



“Home Cents[®]” Help Tips

Don't Forget the Closing Costs When Buying A Home

Buying your first home is an exciting process. You determined how much home you can afford, you saved your down payment, you and your REALTOR[®] found the perfect home and your offer was accepted. While the purchase price of your home is the largest cost you will encounter, there are other costs to prepare for when buying a home.

It's a good idea to budget some extra cash to cover the cost of obtaining a mortgage and "closing" your real estate transaction. Here are some of the extra cost items you should consider:

Appraisal fee

Mortgage lenders will usually loan a percentage of the home's purchase price or the market appraisal of the property, whichever is lower. The appraisal is either done by someone on the lender's staff or by an outside professional approved by the lender. The cost of the appraisal is most often the responsibility of the home buyer.

Application Fee

Find out whether or not your lending institution charges to process your mortgage application. In many cases, if you are dealing with a bank that you have other accounts with, they will waive the application fee.

Land Survey Cost

Lenders require a plot plan or survey of the property you intend to buy. On properties located in subdivisions in urban areas, lenders will often accept an existing survey, depending on when it was done. However, if there is no existing survey, be prepared to pay a substantial fee for a new survey.

Title Insurance

In most cases, lawyers will recommend and or encourage their Buyer clients to purchase "Title Insurance" for the property. While Title Insurance does not take the place of a survey, it will ensure that you have clear title to the property in the event there are any encroachments or issues that a Buyer could be faced with in the future.

Home Inspection Fee

Many homebuyers choose to have a home inspection done prior to finalizing their offer to purchase. Some lenders require a professional home inspection as well.

Legal/Lawyer Fees

You will need to pay your lawyer to arrange your mortgage as well as for "disbursements" such as title search, drawing up the title deed and preparing and registering the mortgage.

Ontario Land Transfer Tax

This tax is payable by anyone who purchases property in Ontario. A REALTOR[®] or lawyer can help you calculate how much tax you will pay on your purchase.

HST

If you are buying a new home, you will be required to pay Ontario's Harmonized Sales Tax of thirteen percent on the price of your home. HST does not apply to most resale homes **but there are exceptions.**

Insurance

There are several types of insurance that may be required when buying your home. If you are arranging a "high-ratio" mortgage (less than 25% down payment) you will need to purchase mortgage insurance. Mortgage lenders require you to carry fire and extended coverage insurance that exceeds the amount of the outstanding balance of the buildings. Other insurance you may want to consider include title insurance and life insurance.

Other Costs

You will likely have to make property tax adjustments and interest adjustments on utility bills, heating oil etc. Ask your REALTOR[®] to explain these additional costs so you have no surprises on closing day.

Maintenance & Utility Costs

Finally, be sure to budget for heating, electricity, water and any immediate renovations you may have planned. It's a good idea to put aside any spare cash and contribute regularly to a maintenance fund so you will be prepared for any repairs or upgrades you need to make along the way.

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