

Costs Related to a Real Estate Transaction

The conveyance of real property results in the payment of certain expenses by the parties involved. Set forth below is brief summary of these expenses, that are incurred when transactions are handled properly and professionally, viewed both from the position of the Buyer and from the position of the Seller. Buyers should budget approximately 2-3% of the purchase price for closing costs.

Provincial Land Transfer Tax

This is paid by the Buyer at the date of the final closing to the Minister of Finance pursuant to the Land Transfer Tax Act. The tax is based on the purchase price and the current rates became effective on June 1st, 1989.

The rates are as follows for a single family residence:

\$0 - \$55,000	.5% (0.5% of \$55,000 is \$275)
\$55,001 - \$250,000	1% less \$275
\$250,001 - \$400,000	1.5% less \$1,525
\$400,001 and up	2.0% less \$3,525

Example: To calculate the land transfer tax on a purchase price of \$275,000, multiply the purchase price by 1.5% and deduct \$1,525 ($\$4,125 - \$1,525 = \$2,600$)

FIRST-TIME Buyers of both new and re-sale homes are eligible for a rebate of the provincial land transfer tax of up to \$2,000.

The Ministry of Finance has indicated that, until the legislation regarding this rebate is passed, first time buyers can submit their applications for the refund and they will be processed once the legislation has passed.

Toronto Land Transfer Tax

This is paid by the Buyer at the date of the final closing to the City of Toronto. The tax is based on the purchase price and the current rates became effective on February 1, 2008.

Residential:

- 0.5% of the amount of the purchase price up to and including \$55,000
- 1% of the amount of the purchase price between \$55,000 and \$400,000
- 2% of the amount of the purchase price above \$400,000

FIRST-TIME home buyers of new AND re-sale homes will receive a rebate of the Toronto

land transfer tax of up to \$3,725 (this equals a 100% rebate on homes purchased for up to \$400,000) for purchases of more than \$400,000.

Disbursements – Purchase

In addition to the payment of Land Transfer Tax, Buyers are responsible to pay for certain disbursements incurred by their lawyer in respect of various certificates, searches and registrations. Examples of such approximate disbursements are as follows:

- i) Registration of Deed \$ 70.50
- ii) Registration of Mortgage \$ 70.50
- iii) Disbursements (including search costs & office costs) \$400.00

For a typical purchase (including one mortgage), a Buyer should budget about \$550.00 for disbursements. There will also be further costs for adjustments, land transfer taxes and legal fees.

Title Insurance

Title insurance insures against past problems that could affect your ownership in the future. A low, one-time premium covers you for loss or damage up to the policy amount and all legal costs you would have to pay to defend your title. Once the policy is issued, a covered title problem is not your concern, it becomes the responsibility of the Title Insurance Company. No survey is required by your lending institution if you have title insurance.

Houses up to six units up to \$500,000	\$380.00
	+ .99/\$1000 over \$500,000
Condominiums up to \$500,000	\$380.00
	+.99/\$1000 over \$750,000

For more information:

<http://www.fsco.gov.on.ca/english/pubs/consumerbrochures/undstitins.pdf>

Disbursements – Sale

The Seller in a real estate transaction is not required to pay any Land Transfer Tax. However, the Seller's responsible to pay for certain disbursements incurred by their lawyer such as:

- Registration of a Discharge of Mortgage \$ 70.50
- Disbursements (including transaction levy and office costs) \$200.00

Legal Fees – Normal

Approximation of average legal fees on a residential real estate transaction is as follows:

Purchase	\$800 for purchase price up to \$750,000
Sale	\$650 for sale price up to \$750,000

Adjustments on Closing Between Seller and Buyer

On closing there will be adjustments to the sale price between the Seller and the Buyer which will appear on a Statement of Adjustments as credits in favor of the Seller or the Buyer. If the Seller is relying on receiving or if the Buyer is relying on paying a fixed amount on closing, it is unpleasant if these adjustments come as a total surprise to your client.

