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Buying or Selling a Home



Understand the full cost of buying a home

Article #11

When you're looking to buy a home, it's easy to forget that the purchase price is just one of many costs associated with ownership. These costs can add up and take an unexpected chunk out of your budget. So it's important to understand the full cost of buying a property.

Pre-closing costs

Home inspection: Getting a home inspection is a smart decision, because a qualified home inspector can identify underlying problems with a home's major systems, like heating and electrical. To find a qualified home inspector speak to your real estate professional or check the websites of various home inspector associations.

Appraisal and/or survey: Your lender (e.g., a bank) may require an appraisal or survey of the property you want to buy before they agree to provide financing. This is to double check that the value of the home or property matches its sales price.

Closing Costs

Land transfer tax: In Ontario, a land transfer tax of up to 2 per cent of the purchase price applies. In Toronto, an additional tax applies, also up to 2 per cent. First-time homebuyers are eligible for a refund of the tax. Talk to your real estate professional about your eligibility.

Mortgage insurance: If the down payment on your home is less than 20 per cent of its sales price, you will be required to buy mortgage insurance. Rates depend on how much you are borrowing. For more information, visit www.cmhc-schl.gc.ca.

Legal fees: There are a number of legal documents and contracts involved in the purchase of a home. Your lawyer will do a title search on the home to ensure the seller can actually sell the property and that there are no liens against it. They will also register the deed and mortgage for you. Find an Ontario lawyer by visiting the Law Society of Upper Canada www.lsuc.on.ca.

Title insurance: Title insurance protects you against title fraud, errors in public surveys, encroachment issues with neighbours and more. Speak to your lawyer during the closing period for more details.

Adjustments: Adjustments are costs that the seller pre-paid but which you now owe because you're the one who's going to be living in the home (e.g., property taxes, maintenance fees, rental fees for hot water heaters). You will need to refund the seller for these.

Home insurance: You must have insurance on your home before lenders will release the funds for the sale to close.

Harmonized Sales Tax (HST): Newly-constructed homes are subject to HST of 13 per cent, although buyers may be eligible for rebates from both the Ontario and Federal governments. HST does not apply to resale homes.

Tarion new home warranty program: In Ontario, new homes are covered by a warranty program, administered by Tarion. The warranty protects new home buyers against various issues that may emerge, including structural defects in the home. It also offers deposit protection to buyers of new homes. Sometimes the Tarion enrollment fee is included in the purchase price and other times it is due at closing. For more information, visit www.tarion.com.

After-closing costs

Moving costs: Moving costs vary widely based on how much stuff you have, how far you'll be moving, and whether you'll hire a professional mover or rent a truck and move yourself.

Utility and service hook-ups: Some gas, hydro, water and telecommunications companies charge a hook-up fee.

Renovations and repairs: If you want to make major renovations after move-in, it can add significantly to your costs. A home inspection or disclosure from the seller may also identify repairs that are needed.

Appliances, furniture and decorations: Once you're in your new space, there's a good chance you'll want fresh décor to make it your own.



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