors before exchanging contracts. These 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 this inspection is payable by the purchaser.

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 borrowers (and the lenders interests) in the event that the dwelling is damaged. In Queensland this policy needs to be taken out by 5.00pm on the day following the signing of a contract. The policy is paid by the borrower and the lenders 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 to ensure the building.

Construction Costs

Construction Loans

Construction loans usually 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 on completion valuation fee for the lenders valuer to inspect the finished product to ensure it is structurally sound and meets council regulations.

Site Costs and Service Connection Fees

Ensure you check your building contract and make sure it includes fixed site costs and connection of services. Many people assume site costs are included in the contract, this is not always the case, unexpected events such as hitting rock can add thousands to site costs if not included.

The same applies to the connection of services, many providers only allow for 5 – 10 metres of connection from the start of the block and will charge extra for distances which exceed this.

To talk further with us at CORE Lending please drop into our office at 8/9 Longland St Newstead or call us directly on 07 32 600 600 today.

