



Closing Costs: Homes

Please keep in mind some of the costs incurred when buying a Home.

Land Transfer Tax:

One of the biggest costs to you and is calculated as follows:

- \$0 to \$55,000 x 0.005 (0.5%)
- \$55,001 to \$250,000 x 0.01 (1.0%)
- \$250,001 to \$400,000 x 0.015 (1.5%)
- +\$400,000 x 0.02 (2.0%)

High Risk Mortgage Insurance, CHMC:

- Down Payments less than 25% will be subjected to Mortgage Insurance. This amount is usually added to the mortgage and amortized over 25 years.
- PST (8%) tax on the Mortgage Insurance is not added to the mortgage so it is an additional cost.

Home Insurance:

- Content and 3rd party liability will vary with plan and insurance company. This is absolutely required if you have less than 25% down!

Legal Fees:

- The average closing is about \$1000.00 - \$1200.00.
- This includes cost of drawing up and registering one mortgage, preparing Land Transfer Tax Affidavit, searching title, provincial fees (\$150) and disbursements.

Home Inspection:

- Average home inspection costs between \$250.00 and \$400.00.
- This should include a check of all major systems, written report, and some type of "Home Book".

Survey or Survey Title Insurance:

- If a survey is required and is to be paid for by the Purchaser a cost of \$650.00 to \$1000.00 can be anticipated.
- Relatively new to the Canadian housing market is the concept of Title Insurance which can be purchased for much less (approximately \$250.00) and serves the same purpose as a survey.

Closing and Adjustment Costs:

- These are expenses or adjustments between you and the seller for things such as; taxes and utility bills.

Moving Expenses and service hook-up fees:

- Expense depends on moving distance and movers. Hook-up fees pertain to gas, water, cable, phone...



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Sample: Home Closing Costs: (valued at \$350,000):

As a general rule you can expect 1.7 to 2.2% of the purchase price in closing costs!

<u>Land Transfer Tax</u> =	$(\$55,000 \times 0.005) + (\$195,000 \times 0.01) + (\$100,000 \times 0.015) =$	\$3,725
<u>High Risk Mortgage</u> =		none
<u>Home Insurance</u> =		\$600
<u>Legal Fees + Provincial Fees</u> =	$\$1000 + \$150 =$	\$1150
<u>Home Inspection</u> =		\$385
<u>Survey or Survey Title Insurance</u> =		none
<u>Closing and Adjustment Cost</u> =		none
<u>Moving and service hook-up</u> =		\$800

Total = $\$3,725 + \$600 + \$1150 + \$385 + \$800 =$ **\$6,660** or **%1.9 Purchase Price**

(Note this is only a sample and does not pertain to a specific case!)

**PST (8%) tax on the Mortgage Insurance:
is not added to the mortgage so it is an additional cost if you require it.**

Mortgage Loan Insurance premiums range from .50% to 3.75% of the mortgage amount and are calculated based on the overall loan to value. For instance, borrowers with a 5% down payment, a loan to value of 95%, would pay a premium of 3.75% while those with a 20% down payment, a loan to value of 80%, would pay an insurance premium of 1.25%.

5% down would require a premium of 3.75%, using a price of \$350,000 the High Ration Insurance would be: $(\$350,000 - \$17,500 [5\% \text{ down}]) \times 0.0375 = \12468.75

\$12468.75 is applied to the mortgage however the PST is not and has to come out of you pocket; so that amount = $\$12468.75 \times 0.08 = \997.50

So in the example above if you have 5% down you would also require an additional amount of \$997.50 at closing.

This brings the grand total to $\$6,660 + \$997.50 =$ **\$7657.50** when only 5% down payment is applied!

Note: These are sample calculations and are not warranted to be 100% correct. Seek professional advice from a qualified Lawyer, Accountant or Financial Advisor on these matters.



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