

Closing and Additional Costs

Closing costs are those charges that your lawyer presents you with on the closing date of your home. They are typically NOT covered by the financing arrangements, and you must have additional funds on hand to cover these costs at closing.

The following provides an example and a brief explanation for these costs. Please note these are only a guideline of the closing costs that you may encounter. Use them to prepare a rough estimate and then review your budget and circumstances with your lawyer and your financing institution - they can provide more accurate estimates for your situation. All rates and amounts shown are approximate and are subject to change.

Closing Costs - Example for a High Ratio Mortgage

Purchase Price: \$350,000

Down Payment: 5% = \$17,500 (A higher down payment will reduce the CMHC premium)

CMHC Premium: \$9,500 approx. (Based on 5% down. Rates may vary. See www.cmhc-schl.gc.ca)

Principle to be financed: Purchase Price + CMHC Premium, less your Down Payment = \$342,000

An estimate for closing costs would be: (some figures are rounded up)

- PST on CMHC Premium: \$550
- Ontario Land Transfer Tax: \$3,725 (See table below)
- Within City of Toronto - Municipal Land Transfer Tax: \$3,225 (See table below)
- CMHC Application: \$200
- Home Inspection: \$375
- Appraisal Fee: \$350
- Legal Costs: \$800 - \$1,200 (can vary depending on Mortgage's and deal complexity)
- Title Insurance: \$300
- Closing Adjustments: \$350 +/- or more
- Home & Fire Insurance: \$50/ mo. or \$600 for the year
- Interest Adjustments. Will depend on closing date within the month
- Status Certificate Fee : \$100 - applies only to Condominiums

Estimated Total: For a \$350,000 home, roughly \$8,000 or about 2.3% of the purchase price. 2.5% is often used as a handy "quick budget" figure. In Toronto the total would be about \$12,000 or 3.5% of the purchase price. (Some estimates will increase significantly with more expensive homes)

Further notes and variables:

- **Personal Expenses.** The above does not include for other costs which will arise such as phone, internet and cable installation/set-up fees, your moving costs or for new furnishings, appliances, household goods and personal expenses. You should have extra cash to cover such costs.
- **Property Taxes.** If the seller has pre-paid their taxes for the year in February and you take possession in August then you will also have to pay the seller the remaining portion of the pre-paid taxes for the balance of the whole year. Make enquiries of your lawyer should this be of concern.
- **Closing Adjustments** An budget should be carried for closing adjustments for bills that the seller has prepaid such as property taxes, utility bills, fuel and other charges. Any bills after the closing date are the purchaser's responsibility, including any portions prepaid by the previous owner. While these can vary widely, carrying \$350 provides some cushion for most situations.
- **Mortgage Interest Adjustments** Typically mortgage companies will start payments on the 1st or 15th of the month. If you close on a date earlier than these, a per diem adjustment will be made at closing to cover the payments before the regular payment schedule starts.
- **Utilities.** Some utilities may want a deposit of several hundred dollars on a new account which they hold for a year, and then apply to future charges.
- **Appraisal Fee.** Typically required with new homes, new mortgages or when refinancing a home. The appraisal provides a professional opinion of the market value of the property to the lender. Cost for an appraisal will typically range between \$150 to \$350. Banks will sometimes waive the appraisal fees as a promotional bonus.
- **Home Inspection Fee.** A professional inspection of the home can alert you to many problems not readily apparent to the average person. Home inspections can cost anywhere from \$300 - \$400 and are well worth the investment. Ensure that the inspector has liability insurance.
- **Home and Fire Insurance.** Mortgage lenders will require that insurance be in place before they will allow funds to be advanced. Allow about \$500 for smaller homes.

