

A Guide to the Cost of Home Purchase

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info@homeloanguru.com.au

www.homeloanguru.com.au



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INTRODUCTION

This eBook is a guide to the usual costs incurred when purchasing a home in New South Wales.

The costs shown are approximate only and are subject to change. Home purchase costs vary considerably depending on such things as type, location and value of the property.

HOME LOAN APPLICATION FEE

This is the fee charged by a lending body when a formal loan application is made. Approximate cost: \$Nil - \$800. Additional costs may be incurred for the preparation and registration of the mortgage. Beware, some lenders use different names for the same thing such as settlement fee, loan extension fee, lenders legal fee, establishment fee etc. Check with your Mortgage Broker to get full disclosure of all fees.

VALUATION FEE

Your lender will usually require a formal valuation of the property for lending purposes. This fee may be included in the application fee charged by your lender. Approximate cost: \$Nil - \$500

MORTGAGE INSURANCE

This type of insurance is required when the buyer is borrowing more than 80% of the value of the property you are purchasing (85% with some lenders in some circumstances). Even though you are paying the premium, you derive no benefit from the insurance other than being able to get the loan.

Lenders Mortgage Insurance protects the lender against loss should the borrower default and the property be sold for less than the outstanding loan amount. The lenders mortgage insurance company will still pursue the borrower for any cost they have incurred.

Premiums vary according to the amount borrowed, property price and the loan-to-value ratio. The mortgage insurance premium is a once-only payment. Approximate cost: \$300 – up to 3% of loan amount.

SURVEY REPORT

A survey shows where the property is in relation to the boundaries of the land. Lenders sometimes require a survey report. Approximate cost: \$400 - \$800.

CONVEYANCING FEES

Conveyancing means the process of transferring the ownership of property from the seller to the buyer. You can engage a solicitor or conveyancer to do this or you can do it yourself. (We

would not recommend that approach). There are no set fees charged for conveyancing. You should negotiate the fee and obtain a written estimate of the likely costs before engaging the solicitor or conveyancer to act on your behalf. Approximate cost: \$900 - \$2,200 plus disbursements. When asking for a quote, make sure you ask what is included in the quote.

At the Homeloan Guru, we have negotiated special rates for our customers.

DISBURSEMENTS

Your solicitor/conveyancer will charge for expenses incurred on your behalf during the conveyancing of the property. Some of these documents may be included in the Contract of Sale.

Title Search	\$20-\$80
Local Council, Section 149	\$50-\$180
Local Council, Building Certificate (S149D	\$210
(Application must be lodged with Survey Report)	
Sydney Water (S66)	\$15
Drainage Diagram	\$15
Department of Education and Training	\$13
Land Tax (S47)	\$15
Roads and Traffic Authority	\$26
Transgrid (Electricity/Power Stations)	\$270
Council Rate enquiry	\$60
State Rail Authority	\$28
Outstanding Notices for Council	\$40-\$150

STAMP DUTY

Property Transfer Stamp Duty is payable on the purchase price of the property (or valuation in certain circumstances). Duty must be paid within three months of the date of exchanging contracts, unless buying 'off the plan' or a house and land package.

Contract Stamp Duty Scale

Purchase Price Rate

Up to \$14,000	\$1.25 per \$100 (\$10 min)
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\$14,001 - \$30,000	\$175 plus \$1.50 per \$100
\$30,001 - \$80,000	\$415 plus \$1.75 per \$100
Over \$80,000	\$1,290 plus \$3.50 per \$100
Over \$300,000	\$8,990 plus \$4.50 per \$100
Over \$1,000,000	\$40,490 plus \$5.50 per \$100

Please give us a call or send us an email and we will gladly work out what stamp duty is payable on your intended purchase.

Mortgage Stamp Duty is no longer payable in NSW.

REGISTRATION FEES

A fee of \$102 applies to register the mortgage. A further fee of \$141 applies to register the transfer document.

INSPECTION FEES

Building Inspection

A building inspection checks structural soundness, indicating visible quality defects and necessary repairs. Approximate cost: \$275 - \$600

Pest Inspection

A pest inspection checks for any signs of past or present pest infestation such as white ants or termites, wood rot, fungi etc.

Approximate cost: \$160 - \$350

Strata Inspection

A strata inspection examines and reports on the written records of the owners corporation. It is additional to the certificate supplied to the buyer by the seller providing relevant information about strata levies, insurances etc. Approximate cost: \$200 - \$320

HOME BUILDING INSURANCE

It is suggested the buyer arrange home building insurance prior to completion of the purchase. The cost of building insurance will be dependent on the age, size, location and type of construction of the property.

Two types of insurance cover are available:

Replacement Cover: This pays to reinstate your property to its former condition. It means, simply, new for old.

Indemnity Cover: This pays to repair or reinstate your property taking into account depreciation on the dwelling.

Approximate cost: \$700 - \$1,500

COUNCIL AND WATER RATES ADJUSTMENT

The buyer and seller share these costs in proportion to the length of time each party owns the property during the rating period.

ELECTRICITY RECONNECTION

The electricity is usually disconnected upon change of property ownership.

Approximate cost:

\$Nil - (existing customers of one year and Centrelink

Concession Card holders with good credit history)

\$200 - \$250 (security deposit for new customers)

TELEPHONE/INTERNET RECONNECTION

Telephone lines are usually disconnected upon change of property ownership.

Approximate cost:

\$75 (where connection existed previously)

\$250 (where no connection existed previously)

REMOVALIST COSTS

Removalist costs vary considerably due to factors such as location, amount and quality of furniture and type of packing (by owner or removalist). Approximate cost: \$550 - \$3,500.

EXAMPLE OF ALL COST

For the first example, we have assumed that you are buying a house for \$500,000. You are not first home buyers and you wish to borrow a loan of \$400,000.

Purchase Price	500,000.00
Legal Fees	2,100.00
Property Transfer Stamp Duty	17,990.00
Registration Fees	282.00
Building Report	275.00

Pest Inspection	275.00
Strata Inspection	
Loan Application Fee	0.00
Lender's Mortgage Insurance	0.00
Home Building Insurance	1,200.00
Council Rates adjustment	600.00
Phone Connection	75.00
Electricity Connection	
Removalist	1,550.00
Total Funds required	524,347.00
- Home Loan	-400,000.00
Your own funds	124,347.00

When you let us at the Homeloan Guru organize the loan for you, we will prepare an accurate calculation of all your costs for you.

Imagine what it would be like when on the day of settlement, your solicitor rings you and tells you that you need to come up with several thousand dollars by 2 pm or the purchase won't go ahead!

This has happened, but never to any of our customers.

Just give us a ring on 02 4322 3588 or drop us an email at info@homeloanguru.com.au.