

The Closing Costs

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Your closing costs are the cost not included inside the mortgage. Your solicitor (Notary/Lawyer) will calculate these fees and will do the adjustment at closing date.

1) Property Transfer Tax (PTT) only in Province of BC (for the other provinces please contact your lawyer) calculated as (2% x Purchase Price – \$2000)

First time home buyers exempts if purchase price is less than \$425,000

Example:

Purchase Price: \$500,000

Property Transfer Tax: $2 \times 500,000 - 2000 = \8000

2) The GST (5%) or now the **HST (12%)** for new homes is usually added to your purchases price so in this case it would not be as your closing cost.

3) Adjustment 1 – or Interest Adjustment, if your mortgage payments calculated not at the end of the month the interest adjustments will be calculated as of the interest of the days till next payments. This is usually less than a full monthly payment just for first payment.

4) Adjustment 2 – This included the following:

- Annual "**Property Tax**" Adjustment (if property tax is paid by seller for whole year, you have to pay your portion), this tax is paid usually once a year by the owner of the property. In city of Vancouver it is paid in 2 portions.

Example:

Assume you purchase a house in September which has \$3000 as property tax. The previous owner has paid it in full in July of the same year for whole year. You need to pay him back the portion that you own the property.

$\$3000/12 \times 10 = \2500

- **Maintenance Fee Adjustment** (Strata fee, where applicable which strata is involved like condo low rise or high rise and town houses), if closing is not end of the month

- **Water/Swage** (if it is paid by seller for the whole year) – Usually for a house it is estimated \$700 annually.

- **Due Assessment** (please read the assessment and all Strata notes)

5) Legal Fee (approximately \$1000) – Lawyer can charge between \$1000-\$1500

and notaries would be below \$1000. There are some items that can change the fees.

6. Land Survey Fee or Title Insurance Fee: A recent Survey of the property is usually required by the lender, and if one is not available, it normally costs anywhere from \$600-\$900 for a new survey. In lieu of the Survey, most lenders today will accept Title Insurance, at a much lower price of approximately \$250-\$300. Title insurance is to protect the bank/lender and buyer from title fraud. This fee may be included in your legal fees as the solicitor is responsible to order it.

7) Appraisal Fee (Approximately \$250 - \$350) – Usually ordered by the bank or the mortgage brokers.

8) Inspection Fee (Approximately \$400 if you need) – You can order that yourself with the referral from your realtor. This is to your benefit to do so as you know the defects of the home and either negotiate the price or have the seller to fix the problems or even it may affect your decision.

Usually the banks need to see you have the 1.5% of the purchase price as closing cost in addition to your down payment. This is mostly in case you are buying with less than 20% down payment which is called high ratio or insured mortgage. Remember this is an estimate and your closing cost can be higher amount. Usually the largest part of your closing cost is the property transfer tax.

After your closing date the lawyer or notary will give you a report called "Statement of Adjustment", this will have all your fees which include your closing cost.

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