

Don't Forget Closing Costs When Buying a Home

Despite today's attractive mortgage rates and wide selection of affordable homes from which to choose, you should keep in mind "closing costs in addition to your down payment for that dream home.

These various charges can add up and for the most part they are all legally required payments in buying a property. These payments include:

- Legal fees: since a lawyer or notary public is an essential part of your home-buying team, the work provided involves legal fees. Most legal fees include searching the title of a property, arranging a property survey if necessary, and handling other disbursements as required.
- Mortgage insurance and application fee: for any high ratio mortgage, which is any mortgage in which 75 per cent or more of the house's purchase price is covered by the mortgage, the lender requires mortgage insurance.
- Property insurance: this insurance covers the replacement value of your home and its contents. Most mortgage lenders will require proof that you have this insurance before processing a mortgage.
- Home inspection: a professional home inspector knows what to look for and can confirm or add to the information you have gleaned from the REALTOR® or your inspection.
- Property transfer tax: this provincial tax is payable at the rate of one per cent on the first \$200,000 of the fair market value and two percent on the balance. "Fair market value" is best described as the price that would be paid for a property on the open market. The actual purchase price is usually a good indicator of the fair market value. Some exemptions may apply, including for first-time home buyers.
- GST: GST is payable to some degree on the purchase price on all new homes, although partial rebates are available on the purchase of most homes. A resale residential home is usually exempt from GST.
- Extra charges: you may also be required to pay the costs of such things as heating oil in the tank, or other costs incurred by the seller, but included with the house, prior to the closing day.
- Hook-ups: there may be hook-up charges required for appliances and services such as telephone, TV cable, hydro and other utilities.
- Moving costs: don't forget the basic costs involved in moving from your old place into your new home, particularly if you use a professional moving company.

A REALTOR® can explain further details on closing costs -- just remember to add them to your financial plan when saving to buy a home.

Courtesy of vreb.org