**ARTICLE 5 – 1000 WORDS – TOTAL COSTS**

**The total costs of moving into a home**

**Your handy guide to all the expenses**

**What it will really cost**Now that you’ve taken the first step – figuring out roughly where you stand on the home-buying landscape – it’s time to dig a little deeper into the financial equation.

Buying a home is unlike any other consumer purchase. There are often costs involved that many first-time buyers have never heard of. While coming up with a down payment is a critical step, first-time home buyers must also consider other costs. Any home buyer can expect to pay from 1.5% to 4% of the purchase price of their home in closing costs.

To help clarify what these expenses are, here’s a list of some of the costs you can expect to incur when you’re thinking about purchasing your first home.

|  |
| --- |
| **Checklist: All closing costs and associated fees**   * Cost of home * Purchase price * GST (on new/significantly refurbished homes) * Upfront costs * Appraisal fee * Deposit * Down payment * Estoppel certificate fee (for condominium/strata unit) * Home inspection fee * Land registration fee * Legal fees and disbursements * Mortgage broker’s fee * Mortgage loan insurance premium (can be included in your mortgage) * Prepaid property taxes/utility bills * Property insurance * Survey or certificate of location cost * Title insurance * *Source: Canada Mortgage and Housing Corp.* |

**Deposit and down payment**

Once you’ve found your home, and you’re ready to make an offer to purchase, a deposit is required to help hold the house for you. You can make a down payment of as little as 5%, but you’ll need to buy default insurance, or what is sometimes referred to as high-ratio mortgage insurance. If you have a 20% down payment, mortgage insurance is not required. Your down payment can come from personal savings and assets, RRSPs, donations or gifts from families, a tax free savings account or, in some cases, lender cash-back programs.

**Appraisal fee**

While it’s beneficial to know how much any prospective house you’re looking at is worth so you can negotiate price, home appraisals are also used to protect the lender’s interests. It’s likely your lender will ask for a recognized appraisal in order to complete a mortgage. Usually, the cost of an appraisal ranges from $250 to $350. However, some lenders will pay for the appraisal fees to get the business.

**Home inspection fee**

In the resale market, it’s fairly standard practice for realtors and some lenders to advise their clients to contract an independent home inspection. It is a report on the condition of the home and costs about $500, depending on the complexities of the inspections.

Home inspections are recommended to identify if there are any other potentially costly expenses – issues not visible to the naked eye – that may impact the costs and upkeep of the home.

**Estoppel certificate fee**

When making an offer to purchase a condominium, it’s a good idea to ensure your offer is conditional upon obtaining and having time to review an estoppels certificate. This fee (not applicable in Quebec) applies if you’re buying a condominium or strata unit and could cost up to $100.

**Call-out box 1:**

*If you have a 20% down payment,   
mortgage insurance is not required.*

**Land transfer tax**

Land transfer tax is specific to each province and is a percentage of the purchase price, usually 0.5%. However, provinces such as Alberta and Saskatchewan have no land transfer tax, while others offer a full or partial exemption for first-time buyers.

First-time homebuyers in Ontario qualify for a maximum $2,000 (tax on a $227,500 home) provincial rebate and if you’re buying your first home in Toronto, a maximum $3,725 (on a $400,000 home) City of Toronto rebate. If you’re a first-time buyer in British Columbia, you may be exempt from property transfer tax if you and the property meet certain requirements. In New Brunswick, the land transfer tax payable is currently 0.025% of the value of the property.

**Other legal fees**

You can expect to pay from $500 to $1,000 plus GST/HST for legal fees when purchasing real estate, says Deacon, plus an additional $200 in legal fees relating to the mortgage.

For a new condominium, there are two closings – a possession closing and a title closing which will increase the legal costs about $1,500, because there is more documentation.

**Property and title insurance**

Besides high-ratio mortgage insurance, your mortgage lender will require you to have property insurance in place. This insurance covers the cost of replacing the structure of your home and the premiums depend on the value of your home, according to CMHC. Your lender or lawyer may also suggest you get title insurance. For a home worth $500,000, the cost would be about $350.

**Prepaid property tax or utility bills**

Let’s say you’re buying a resale home and the closing date of that resale home you just purchased is the middle of the month, say Jan. 15. The previous homeowner may have already prepaid taxes or utility bills for 15 days of that current month, so there could be some adjustments back and forth to compensate if they have. Be prepared to reimburse the seller for prepaid property tax and utility bills should they request it.

**Call-out box 2:**

*Some provinces have no land transfer tax, while others offer   
a full or partial exemption for first-time buyers.*

**Survey or Certificate of Location**

The mortgage lender may ask for a certificate of location before signing off on the loan. The lender will want to have some assurance that the house being purchased is completely situated on the property and there are no significant encroachments. If the seller does not have a certificate of location or doesn’t agree to get one, you will be responsible for paying for it. It can cost from $1,000 to $2,000.

**Insuring peace of mind**

You wouldn’t purchase the first home you look at, nor should you settle for the first insurance policy you’re offered. Shop around to get the best deal – and coverage – possible.

Comprehensive coverage is the most inclusive and covers the unit and its contents, except for some that are specifically excluded. Basic, or named perils, is a money saver and is purchased for individual items. Broad coverage is a mid-priced policy that provides comprehensive coverage on big-ticket items and specific named perils stated in the policy.