Mortgage Choice

Costs associated with buying a property

There are many costs in addition to the purchase price when you buy a property. It's important you understand what you might have to pay – and when – before applying for a loan, and factor these costs into your budget.

State and federal government costs

Purchase stamp duty

Property transfer stamp duty, purchase stamp duty or transfer duty is a state/territory government tax that the buyer pays. The amount of stamp duty is calculated based on the price paid for the property. Because it's a tax for transferring the title of a property, it will be imposed whether the purchase is financed with a mortgage or not.

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 charge a set fee while others have a sliding scale.

Mortgage registration fee

A mortgage registration fee is a state/territory government charge for registering a property as the security on a home loan. The fee differs from state to state and ranges from around $100 to $250[1] per registration. The borrower pays this cost.

Loan application costs

Lenders Mortgage Insurance

Lenders Mortgage Insurance (LMI) insures the lender against any loss if the borrower defaults on a mortgage (for example, if the net proceeds of an enforced sale of the property are not enough to clear the debt). LMI is generally required for home loans where the loan is greater than 80% of the value of the property. LMI may be added to your final home loan amount or paid upfront on settlement, depending on the lender.

LMI covers the lender, not the borrower. LMI is not the same as Mortgage Protection Insurance, which covers the mortgage repayment for the borrower in the event of death, disability, illness or involuntary unemployment.

Loan application fee

To start the process of getting 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 property valuation and can range from $200 to over $1,000[2]. Some lenders may ask for an upfront payment to cover costs.

Purchase costs

Conveyancing/solicitor's fees

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

It's a good idea for home buyers to arrange an inspection of the property by qualified professionals before exchanging any contracts.

Pest and building inspections make sure the property is not infested, is structurally sound and complies with building regulations. The buyer pays for inspections. Lenders may make having a 'satisfactory' building report a condition of loan approval if there are doubts about the condition of the property.

Insurance

Lenders will ask that that the property is covered under a building insurance policy as a condition of loan settlement.

The amount of cover required will be the full insurable value of the dwelling, which protects the borrower (and the lender's interests) if the dwelling is damaged by fire or some other catastrophe.

The insurance premiums are paid by the borrower, and the lender's full name will be noted on the policy as the mortgagee.

Building insurance is not required for strata-titled properties. In these instances, the lender will require evidence that the body corporate has a policy for the entire block.

Construction costs

Construction loans

Construction loans normally represent more work for the lender because they are progressively funded during the construction period. Some lenders will add a construction loan fee, while others will charge a progress payment fee each time the builder asks for a payment.

You may also be charged for a valuer to inspect the property to make sure the building is in the state the builder claims. A normal construction can have up to seven progress payments and two inspections.

Site costs and service connection costs

Check your building contract carefully and make sure it includes fixed site costs and service connections. Don't assume site costs are included in the contract, as this is not always the case.

Unexpected events, such as hitting rock or needing to build retaining walls, can add thousands to the site costs and should be planned for.

The same applies to connecting power, water, and phone services. Many providers only allow for 5–10 metres for connection from the street to the house and will charge extra for longer distances. This may be fine for a standard residential block but can be an unexpected cost for a large rural block.

1. Connective Select, Updated Land Registry Fees FY 2023, accessed 10 January 2023.
2. Canstar, Home Loan Fees You Should Know About, 29 September 2021, Accessed 10 January 2023.

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Estimate your property purchase costs

Use the table below to work out the likely total cost of your purchase and the loan amount you require.

The total cost of the property purchase is the sum of the following:	
Purchase price	$
Purchase stamp duty	$
Property transfer fee	$
Mortgage registration fee	$
Lenders Mortgage Insurance (LMI)	$
Conveyancing/solicitor's fees	$
Pest/building inspections	$
Insurance	$
Loan application/settlement fees	$
Other	$
Total cost of purchase	$

The total customer contribution is the sum of the following:	
Deposit	$
First Home Owner Grant (if applicable)	$
Other	$
Total customer contribution	$

To work out the loan amount required, subtract the customer contribution from the cost of purchase:	
Total cost of purchase	$
Total customer contribution	$
Loan required	$

For expert mortgage advice, talk to your local broker today.