

Closing Costs

Closing costs are a list of charges your lawyer presents to you on the closing date of your home. Many people are surprised at the additional costs over and above the price of the home.

According to the CMHC and Genworth Financial you should have at least 1.5% of the purchase price for closing costs in addition to the down payment (have around 2.5% to be on the safe side). The costs vary among provinces and cities. Below you will find a brief explanation of these costs. Please note these are some of the closing costs you may encounter depending on your specific situation. Use this as a guideline then talk with your lawyer who can provide a more realistic estimate for your situation.



Appraisal Fee Generally Required with New Homes

An appraisal provides the lender with a professional opinion of the market value of the property. This cost is normally the responsibility of the homeowner and it can cost between \$100 - \$300.

Home Inspection Fee Generally Required with Resale Homes

A professional inspection of the home, top to bottom, is for the benefit of the buyer. A home inspection can cost anywhere from \$300 - \$400 and is well worth the investment. When hiring a home inspector make sure the inspector has liability insurance just in case they overlook something.

Fire Insurance

Mortgage lenders require a certificate of fire insurance to be in place from the time you take possession of the home. The amount required is generally the amount of the mortgage or the replacement cost of the home. This cost can vary on the property size, amount of coverage, the insurance company and the municipality. The cost can vary anywhere from \$250-\$600 annually for most properties.

Provincial Sales Tax on Mortgage Insurance

If your mortgage is insured, (CMHC or Genworth Financial), you will be required to pay the applicable taxes on the insurance premium on closing. While the insurance premium can be added to the mortgage amount, the tax must be paid at closing.

Land Survey Fee or Title Insurance Fee

A recent survey of the property is usually required by lenders. If one is not available the cost can range between \$600 - \$900 for a new survey. In lieu of the survey most lenders today will accept title insurance which can cost considerably less.

Legal Costs and Disbursements

Lawyers and notaries charge fees for their services involved in drafting the title deed, preparing the mortgage, and conducting the various searches. Disbursements are out-of-pocket expenses incurred during the process such as registrations, searches, and supplies.

Land Transfer Tax

Most provinces charge a land transfer tax payable by the purchaser. The amount varies depending on the province. Land transfer tax is based on the purchase price. First time home buyers purchasing a new or re-sale home may be entitled to a refund.



New Home Warranty

In most provinces new homes are covered by a new home warranty program. The cost to the purchaser for this warranty is approximately \$600 and should the builder default or fail to build to an agreed-upon standard the fund will finish or repair the deficiencies to a maximum amount. For more information on Ontario new home warranty visit <http://www.tarion.com>.

HST

HST is payable on the purchase of a newly constructed homes only. If you are purchasing a new home make sure you know who pays this, you or the builder. On the offer the purchase price will say "Plus HST" or "HST Included" and who gets any HST rebates. Many builders have included this cost into the purchase price so the buyer does not have to come up with it at closing.

Closing Adjustments

An estimate should be made for closing adjustments for bills the seller has prepaid such as property taxes, utility bills, and other charges. Any bills after the closing date are the responsibility of the purchaser. A lawyer will let you know what they are once the various searches have been completed.