For example, if taxes for the calendar year are \$4,000.00, the deal closes June 30th and the Seller has paid the taxes for the entire calendar year, there will a credit on closing to the Seller of \$2000.00. In other words, the Seller receives \$2000.00 more and the Buyer pays \$2000.00 more.

Also, if there is a fuel tank at the property, the Seller usually fills the tank on closing and sells a full tank to the Buyer. If the adjustment were approximately 52 cents per litre for 909 litres, the Seller would receive \$450.00 more and the Buyer pay \$450.00 more on closing.

Survey

Most financial mortgage institutions now require a Buyer to produce a recent survey for the real property being purchased showing the boundaries of the lands and the location of the dwelling thereon. The term “recent” varies from lending institution to lending institution but as a loose rule a survey 10-15 years old will probably still be acceptable to a lender if accompanied by a Declaration of the Seller saying it is still accurate. If the Buyer requires a survey for the lender and the Seller does not have one, it is the responsibility and the expense of the Buyer **not** the Seller to have a new one prepared by an Ontario Land Surveyor.

Title insurance will take care of the problems incurred in the absence of a survey or an up to date survey! It is highly recommended that title insurance be obtained in the absence of a survey.

Mortgage Insurance

In the event that the amount of your first Mortgage on your purchase transaction exceeds 80% of the purchase price, it will be necessary for you to purchase, for the protection of the Lender, mortgage loan insurance. This mortgage loan insurance premium that is paid is to

protect the lender in the event that the mortgage is not paid. This is not to be confused with life, disability, or job loss insurance.

The mortgage insurance is normally purchased through CMHC (Canada Mortgage and Housing Corporation) or GEMI (GE Capital Mortgage Insurance Canada.) The cost of the insurance premium is paid by the Buyer. The amount of the mortgage insurance premium is calculated using a loan/value ratio, and may be added to the mortgage amount. The premiums are as follows:

Loan-to-Value	Premium on Total Loan		Premium on Increase to Loan Amount for Portability and Refinance	
	Standard Premium	Self-Employed without 3 rd Party Income Validation	Standard Premium	Self-Employed without 3 rd Party Income Validation**
Up to and including 65%	0.50%	0.80%	0.50%	1.50%
Up to and including 75%	0.65%	1.00%	2.25%	2.60%
Up to and including 80%	1.00%	1.64%	2.75%	3.85%
Up to and including 85%	1.75%	2.90%	3.50%	5.50%
Up to and including 90%	2.00%	4.75%	4.25%	7.00%*
Up to and including 95%	2.75%	N/A	4.25%*	*
90.01% to 95% — Non-Traditional Down Payment***	2.90%	N/A	*	N/A
Extended Amortization Surcharges				
Greater than 25 years, up to and including 30 years: 0.20%				
Greater than 30 years, up to and including 35 years: 0.40%				

A 10% premium refund and extended amortization period without surcharge may be available when CMHC Mortgage Loan Insurance is used to finance Energy Efficient Homes.

Other high ratio financing costs include an application/appraisal of \$165 and there is 13% provincial HST on the mortgage insurance premium to be paid by the borrower as set forth above. While the mortgage insurance premium can be added into the amount of the Mortgage, the provincial tax on the premium is payable immediately at the time of the advance of the mortgage funds.

For more information:

<http://www.cmhc-schl.gc.ca/en/co/moloin/index.cfm>

Building Inspection Fees or Home Inspection Fees

It is generally recommended that when purchasing a resale home or new construction that a building inspection be carried out on the structure, either prior to making an offer on the property or at the time you have entered into the Agreement of Purchase and Sale. The fee for a normal building inspection can range from \$250.00 to \$500.00.

Home Staging Fees

A home staging consultation can run between \$150.00 and \$450.00. Additional costs are dependent upon the amount of staging done and upon who is responsible for completing the work.

NOTE: Royal LePage Estate Realty does not take any responsibility for the accuracy of the costs listed above. The costs are to give you an idea of the approximate expense range. As mentioned previously, Buyers should budget 2-3% of the purchase price for closing costs.

Putting you First

Our Purpose. Our Passion. Our Pledge.