

MORTGAGE CLOSING COSTS

You've done your homework – saved your down payment, met with your mortgage broker and are pre-approved for a mortgage, connected with a reputable realtor, and chosen a lawyer. You're off to a great start in the purchase process. As you move forward, keep in mind that you'll also be covering a few extra costs in addition to legal fees when your purchase is finalized. Being prepared for these "closing costs" in advance avoids last minute stress.

New homes are subject to GST, but used homes are not. There are rebates and exemptions available, so your lawyer will calculate your tax payable. This can be added to your mortgage.

If you are putting the minimum 5% required to buy your home, your mortgage professional will explain that you need to have 6.5% on hand to cover your closing costs. It is a good idea to gather estimates of these fees and expenses so that you are fully prepared.

You will normally sit down with your lawyer at least a week before your purchase completes to sign all of the required documentation. At that time you will need to provide a draft or certified cheque to cover the balance of your down payment and closing costs. The following list covers typical expenses you'll encounter when your purchase is completed or "closed":

MORTGAGE DEFAULT INSURANCE

Mortgage insurance Mortgage default insurance, commonly referred to as **CMHC** insurance, protects the lender in the case the borrower defaults on the mortgage. Mortgage default insurance is required on all mortgages with **down payments** of less than 20%, which are known as high ratio mortgages.

LAND TRANSFER TAX

Some provinces levy this tax whenever real estate changes hands. This tax is calculated as a percentage of the purchase price of your property, so the more expensive the property, the larger the amount of tax paid. First time home buyers may be exempt from paying all or part of the property transfer tax. Exemptions are also available on newly-built home purchases.

In BC, the tax is charged at a rate of:

- 1% on the first \$200,000,
- 2% on the portion of the fair market value greater than \$200,000 and up to and including \$2,000,000, and
- 3% on the portion of the fair market value greater than \$2,000,000.

For example, if the fair market value of a property is \$450,000, the tax paid is \$7,000.



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HOME INSURANCE

This insurance, especially fire, must take effect from the moment you are the owner of your home. Certain types of properties can be more challenging to insure, so it is a good idea to do some research prior to purchasing a home. Home insurance typically costs around \$1200 per year but costs will vary depending on the type and location of the property. This insurance must be renewed annually, and most insurance companies provide the option of monthly payments.

HOME INSPECTION FEE

This is a fee payable to an inspector you hire to check out the physical structure and mechanicals of your house before you decide to buy it. Again, it is a good idea to do your research before hiring a home inspector. Your realtor may be able to recommend someone, or you can check with friends or family to see who they have used. A good home inspector will spend about 3 to 4 hours going over your home, then spend time with you explaining his / her findings. Inspectors provide a written report documenting any concerns that need to be addressed. You can expect to pay between \$400 and \$500 for an inspection.

APPRAISAL FEE

Your lender may require an appraisal to confirm that the property is accurately valued. The cost of the appraisal is sometimes passed on to you. Depending on the location and complexity of the property, an appraisal can cost anywhere between \$300 and \$1,500. If your down payment is less than 20%, some lenders use an automated system to value the property – in this situation an independent appraisal is not required.

SURVEY

A legal survey of your land – its borders, perimeters, house placement, etc. – is sometimes required by the lender, and will be performed by a professional surveyor. A typical survey can cost approximately \$1000. More commonly lenders require title insurance instead of a survey.

TITLE INSURANCE

This covers any number of oddball situations that could threaten the title to your property. Title insurance is mandatory with most lenders and is much less costly than a new survey. Title insurance typically costs about \$250.

Homebuyers can purchase a personal policy in addition to the policy mandated by the lender. The additional policy covers many unusual circumstances and is relatively inexpensive if the two policies are purchased together.

LEGAL FEES AND DISBURSEMENTS

It is a good idea to comparison shop as legal fees can vary from one lawyer to another. Ask for a written quote to get a better idea of how much legal fees will be. On a straightforward purchase, legal fees typically run about \$1200.

Your lawyer will also calculate any money you'll need to refund to the seller that has already been paid out on your behalf. These adjustments include portions of municipal property taxes for the months you'll own the home, utility bills paid in advance, etc.



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MY MORTGAGE CLOSING COSTS:

Purchase Price		\$ _____
Downpayment		\$ _____
Balance of purchase price (mortgage amount)		\$ _____
Legal fees (1)		\$ _____
Title Insurance (2)		\$ _____
Adjustment for property taxes, city services, etc. (3)		\$ _____
Mortgage Insurance	(added to mortgage)	\$ _____
Property Transfer Tax (one time exemption)		\$ _____
Home Insurance		\$ _____
Appraisal Fee (may not be required if CMHC insured)		\$ _____
Home Inspection		\$ _____
Utility Hook Ups		\$ _____
TOTAL		\$ _____

(1) approximately \$1300 for a purchase plus GST

(2) approximately \$300 plus GST for title insurance

(3) annual property tax less home owner grant (if applicable)/365 x number of days till Dec 31/or until July 1

Property Transfer Tax 1% of the first \$200,000, 2% of the balance to \$2,000,000 and 3% above that; exemption may apply for First Time Home Buyers or New Builds



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My Notes:

Lawyer Name and Contact Info

New Address and Postal Code



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