

CLOSING COSTS

WHAT ARE CLOSING COSTS?

Closing costs are the fees associated with the purchase of your home that is in addition to the actual purchase price, such as legal fees and disbursements, land transfer taxes and moving expenses. The actual detailed closing costs are unknown until very close to your closing date as there are details from the seller and their lawyer among other things that may not be confirmed until very close to closing. The guideline is approximately 1.5% of the purchase price but it may be higher or lower based on the specifics of your situation. Please note that for CMHC (Canada Mortgage and Housing Corporation), Canada Guaranty and Sagen insured mortgages, you must provide evidence of available cash for closing costs equal to 1.5% of the purchase price so they know you will have enough money for the extra costs at closing. Below we break down what is included.

LAND TRANSFER TAX

This tax is payable on the purchase of all real property in Ontario. The calculation can be found here: <https://www.ontario.ca/document/land-transfer-tax/calculating-land-transfer-tax> for properties inside Toronto there is an additional Municipal Land Transfer tax that the calculation can be found here: <https://www.toronto.ca/services-payments/property-taxes-utilities/municipal-land-transfer-tax-mltt/municipal-land-transfer-tax-mltt-rates-and-fees/>

First Time Buyer Rebate -

Most first-time buyers are exempt from or receive a discount on these taxes if they meet certain criteria and always confirm with the lawyer you are using for the purchase. The main criteria are:

- Borrower has never owned a principal residence anywhere in the world.
- Must be a Canadian citizen or permanent resident and residing in Ontario for a minimum of 12 months.

More information go here: <https://www.ontario.ca/document/land-transfer-tax/land-transfer-tax-refunds-first-time-homebuyers>

LEGAL FEES

Legal representation will cost you approximately \$1100 for a purchase and a mortgage, add another \$900 if you are selling a property at the same time. The lawyer sets their own pricing, but this is the approximate range you should expect.

INTEREST ADJUSTMENT EXPLANATION:

The interest adjustment date is the date from which your lender starts calculating the interest you'll pay. It's basically the date on which the term of your mortgage really begins. Interest adjustment generally takes place on the 1st day of the month after the



completion date. For example, if your completion date is June 20th and you choose the monthly payment frequency option, please see the dates:

- Completion date is June 20th.
- Interest adjustment date is July 1st.
- First full payment date is August 1st.

TITLE INSURANCE/SURVEY CERTIFICATE

A bank will either require title insurance or a survey certificate. The majority of banks are now requiring title insurance and the lawyer or notary you choose will be able to explain the differences and go over pricing.

PROPERTY APPRAISAL

The property is evaluated by a professional appraiser to determine the market value of the property. This is done on conventional mortgages (down payment is 20% or greater, private transactions and properties to be used for investment purposes. This is to ensure that:

- The lending institution is not over-lending on the property and
 - To protect the borrower from overpaying. Generally, a standard residential appraisal will cost \$375.
 - The property is in good condition with no deficiencies or issues with structure, mould, etc.

PROPERTY INSPECTION

An inspection is a thorough evaluation of the structure, systems, and components of a home. The inspection report is usually multi-paged, and comments on the condition of, but not limited to foundations, electrical, plumbing, heating, water heaters, appliances, fireplaces, drainage, roof, walls, floors, attic, crawl spaces, patios, etc. This report is for the sole benefit of the buyer and is not required by the bank.

PROPERTY TAX ADJUSTMENT

Generally, property taxes for the calendar year are paid at the beginning of July. If you purchase a property before July 1st, the seller will be paying you for the days they owned the home from January 1st to the completion date.

You then are responsible for the entire amount to be paid to the municipality on July 1st.

If you purchase a property after July 1st, you will pay the seller for the days you own the property from completion day to December 31st, as they will already have paid the entire amount to the municipality on July 1st.



To calculate this amount: one day's taxes on owner-occupied properties are the annual taxes, less the \$570 (estimate) homeowner grant, divided by 365.

INSURANCE BINDER

This is a requirement by the bank to ensure that the borrower has arranged sufficient insurance to cover any losses that may be incurred on the purchase. The lender will typically provide a specific address they want this to be sent to your lawyer. Proof of coverage by way of an insurance binder supplied by the insurance agent.

FIRE INSURANCE

The mortgage lender will insist that you purchase an insurance policy which guarantees that, in the event of a fire, the home will be rebuilt to a standard that ensures the bank's collateral is not in jeopardy. Fire insurance is normally applicable to only houses and not strata units (i.e., townhouses and condos).

****PLEASE NOTE:***

Lenders will want proof that you have at least 1.5% of the purchase price for closing costs. This is not how much they will be, but rather a generic estimate.

You can also use our app to estimate closing costs at different price points. It is free and can be downloaded here:

<https://www.maapp.ca/app/denise-laframboise>

Every home will have different costs associated with purchasing it.

**Closing costs are estimated only and may be higher or lower than estimated. Please contact your lawyer/notary to verify.*

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