



# Closing costs shouldn't take you by surprise

You've come up with a down payment, searched for a good lawyer, and have found a reputable mortgage broker. Well done! You're off to a great start in the house purchase process. Keep in mind that you'll also be facing – in addition to the expected legal fees and moving costs – a few extra payouts when the final deal is done. Knowing about these “closing costs” in advance soothes their sting. The following list covers typical costs you'll encounter when your purchase is completed or “closed”.

## REIMBURSEMENTS

You'll need to refund the money that the seller has already paid out on your behalf: expenses that are now fairly and rightfully owed by you, the new homeowner. In your lawyer's office, on closing day, you'll definitely run into those famous last words: “subject to the usual adjustments”. Typically these adjustments include portions of municipal property and school taxes for the months you'll be resident, utility bills paid in advance, fuel oil that you will be using – that kind of thing. These expenses would have to be paid by you anyway, so they are fair.

## LAND TRANSFER OR SIMILAR TAX

Your province levies this tax whenever real estate changes hands. The amount of this tax is a percentage of the purchase price of your property, so the more expensive the property, the bigger the tax. Ask about Transfer Taxes in your province or the province you are moving to for full details..

## HOME INSURANCE

This insurance, especially fire, must take effect from the moment you are the owner of the home. It's all about protecting the investment for the lender – and in this case it works for you too.

## MORTGAGE LIFE AND DISABILITY INSURANCE

This is an especially good idea for young parents or anyone else with dependents. If anything should happen to either one of you, your home ownership won't be in jeopardy. The mortgage would be paid in full – immediately – on your behalf. You'll appreciate and need this peace of mind in a time of crisis, and you'll save your family the extra burden of wondering if they would need to sell their home (even while they're coping with a loss). Your broker can often help you find a policy that works for your situation.

## HOME INSPECTION FEE

This is the fee you owe the inspector you hired to check out the physical structure and mechanicals of your home before you decided to buy it.

## HOME APPRAISAL FEE

Your lender requires this appraisal before they hand over any mortgage money. Naturally, they want to be assured that the property is worth an investment of their monies, and naturally, the cost of this appraisal is passed on to you, the customer. This fee normally ranges between one and two hundred dollars – dependent upon location and complexity of the property.

## 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. If you're lucky, a recent survey is already available; if not, a typical survey can cost you up to one thousand dollars. In the last few years, lenders have accepted title insurance (highly recommended anyway) in lieu of a survey document. Which brings us to...

## TITLE INSURANCE

This covers a myriad number of situations that could threaten your title to the property. Title insurance is much less costly than a new survey, for example, and would cover most survey concerns anyway. Most homebuyers now look at title insurance as a great way to protect their biggest investment!

## DON'T FORGET GST

This tax is charged on all professional fees. There is no GST on the purchase price of a resale home.

## LEGAL FEES AND DISBURSEMENTS

Speak to your lawyer about their fee schedule. Typically between \$1,000 & \$1500.

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