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OZ W I D E L O A N S - W i d e n i n g Y o u r L o a n C h o i c e s

## BUYING – The costs of buying

*Article sourced from St George*

### Stamp duty

Stamp duty is a State Government tax. As the amount varies from State to State, you should check the applicable rate with your local Stamp Duties office or legal representative. Your local Stamp Duties office can also provide you with information on how much stamp duty you have to pay, how it is calculated and if you are entitled to a discount or to defer payment.

There are two types of stamp duty payable in relation to purchasing a property:

- **On the mortgage** - the amount of stamp duty payable on your mortgage depends on how much you borrow
- **On the property** - the cost of this stamp duty depends upon the price of the property you are buying

### Your legal costs

Many of the costs associated with buying a property are non-negotiable. Your main legal cost will be for conveyancing, which is the transfer of property from one person to another. Conveyancing fees vary from State to State. Ask your solicitor/conveyancer/settlement agent to give you an estimate.

### Searches and inspections

You should not exchange contracts to purchase a property until you have had all the necessary searches and inspections done. If a "cooling off" period applies to your contract, you may be able to have the inspections and searches completed between the exchange of contracts and the end of the "cooling off" period. You should be advised by your solicitor/conveyancer/settlement agent as to what searches and inspections need to be carried out.

Searches and inspections may include:

- **Building inspections** - The cost depends on the detail required in the report. The written report should detail any flaws, including problems with damp and the structure of the building and roof.
- **Structural inspections**
- **Pest reports** - Although this seems like an unnecessary cost now, it is a small price to pay when compared with the price of possible building repairs at a later date. This report should detail any evidence of pest infestation in the property, such as ants, and if required, any recommended treatment.
- **Surveys** - This may be requested by your legal representative to check the position of the house and its boundaries, and confirm that the house is built on the correct block. It will also confirm whether or not it has been built in accordance with local council requirements.
- **Title searches** - This search is undertaken by your legal representative. It provides details of who owns the property and who else has an interest in the property, as well as noting restrictions and conditions which may need to be checked out. For a small fee, this is a good way to research who has an interest in the property which affects the title.



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#### Lenders' Mortgage Insurance

You may be required to pay for Lenders' Mortgage Insurance if you borrow more than 80% of the value of the property you are purchasing. It covers the lender if there is a shortfall after the lender exercises its right to sell the mortgaged property due to a borrower not complying with the loan agreement and mortgage. That is, if you do not make your repayments, your lender has the right to sell your property. It does not protect you from having to pay what you owe on a mortgage. It does not pay out the loan in the event of the borrower's death or injury, nor cover loan repayments in the case of illness or unemployment, and therefore should not be confused with Life Insurance or Mortgage Protection Insurance. Remember, if you can contribute to more than 20% to the purchase price of the property, Lenders' Mortgage Insurance may not be required.

#### Rates

From the settlement date, you are responsible for all the council, water rates and levies on a property. You may have to reimburse the previous owner on a pro rata basis for any payments they have already made. Your solicitor will work these out for you.

#### Building insurance

The responsibility for insurance and risk of loss can vary from State to State, so it is wise to check with your legal representative as to exactly what type of cover you will need. It's important to remember that, at the latest, you must have the building insured at the time of settlement, however, it's best to insure the property as soon as you exchange contracts to purchase the property.

#### Body corporate fees, sinking funds and liability insurance

When purchasing into a property that may have one or more owners such as strata title units, you need to make allowances for a range of additional costs involved with the maintenance and insurance of the property. These include body corporate fees, contribution to sinking funds and liability insurance to cover any damage to the property