

# closing, the costs.

## CLOSING COSTS

Closing costs are one of the aspects of buying a property that may not get enough attention. It often looms in the background, until you visit your lawyers' office to sign the necessary documents, only then discovering that the home you purchased for \$600K is actually going to cost a lot more.

Here's the list of things that may impact you before, on and after the completion date:

### BEFORE THE COMPLETION DATE

**Deposit:** Usually established by the Seller, but can be negotiated. Must be paid within 24 hours of the deal being accepted.

**Home inspection:** This service is not only to determine the overall condition of the home, but also serves as a learning tool to assist with the operation of the home. It is especially valuable for first-time home buyers and typically costs between \$400 and \$650.

**Status Certificate:** This cost applies only to condominium properties. The Seller usually pays for these documents and your lawyer will usually insist on reviewing them. Typical cost is about \$125.

**Property Appraisal:** This will be required if a lender is involved. They may cover this \$400 - \$500 expense, but you may also find it added as a cost of the mortgage financing.

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## ON THE COMPLETION DATE

**Balance of the Purchase Price:** This may include mortgage funding from a lender and/or funds that come from your own resources.

**Legal Fees:** You are advised to have legal representation as the Buyer in the transaction and it's important to choose your legal representation early, so they become familiar with all aspects of the transaction. Each lawyer has their own package of services they deem to be important and their fee schedule. It's best to discuss these considerations when choosing your lawyer. An approximate cost is \$1500 to \$2000.

**Title Insurance:** Your lender will probably require that you have title insurance to cover the amount of the financing they are providing, but in most cases your lawyer will recommend that this insurance should cover the entire purchase price. It provides piece of mind that you have protection against fraud, survey errors, encroachment issues, undisclosed liens and anything else that may call into question your absolute ownership of the property. It may also protect you against changes to the home without proper permits. An approximate cost is \$250 to \$400 and may be included as part of the legal fees package.

**Property Insurance:** Your lender will insist that you demonstrate that the property will be insured in your name on the Completion Date before they will advance any funds. The cost of

the insurance premium will depend greatly upon the value of the property and the package you decide is best for you.

**Mortgage Broker Commission:** Although it's usually the lender, if you are using a mortgage broker, it's always best to get confirmation on who is paying for their compensation.

**Property Survey:** This may be required by the lender, or you may be able to get a copy of a recent survey that will suffice. Your REALTOR® can help with this. The usual cost range for a new survey is \$1000 to \$2000.

**Provincial Land Transfer Tax (PLTT):** In all areas of the province, except for Toronto, there is a single PLTT, and it is a sliding scale based on the purchase price. A quick and easy way to estimate that cost is use the highest level, 2% for homes costing less than \$2M, but if you want to get an accurate number, go to <http://www.landtransfertaxcalculator.ca/> This cost cannot be included in the mortgage amount. There is a PLTT rebate available for first time home buyers of up to \$4000.

**HST:** Generally, HST is only applied to newly constructed or significantly renovated homes. There are both federal and provincial rebate programs available. Since there are several types and tax rates that are involved, it's best to discuss this with your REALTOR®.

## DISCUSSION ON CLOSING COSTS

**Non-Resident Speculation Tax:** This tax applies to purchases made by those who are not classified as “citizens” or “permanent residents” of Canada. The legislation is complex, so if you think this might apply to you, it’s best to discuss this with your REALTOR®. This cost cannot be included in the mortgage amount.

**Tarion Warranty Fees:** This charge will only apply to newly constructed homes and is based on the total purchase price of the home as provided on the builder’s contract or the Agreement of Purchase and Sale. For a \$600K home, the cost will be about \$1275. It may be included in the purchase price, or it may be detailed in a statement of adjustments by the builder.

**Property Tax Adjustment:** In most cases, the municipality will have collected property taxes from the current owner for the calendar year ahead of the Completion Date of the transaction. As the Buyer, you will be required to reimburse the Seller for the property taxes for which they have paid but no longer own the property.

**Utility Adjustment:** The Seller may have prepaid for some costs of utilities and, depending upon the way the Agreement of Purchase and Sale is written. As an example, if the property uses oil or propane as heating fuel, the Seller is obligated to transfer the property with the tanks full, and you may be required to reimburse them for a full tank at the current market price of the product.

**Condominium Fee Adjustment:** The Seller may

have already paid for some portion of the Condominium Fees. You will be required to compensate them for the time for which they have paid but no longer own the property.

**Mortgage Insurance:** In many instances, your lender will insist on having an “insured mortgage”. That currently ranges from 0.6% to 4.5% of the mortgaged amount. This cost can be added to the mortgage amount. However, since this is “insurance”, there is a Provincial Sales Tax (PST) that applies in Ontario at 8% of the cost of the insurance. This PST cannot be included in the mortgage amount.

**PST:** In addition to the PST on the mortgage insurance premium, PST can also be applied to chattels purchased from the Seller, such as appliances, even though they will be deemed to be used. Your lawyer will advise you in more detail.

**Bridge Financing:** If you are moving from one home to another, there may be some bridge financing involved for those days when you effectively own 2 homes. Using bridge financing removes a lot of the stress around the move, but there is a cost involved. Speak to your lender to get clarification on the specifics as they apply to your situation.

## AFTER COMPLETION

**Moving Costs:** There will be moving costs, even if you have lots of helpers. These can include hiring professional movers, truck

rental, boxes and containers, rental of blankets and other moving equipment, in addition to food. You should bank on at least a \$1000 expense.

**Utility Connection Charges:** Most utility companies have connection charges that apply to setting up the services for a customer at a new address. If you are already a customer, these costs are relatively small, but if you are a new customer, they can amount to about 6 months of prepaid services.

**Redecorating Costs:** Although it is probably best to wait until you have some familiarity with the home and your surroundings, you will probably want to put your stamp on your new home within the first year of ownership. These costs can vary greatly.

**Repair, Maintenance and Renovation Costs:** There may be items that need your attention immediately after the Completion Date. Examples include roofing shingles, furnace and air conditioning systems. You may have also purchased the home with the intention of renovating some part of the home such as a kitchen bathroom or basement. These costs can be substantial and depending on your timetable and the urgency of the matter, it's best to get estimates for the changes you want make prior to committing to the property.

Your TrilliumWest professional is equipped to discuss these items in more detail.

