



DENNIS LAROCQUE (613) 985-0660

SALES REPRESENTATIVE

CLOSING COSTS: THE BUYER

Closing costs are the fees which you, as a BUYER, must pay when purchasing a home in Ontario. These are fees which are normally payable in full on the day you get the keys to your new home (the “Closing Day”). Here is an outline of what you should expect:

1. PURCHASE PRICE

Purchase price (from offer) less the **deposit** you have made with the offer. This would be comprised of the balance of your down payment, plus the mortgage loan funds from the bank.

2. HOME INSPECTION FEE

This one is actually due before closing... if you are doing a home inspection as part of your offer, costs for this generally range from \$300.00 - \$500.00, and you must pay the Home Inspector on the day he or she does their inspection.

3. APPRAISAL FEE

Your bank lender will arrange an appraisal of the property at your expense, prior to advancing any mortgage loan. Approximate cost: \$250.00 - \$350.00.

4. LEGAL FEE FOR PURCHASE OF HOME

Lawyers may advertise a “basic” fee, but will then add additional charges to pay for the various components of your purchase. Once these additional fees are included, which include such items as title search, registration, disbursements, photocopies, courier costs, etc., the total amount could range from \$1,800.00 - \$2,200.00 including HST.

5. TITLE INSURANCE

More and more lawyers are including title insurance as part of their fee. Once considered optional, Title Insurance is always a good idea as it protects you against identity theft, typographical errors and much more for as long as you own the home. Cost is a one time fee, approximately \$450.00.

6. ONTARIO LAND TRANSFER TAX

This is the tax that must be paid to the Province of Ontario on registration of a Deed. The rate of tax is based on the price of the home purchased. The calculation is as follows:

- Under \$250,000.00: Purchase price x 1% less \$275.00
- Over \$250,000.00: Purchase price x 1.5% less \$1,525.00
- Over \$400,000.00: Purchase price x 2% less \$3525.00
- **Note:** If you are a first time home buyer in Ontario you are eligible for an instant refund of the provincial land transfer tax up to \$2,000.00. Any tax amount due over that you must still pay.
- If you are purchasing a home in the City of Toronto, there is a second, additional tax.

Toronto Land Transfer Tax amounts are similar to the provincial tax. You are exempt from this tax if you are a first time buyer and the purchase price is less than \$400,000.00.

7. ADJUSTMENTS

These are utilities, taxes, condo maintenance fees, expenses that the Seller may have prepaid and which they get reimbursed for. For example, if the property is heated by oil or propane, the Buyer will be required to reimburse the Seller for the value of the oil/propane left in the storage tank. Another example, if the Seller has prepaid their municipal property taxes through to the end of the year and your closing date is 60 days before the end of the year, then the Buyer must be reimbursed the Seller the difference. The Buyer's lawyer arranges for these adjustments with the Seller's lawyer as part of the closing process.

8. MORTGAGE INSURANCE

CMHC - Canada Mortgage and Housing Corporation. If your down payment is less than 20% of the total purchase price of the home, Canadian banking regulations require that you pay a mortgage loan insurance premium to protect the Lender. This premium can be several thousand dollars, but it then allows you to buy a home for as little as 5% downpayment. These fees can be prepaid up front, but they are usually added to the mortgage loan amount, adding a relatively small amount to your monthly carrying cost.

9. PST ON CMHC PREMIUM

Even though the CMHC Mortgage Insurance mentioned in #8 can be rolled into your monthly mortgage payment, there is PST tax which is assessed on the CMHC premium, and this PST amount must be paid in full at Closing. For example, if the CMHC fee is \$5,000.00, you don't have to pay that fee today - it is typically added to your total mortgage loan, resulting in a small increase in your monthly payments, but there is PST to pay on it. PST in Ontario is currently 8% which, for this example, would be \$400.00, paid to your lawyer on Closing day.

10. CMHC APPLICATION FEE

This application fee ranges from \$75.00 - \$235.00.

11. INTEREST ADJUSTMENT

Monthly mortgage payments are due on the 1st of the month. Unless the closing date is the 1st, you must repay the amount of the interest accruing up to the 1st day of the following month, which is the Interest Adjustment Date. For example, if the closing date is March 15th but, the IAD is April 1st, interest from March 15th to the 31st must be paid.

12. HOME INSURANCE

All lenders will require you to have home insurance on your freehold property, before they will advance your mortgage loan funds (needed for Closing). Basic home insurance for an average house can range from \$600.00 - \$700.00 per year, and many insurance companies will require that you pay the entire year's premium up front. If you are buying a condo, the good news is that the building insurance is already included with your condo maintenance fees; nevertheless it is also a good idea to get contents insurance for your unit, covering fire and theft.

13. LIFE INSURANCE

Many lenders will require that you have a Life Insurance policy in effect before they will advance your mortgage loan funds (needed for Closing).

14. MOVING COSTS

Moving costs vary depending upon the distance moved and the weight and volume of the possessions moved. It is wise to get an estimate from more than one mover. It is also wise to book your mover well in advance of Closing.

15. CONDOMINIUM PURCHASE

There are some special costs involved with a condominium purchase. For example, you will want a Status Certificate, which includes all important documents concerning the financial affairs of the condominium corporation, as well as the by-laws and rules that owners are required to abide by. The Status Certificate costs \$100.00 plus photocopying. Also, a condominium owner pays a monthly maintenance fee to the condominium corporation. The fee will be apportioned between the Seller and the Buyer as of the date of Closing.

16. NEW-BUILD HOME PURCHASES

The biggest extra cost that attaches to new-build home purchases is HST. HST is a 13% sales tax imposed by the federal 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. Read your contract carefully. There may be additional costs for a wide variety of items, including paving of the driveway, landscaping etc. On some new-build home purchases, the bill for these "extras" can be thousands of dollars.