- **Land Survey Fee or Title Insurance Fee.** In the past, the lender required a current survey of the property and it is still a good idea to have one, if/when available or if required. A new survey can cost about \$1,200 - \$1500. (Contact John or Liz Stevenson if you require one – we have a databank source and may be able to obtain an archived survey for far less) Almost all lenders today will accept Title Insurance instead of requiring a survey, except under certain circumstances and this may provide additional protection against mortgage fraud, certain encroachments, boundary disputes, title defects and many other potential problems. (pre-existing known problems may be exempt from insurance) Allow about \$300 for homes under \$500,000.
- **Legal Costs and Disbursements.** Lawyers charge a fee for their professional services involved in drafting the title deed, preparing the mortgage, and conducting the various searches to ensure a marketable property. The disbursements, on the other hand, are out-of-pocket expenses incurred, such as registrations, searches, supplies, etc., plus any taxes payable (PST and GST) Legal fees can range from \$800 to \$1,200, and disbursements can add a few hundred dollars extra. You should obtain an estimate for fees and disbursements from your law firm before retaining them.
- **Land Transfer Tax**
The following calculations are provided as a guideline and convenience only. Buyers should confirm all calculations with their lawyer before relying on these guidelines.

The following Table provides the schedule for calculating Land transfer tax on non-commercial properties. The Municipal Tax applies for properties within the City of Toronto which were sold with offers dated on or after Jan 1, 2008. For the MLTT only, a rebate for first-time purchasers of a newly constructed or re-sale residential property with two or less single-family residences up to a maximum of \$3,725.00.

Value of Consideration	Ontario LTT	Municipal LTT Rate
Up to and including \$55,000	0.5% plus	0.5% plus
Over \$55,000.00 to \$400,000		1.0% plus
Over \$55,000.00 to \$250,000	1.0% plus	
Over \$250,000.00 to \$400,000	1.5% plus	
Over \$400,000	2.0%	2.0%

- **Ontario Land Transfer Tax – Alternative quick calculation method:**

This tax is based on the purchase price:

- For properties under \$55,000 , LTT is 0.5%
 - For properties \$55,001 - \$250,000, LTT is 1.0% x the Selling Price, less \$275
 - For properties \$255,001 - \$400,000, LTT is 1.5% x the Selling Price, less \$1,525
 - For properties over \$400,000, LTT is 2.0% x the Selling Price, less \$3,525 (plus a surtax on single family and duplex residences of 0.5% on the Selling Price over \$400,000)
- **Tarion New Home Warranty Program.** All newly constructed homes (on new foundations) are required by Ontario laws to be covered by a Tarion New Home Warranty Program. The cost to the purchaser for this warranty can be around \$600 or more. When buying a newly constructed home, always make enquiries as to the registration status of the builder and the home. Certain exemptions apply. See www.tarion.com
 - **Mortgage Application and Processing Fee** on a high-ratio insured mortgage (mortgages above 75% of the purchase price), the mortgage insurer charges a fee of about \$200 for processing the file.
 - **Provincial Sales Tax** - 6% tax must be paid on the Mortgage Insurance premium. The Premium itself can be added to the mortgage amount, but the P.S.T. must be paid at closing.
 - **PST/GST** – taxes are applicable on appliances and chattels that are included in the sale of the property.
 - **GST on New Homes.** GST is payable on the purchase of a newly constructed home. Make sure you know who pays this, you or the builder. The offer should indicate that the purchase price is "Plus GST" or "GST Included", as well as who gets the GST new home rebate. Builders typically include GST in the purchase price, providing that your assign the rebate to them.
 - **GST** does not apply to resale homes is also charged on all professional fees (home inspectors, lawyers and Realtor fees, although the latter fees and taxes are typically paid by seller).

Disclaimer. The above information is provided as a convenience to assist buyers with the process of preparing a budget for their own circumstances. Each budget item should be verified with the individual suppliers of services. We cannot attest to the accuracy or completeness of this information as rates, information and circumstances can vary considerably.

(Comments welcome. Please provide any feedback to John Stevenson – 416 233 8657)