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Understanding The Hidden Costs of Buying a Home

Purchasing a home can be a stressful experience for anyone, but especially for first-time buyers who may not be aware that there are a host of costs associated with buying a home other than the actual purchase price and real estate commissions. It helps to know what those costs are in advance rather than get an unexpected surprise at closing and add to an already stressful experience.



Many of the costs are a factor of the purchase price, the value of the home and/or the amount of financing you are obtaining.

Closing costs. These generally refer to legal fees, property tax and utility adjustment costs and, in some provinces, land transfer taxes.

Legal costs go to cover lawyer (notary in Quebec) fees and legal transactions such as reviewing the terms of the offer, preparing and signing a mortgage, conducting a title search on the property, registering a new title, obtaining relevant documentation and determining appropriate adjustment costs.

You should consider hiring a real estate lawyer to handle your transaction. If you don't have or know of a lawyer, your best referral source is family or friends, or through the law society in your area.

Land transfer tax. In some provinces this tax is levied when property changes hands. It varies with the purchase price of the property.

Other costs. Costs other than closing costs can include but are not limited to the following:

Property Survey. This is undertaken to verify the location of property's boundaries, measurements and structures and identify any easements, rights of way or encroachments on your, or adjacent properties. Title insurance is often an alternative to a property survey.

Interest Adjustments. This covers any interest accrued between the closing date of the purchase and the first regular payment date of the mortgage.

Goods and Services and Sales Taxes. GST and sales taxes will depend on the type of property being purchased. Always ask if either or both of these taxes apply before signing an offer to purchase.

Service Charges. These are charges to hook up utilities such as electricity, gas, and telephone service.

Home Inspection. It can be a good idea to have an inspection done before completing the purchase to evaluate the structural and mechanical condition of the property. This could save you lots of money in future repairs.

Appraisal fees. Some purchasers want to ensure they are paying a reasonable market price for the home they are purchasing. You may want to condition your offer subject to a satisfactory appraisal by a member of the Appraisal Institute of Canada.

Mortgage Life Insurance. Special insurance coverage to cover the cost of discharging your mortgage in the event of death or severe illness is available from most lenders.

Moving costs. Although it may sound obvious, purchasers may not consider moving as a cost of buying a home. Moving costs will depend on the distance of the move and the amount of furniture and goods to be transported. Get several movers in to give you an estimate before choosing one.

Appliances. Check to see whether appliances are included in the purchase agreement. If not, you will need to go out and buy them.

Landscaping, Fencing, Decks, etc. If purchasing a newly constructed home, keep in mind that there will likely be a need to landscape and fence the yard in the first year or two.

Annual maintenance. Homes like other possessions require care and maintenance to maintain their value. You need to plan for future painting, and replacement of any needed items like roof shingles, appliances, furnaces, depending on the age of the home you are buying.

CLOSING COSTS SAMPLE CALCULATION FORM

To assist you in preparing for closing costs, Dominion Lending Centres has created this document so that there won't be any surprises come closing time. Please contact me with any questions you have regarding any of the below items. Costs will vary.

\$ **Property Transfer Tax**

First Time Buyers are exempt in most cases

\$ **Legal Costs**

Sample costs are; actual legal fees, title filing, mortgage filing, insurance binder, form A certificate, out of pocket expenses etc.

\$ **Interest Adjustment**

This is the interest you will pay for receiving your mortgage money before the official start of your mortgage. (eg. if your "completion" were on the 23rd of a 30 day month, your interest adjustment would be 7 days interest)

\$ **Property Tax Adjustments**

Most municipal taxes are paid July 1st, for the calendar year

- If you purchase a property before July 1st, the **seller will be paying you** for the days they owned the home after January 1st, and you will pay the city.
- if you purchase a property after July 1st, the seller will have already paid the city and **you will pay the seller** for the days you own the property up to December 31st

\$ Property value **Appraisal** (*included if CHMC/Genworth insured*)

\$ Property condition **Inspection** (*optional*)

\$ Property survey certificate (*not required if condo or townhouse*)
Sometimes available from seller if they previously had a mortgage

\$ Fire Insurance (*not required for most condos or townhouses*)

\$ Moving Expenses and post office Change of Address and Mail Forwarding service

\$ Utility Connections (*telephone, electricity and gas, cablevision...*)

\$ Strata Costs Adjustments (*if applicable*)

\$ _____ **TOTAL**