

Guide to Closing Costs for a Real Estate Purchase

Appraisal Fees:

If you are obtaining conventional mortgage financing (financing 80% of the value of the property or less) you will need an appraisal on your property to verify its value. In most cases, an appraisal will cost you between \$200 to \$500 for a residential property. The larger the property, the more an appraisal will cost. For commercial appraisals, the cost is usually a minimum of \$2000.

Down Payment:

This is simply the amount of equity you will be putting towards the purchase of the property.

Deposit:

When you write an offer on a property generally it will contain subjects that you wish to satisfy prior to entering into a fully binding contract. Once you remove all of the subjects, you will be required to submit a deposit to your realtor. This deposit will usually be offset against the total down payment required.

HST:

If you are purchasing bare land or a brand new home you will be required to pay the HST tax on the purchase price. In most cases, when you are constructing a home you will be able to apply for a HST rebate so that you only end up paying part of the HST once your home is constructed. You should speak to an accountant for further advice in this area.

High Ratio Insurance Premiums:

If you finance more than 80% of the value of your property your mortgage is called a high ratio mortgage. In this case there is greater risk to the bank and they are required to get the mortgage insured against default. In Canada, the two main insurers are CMHC & Genworth. The insurance premium you are charged may be added on to your mortgage. This premium varies depending on how much is financed and the purpose of financing.

Home Inspector:

When purchasing a home it is an excellent idea to get an inspection done on the property. The inspection will highlight any major problems with the home before you actually purchase property. The cost of an inspection ranges from \$300 - \$500 for the standard home.

Legal Fees:

You will need a lawyer or notary to register a mortgage over the property. Generally, on a purchase you will pay \$750 - \$1000 for this work to be completed. The cost for legal work on commercial deals varies greatly. It is usually a minimum of \$1500 and depends largely on the complexity of the transaction.

Lender:

On most standard financing you will pay no fees for your mortgage. However, if you obtain financing from a "B" or "Sub-Prime" lender they will generally charge an application fee in the range of 1% - 5%.

Mortgage Broker:

Using Your Mortgage Source for mortgage brokerage services will cost you nothing in most cases. In 99.9% of the situations we are paid by the lender and therefore do not charge our clients a fee. There is the odd exception to this. In the purchase of a commercial property we do charge a fee as we do not get paid by the lender for commercial financing. You may also be responsible for broker fees on a construction mortgage.

Property Purchase Tax:

In general, when you buy a property, you will pay a tax for purchasing the property. The tax is 1% on the first \$200,000 and 2% on the remainder over that. Therefore on a \$500,000 property you will pay \$2000 plus \$6000 for a total of \$8000. You may get an exemption on paying this tax if you are a first time home buyer. The exemption usually occurs if your purchase price is less than \$425,000 and you purchase a property in the lower mainland. If the purchase price is between \$425,000 and \$450,000 there is a proportionate exemption and if the price is over \$450,000 there is no exemption. Any questions regarding an exemption to this tax should be referred to your lawyer or notary.

Real Estate Agent:

A real estate agent will assist you in buying a property with the specifications that you want. Generally, he/she will charge you no fee when you are using their services to purchase a property. They will receive payment from the person selling the property.

Survey:

Most lenders require a survey on the property they hold a mortgage on. The survey shows where the house sits in relation to the property boundaries. This helps the lender to ensure that the building is located within its proper boundaries so that there are no issues with its security having to be moved. A survey on a residential property will usually cost between \$300 - \$400. In lieu of a survey, your lawyer/notary can also obtain a title insurance policy. Title Insurance protects the lender in case there are any boundary issues with the property. Title insurance usually ranges between \$200 - \$300 in cost.



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Your home. Your business. Your trusted Advisors.



This is a brief summary of the costs involved in a real estate purchase. For further detailed information you can contact Your Mortgage Source: E & OE. All mortgages are subject to credit approval. All costs associated with a real estate purchase or refinance are the sole responsibility of the client. We assume no responsibility for the contents contained herein and encourage all clients to obtain their own independent advice from outside professionals. All costs are estimates and will vary with each transaction/are subject to change.