



Be prepared for closing costs

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO SUN

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Real estate is a tangible acquisition. Simply put, it's the only investment in which you can live, literally, while accumulating equity. Investment in home ownership not only offers shelter, it provides an environment in which memories are made as families are raised. To help prepare for this type of purchase, it is important to plan for closing costs to avoid any unexpected fees. If the mortgage loan you require is more than 80% of the purchase price or appraised value of the property, you must apply for a high-ratio mortgage, which is insured by the Canada Mortgage and Housing Corporation (CMHC) or Genworth Financial Canada.

There is a processing fee for your application and, provided that you're approved, the insurance will be provided at a fee of between 1 and 3.25% of the principal amount of the mortgage, depending on the percentage of your down payment and the amount you're borrowing. This cost can be paid up front or added to your mortgage. Canadian financial institutions exercise careful lending practices, and as part of this process, your bank may require that the home on which you're applying for a mortgage be appraised. The cost for this type of appraisal is approximately \$300. Your lender may also ask for a land survey prior to issuing a mortgage. If the seller cannot provide one, you may have to set aside approximately \$1,500 to have one undertaken. Given that the house serves as security on the mortgage, your lender will also require that you obtain insurance on your home and its contents.

A home inspection is an optional but wise expense for which to budget. Expect to pay approximately \$500 for this comprehensive report on the home's operating systems. If you're buying a condominium, budget an extra \$100 for an estoppel certificate. Closing costs also include land

transfer taxes, imposed by both the province and also by the municipal government in the City of Toronto. These costs vary depending on the purchase price of your home, but your Realtor can help determine the specific amount. If the seller has prepaid utility bills and taxes beyond closing, you will be required to reimburse them. It's also wise, of course, to budget for hook-up fees and moving costs.

Your lawyer will charge administrative and disbursement fees, as he or she is responsible for details like checking the property's title and issuing payments on your behalf. Your lawyer can also help obtain title insurance on your home, which protects against defects to the property's title and is a wise safeguard against fraud. There are numerous details involved in every transaction, and your Realtor will guide you through every step, providing for a seamless and worry-free transition. For more information, visit www.TorontoRealEstateBoard.com.

Maureen O'Neill is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.