

# DEPOSITS, MORTGAGE FEES & FUNDS TO COMPLETE

## Deposit

Most Lenders are willing to finance home purchases of up to 95% of the value of the property, provided you have stable employment (in your current job for over 6 months), a clear credit file and evidence of genuine savings (proof that you have saved 5% of the purchase price, eg. 6 months savings statements). Some Lenders may even add an extra 2% to help cover lenders mortgage insurance meaning you may be able to get a 97% loan.

## Stamp Duty

This is a government cost that is usually the biggest expense outside the purchase price of the property. Stamp duty varies between the states and territory. A website for guidance to the approximate stamp duty cost in your relevant state is [www.stampdutycalculator.com.au](http://www.stampdutycalculator.com.au)

## Loan set up costs

These are also known as establishment or application fees and will vary depending on the lender and the loan product chosen. Some lenders don't charge application fees.

## Conveyancing Costs

Conveyancing is the process of which a property's ownership is transferred from the current owner (the vendor) to the buyer. Either a conveyancer or solicitor will review your Contract of Sale and ensure appropriate checks are conducted on the property with local government agencies.

## Legal Documentation and Settlement Fees

There are often a number of government charges associated with settlement (mortgage registration fee, transfer duty, land titles duty etc). There may also be other fees such as bank cheque fees and search service fees. Your solicitor/conveyancer will go through these fees with you before settlement.

## Inspection Costs

It is always recommended that prior to purchasing a property, you hire professionals to inspect the property for structural defects, concerns, pest infestations or anything that could potentially cause damage to your property. Costs will vary between contractors.

## Valuations

The lender will order the valuation on the security provided and this could take up to 3-4 days to complete – depending on if the valuer can obtain easy access to the security property. If there is an application fee on the loan the cost of the valuation may be included in this fee. However some Lenders charge separately. Ask your mortgage professional if you need to pay a valuation or not.

## Lenders Mortgage Insurance (LMI)

LMI is only necessary if you have less than 20% deposit or insufficient equity in an existing property. LMI protects Lenders against a loss should a borrower default on their home loan as Lenders pass this risk on to a mortgage insurer. It is a once off premium and in a lot of cases can be capitalised with the loan. LMI should not be mistaken for Mortgage Protection Insurance, which covers your mortgage in the event of death, sickness, unemployment or disability. LMI can be quite expensive. Your mortgage professional will let you know if you need to pay LMI and how much it is.

## Insurance

With the new liabilities that come with owning property, it is important to consider or review your insurance requirements to ensure you are appropriately covered. You will definitely require home insurance prior to your loan settling however you may also want to consider contents insurance, life insurance and income protection.

## Example of costs of purchase when buying a home

In order to purchase a home of \$450,000, you may access a 95% loan of \$427,500, meaning you'll need to provide a cash deposit of \$22,500 (this amount needs to be genuine savings). LMI on \$427,500 is approximately \$14,000 for a first home owner and stamp duty in NSW would be about \$15,500. You would need to set aside about another \$3000 to cover other costs. So in this example you would need approximately \$50,000 available. If the lender is willing to let you capitalise LMI up to 97% then the amount required would reduce to \$41,000. (This is an example only and information is subject to change at any time).

This is general information only and is subject to change at any time. Your complete financial situation will need to be assessed before acceptance of any proposal or product.