

## CLOSING COSTS

Here is a list of the expenses typically incurred by the buyer of residential property.

### LEGAL FEES

Legal fees vary; ask your lawyer so you can budget accordingly.

Seller > **\$700 - \$800**      Buyer > **\$1,200 - \$1,300**

### ADJUSTMENTS

The annual real estate taxes will be apportioned to the seller and buyer as of the date of closing. If the seller has prepaid the taxes for the year, the buyer will reimburse a pro rata portion to the seller. If the property is heated by oil, the buyer will reimburse the seller for the value of the oil remaining in the storage tank on closing. The buyer's lawyer arranges for these adjustments with the seller's lawyer as part of the closing process.

### LAND TRANSFER TAX

This is a sales tax charged by the provincial government. The formula used to calculate this is as follows:

- **0.5% of the value up to \$55,000**
- **1.0% over \$55,000 up to a maximum of \$250,000**
- **1.5% over \$250,000 up to a maximum of \$400,000**
- **2.0% over \$400,000**

Budget for approximately 1% when purchasing a home (depending upon the price).

*Examples:*

- \$100,000 purchase price > \$725 in land transfer tax
- $(\$55,000 \times 0.5\%) = \$275 + (\$100,000 - \$55,000 = \$45,000 \times 1\%) = \$450 > \$275 + \$450 = \$725$  in Total
- \$200,000 purchase price > \$1,725 in land transfer tax
- \$300,000 purchase price > \$2,975 in land transfer tax

### SALES TAX ON CHATELS

Buyers are required to pay the provincial sales tax of **8%** of the value of any chattels (fridge, stove, etc.) included in the purchase price.

### PROPERTY INSPECTION REPORT

Before you buy a property, it is wise to have it inspected by a qualified professional property inspector. The inspector will provide you with a written report for approx. **\$450** (depending upon the inspector and the size of the property).

## **MORTGAGE FINANCING FEES**

Many mortgage companies charge appraisal and processing fees of several hundred dollars. If you are borrowing more than 75% of the property's value ("high ratio financing"), there will be mortgage insurance premiums added to the face amount of the mortgage.

## **MORTGAGE DISCHARGE PENALTIES**

If the buyer is discharging a mortgage on the property he/she is selling, there may be early discharge penalties amounting to **3 months' interest** on the mortgage to be discharged. The mortgage company may be prepared to waive all or part of the early discharge penalty if the buyer agrees to mortgage the new property with the same mortgage company – ask if your existing mortgage is “portable”.

## **SURVEY**

You may want a new survey, or your mortgage company may require one in order to advance the mortgage funds. Surveys are **\$900+**, depending upon the size and configuration of the property.

## **TITLE INSURANCE**

Most mortgage lenders are prepared to accept title insurance instead of a survey. A Title Insurance policy costs about **\$250 – \$300** for most residential properties depending on the value of the property.

## **DISBURSEMENTS**

When your lawyer closes the purchase, he/she will have to pay a variety of expenses for you. Such disbursement costs include fees for registering the deed and mortgage, building and tax certificates, hydro and water status reports, etc. On a standard residential purchase, these costs will cost **\$300 - \$500** and will be billed to you by your lawyer upon closing.

## **MOVING COSTS**

Moving costs vary depending upon the distance moved and the weight and volume of possessions moved. It is wise to get an estimate from more than one mover and to book your mover well in advance. Average moving costs for a typical 3 bedroom home are **\$900 – \$1,200**, which includes a 3 person crew and a moving truck.

## **UTILITIES**

All services request that you notify them on line or by telephone between 3 - 7 days prior to your change in address, and new connection service can take longer. Contact your service provider about time requirements and any transfer fees.

## **INSURANCE POLICIES**

Closing insurance policies or home warranty policies are **\$330 – \$550**. You will also need property insurance and occupier's liability insurance. Contact an insurer well in advance of closing in order to ascertain the costs, and to have the policies in place on the closing date.

## **CLOSING COSTS**

### **CONDOMINIUM PURCHASE**

A Status Certificate costs **\$100 – \$150** + photocopying, and includes all important documents concerning the financial affairs of the condominium corporation, as well as the by-laws and the rules that owners are required to abide by. Condominium owners pay a monthly maintenance fee to the condominium corporation. This fee will be apportioned between the seller and the buyer as of the date of closing.

### **RENTAL PROPERTY PURCHASE**

If you are buying a tenanted (investment) property, any prepaid rents will be accounted for as part of the closing process. If the seller has collected the last month's rent, which is standard, you will be credited with that sum on closing. If you are purchasing a rental property in Waterloo, you will need to pay for an annual license, the cost for which will depend upon how many bedrooms are being rented out.

### **RURAL/RECREATIONAL PROPERTIES**

Water quality and quantity, the condition of the septic system, road access, and availability and cost of municipal services (e.g. garbage collection, schools, busing, road maintenance) need to be fully investigated by the buyer prior to making a purchase. You may be required to pay fees for the water quality and quantity tests, or for a professional assessment of the condition of the septic system.

### **NEW HOME PURCHASES**

HST (13%) sales tax imposed by the Federal/Provincial government on new homes, as well as most other goods and services. It is not applied to purchases of resale ("used") homes. Many builders include the HST in the purchase price. Make sure that the issue of who pays the HST is resolved in the Agreement of Purchase & Sale. There may be additional costs for a wide variety of items, including paving of the driveway, landscaping, etc. On some new home purchases, the bill for these "extras" can be thousands of dollars.

### **REAL ESTATE COMMISSION**

In some cases, it is in the buyer's best interests to pay the real estate broker's commission directly instead of having the seller pay it. By taking the commission out of the purchase price, thereby lowering the purchase price, both the land transfer tax and the commission (if it is a percentage of the purchase price) are lower, saving the buyer money.