

CONSIDERING CLOSING COSTS

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 fee

Lenders require a plot plan or survey of the property you intend to buy. On properties located in subdivision 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.

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 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.

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.

GST

If you are buying a new home, you will be required to pay Goods and Services Tax of seven percent on the price of your home. GST does not apply to most resale homes.

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 your 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 and 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.