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10 Closing Costs for Homebuyers

The journey to homeownership is an exciting one and being prepared for the costs that can arise, beyond just the downpayment will help make it an easier, and less stressful journey. Like, did you know that ahead of taking possession of your home, you're responsible for covering the closing costs?

Closing costs include all legal and administrative expenses you'll be responsible for paying in order to close on your home. It's important to include these costs in your homeownership budget because, in many cases, they can't be rolled into your mortgage payments. Closing costs can range anywhere from one to four percent of the actual home's price, depending on the specific property you plan to purchase. As a safe bet, set aside five percent of the purchase price as a buffer to cover these expenses. Any extra funds can then be allocated to help furnish and decorate your new home!

Here are 10 common closing costs to help you calculate your expenses and better prepare for your purchase:

1 Land Transfer Tax

Whenever you buy property, you must pay a Land Transfer Tax (LTT). The LTT is a provincial tax that all provinces have, except Alberta and Saskatchewan, who instead levy a small fee. The amount you pay depends on the province you live in and the value of your new home. Rates typically range between 0.5% and 2% of the home's value. This can add thousands of dollars to your purchase price. As a first-time buyer you're eligible for rebates on your LTT in Ontario, British Columbia and PEI.

2 Appraisal Fee

Your lender may ask you to have the home appraised to confirm its market value. An appraisal is an unbiased estimate on the value of your home that certifies the property's resale value to the lender in case you default on your mortgage.

3 Legal Fees and Disbursements

A lawyer or notary will help protect your interests by reviewing your purchase agreement, searching the property title and ensuring that all documents are completed properly in order to help you close on your new home. The amount of the fee will depend on the individual that you use, as well as your location.

4 Home Insurance

Your lender will require proof that the property is insured in case of fire and other damage. Insurance costs vary widely, depending on the coverage needed and the chosen deductible. Be sure to get multiple quotes to find a competitive rate. You may also benefit from bundling policies together, including your automobile insurance.

5 Home Inspection

While not mandatory, a home inspection is a wise investment. A professional inspector will offer an objective visual examination of the physical structure and systems within a house, ensuring you're making a wise purchase by outlining recommended repairs based on urgency.

6 GST

Tax is only charged on new homes. But, if the home you're purchasing is less than \$450,000 and will be your primary residence, you may be eligible for a partial rebate. Contact your lawyer or notary for full details.

7 Statement of Adjustments

Your lawyer or notary will calculate and prepare a statement of adjustments for your portion owing on utilities, property taxes and other bills based on where your closing date falls within the month/ payment cycle.

8 Mortgage Default Insurance

When you make a down payment of less than 20%, it is a regulatory requirement that your mortgage be insured against default with a mortgage insurer like Sagen. This insurance protects the lender in case of default, and the cost is passed on to the homebuyer. You can roll this insurance cost into your mortgage, but the tax is due at closing.

9 Title Insurance

Most lenders require title insurance to protect you against fraud and problems with your property title or survey. This is purchased through your lawyer or notary.

10 Moving Expenses

It's important to budget for every possible moving expense. If you get quotes well in advance of your move, you can expect to pay considerably less. If you're renting a van, you should factor in how long you need the rental as well as the distance you'll be travelling into your budgeting. It is often considerably less expensive than hiring professional movers, depending on what you need transported. Instead of changing all the locks, consider hiring a locksmith to rekey locks. Set aside \$100 or so depending on how many locks you need rekeyed. Be sure to also buy cleaning supplies to sanitize your new home.