

# THE COSTS TO PURCHASE

Buying a home is often the most exciting yet most expensive investment you will make. Before you begin your search for a home, it is important to consider the closing costs and budget for the ownership costs that come with owning a home.

## Purchase and Closing Costs

An appointment will be set for you to meet with your lawyer a short time before the possession date. You will be asked to bring the proceeds (usually a certified cheque or bank draft payable to the law firm) to cover all the costs.

Prior to meeting you will receive a letter from your lawyer providing you with the total amount of money required. This amount will include the price of the home if paying cash or the total down payment for a mortgage minus the deposit, the legal fees, the disbursements and the adjustments.

The total costs will be estimated as some of the actual costs can not be determined until title is registered. Once all aspects of the transaction have been settled you will be reimbursed for any overages you have paid to the law office.

*The closing costs for the purchase of a home are generally between 1.5% and 2% of the price of the home.*

## Standard Purchase Costs

1. **The Deposit** Generally to be provided with the offer to purchase.
  
2. **The Balance** The balance of money for the purchase price or if using a mortgage the down payment (minus the deposit paid with the offer). The total down payment including the deposit must be a minimum of 5% of the purchase price.
  
3. **The Legal Fees**
  - i. **Lawyer Services** A basic transaction generally starts at \$400-\$600.
  
  - ii. **Miscellaneous Costs** The costs incurred from photocopying, postage, faxes, file materials, etc. usually add up to approximately \$40.00 plus GST.
  
  - iii. **Couriers** Large amounts of money, keys, title documents, mortgages etc. are sent by courier. This generally costs approximately \$35.00 plus GST.
  
4. **The Legal Disbursements** These are charges that the law office pays on behalf of a buyer for convenience. These may include:

- i. Land Transfer Tax** This is a fee charged by the government (land titles office) to register the title. The amount is calculated on a sliding scale.

To calculate the total Manitoba Land Transfer Tax for residential properties add together the following:

flat fee	\$70 for any amount of the price between:	\$	0 - 30,000
.5 %	of any amount of the price between:	\$	30,000 - 90,000
1%	of any amount of the price between:	\$	90,000 - 150,000
1.5%	of any amount of the price between:	\$	150,000 - 200,000
2%	of any amount of the price over:	\$	200,000

Example: using a home that cost \$225,000

flat fee	\$30,000	=	\$70.00
.005 x	\$60,000	=	\$300.00
.01 x	\$60,000	=	\$600.00
.015 x	\$50,000	=	\$750.00
<u>.02 x</u>	<u>\$25,000</u>	<u>=</u>	<u>\$500.00</u>
Total Home Price	\$225,000	Total Land Transfer Tax	\$2,220.00

- ii. Registration of Title** To register the title the land titles office charges approximately \$80.00.
- iii. Mortgage Registration** If there is a mortgage the registration cost is \$80.00.
- iv. Survey Certificate** There may be a survey certificate available from the seller. If one is required most surveying companies charge \$495.00 plus GST for a Winnipeg property. The survey certificate (more accurately called building location certificate), includes a sketch and narrative by a qualified Manitoba land surveyor indicating the presence or absence of encroachments onto the property line or adjacent properties by buildings (your neighbor's or your own).
- v. Zoning Memorandum** This certificate is obtained from the City of Winnipeg or a Municipal office. The cost is \$54.00 plus GST. (if there is a current and accurate one you may not need a new one) The zoning memorandum or memo, is a one page document from the City of Winnipeg Department of Environmental Planning, which indicates whether the property complies with the municipal by-laws or Town Planning Schemes as to yards and alignments.
- vi. Title Insurance** An alternative to the purchase of a Survey Certificate and Zoning Memorandum may be title insurance. The typical cost for a policy is \$300.00. (if there is both current and accurate Survey Certificate and Zoning Memorandum you may not need to have title insurance)

**vii. Tax Certification** This provides assurance against property tax liability. The cost is generally \$35.00 plus GST.

**viii. Title Searches, etc** The land titles office charges for searches, computer access time, obtaining microfilm copies of documents, etc. This cost is usually \$35.00 plus GST.

**5. Adjustments** The adjustments are handled by the law office.

**i. Interest** In Manitoba it takes approximately 30 days following the date of possession for the title of a property to be registered at the Land Titles Office. The vendor does not receive any of the proceeds from the buyer's mortgage until the title is registered. During the time between possession and title registration the buyer is required to pay interest to the vendor at the same rate of the mortgage rate. The law office usually withholds 30 days of interest to compensate the vendor. Once the title is registered the buyer will begin paying interest on the mortgage.

**ii. Property Taxes** Depending on how and when taxes were paid the law office may make adjustments on a buyers behalf. (check the section on Continuing Costs to see the various options for paying taxes) The tax period for titled land is a calendar year, however the taxes are due during the year. In Winnipeg, taxes are due by June 30; in rural municipalities the due date is usually in autumn.

The seller and the buyer will pay only the portion of the yearly property taxes for the time period they had possession of the property.

When taxes are paid in one yearly payment and the possession date is July 1 or later the seller would have paid the taxes for the full year. The law office will reimburse the seller for the taxes owed from possession date to the end of the year.

If the possession date is before the taxes are paid, the seller will credit the buyer for the seller's share of the year's taxes and then the buyer will be responsible for payment of the entire bill.

Either way, the payment is made by "adjusting" the price up or down, and in the end you will pay taxes for only the part of the year that you had possession of the property.

**6. House Insurance** Proof of insurance is required to be in the possession of your lawyer at the time you meet to complete the transaction. Your mortgage lender requires proof that insurance is in place prior to advancing mortgage funds. You will not be given keys to your home unless the insurance is in place. The cost to insure the typical average price home will start at between \$600 and \$800 per year.

**7. Utility and Phone Hookup Fees** Utility companies usually charge a fee to set up services for hydro, gas, water, phone etc.

## Possible Additional Costs

1. **Mortgage Application Fee** Many banking institutions do not charge this fee. Check with your lending institution to enquire about their fees.
2. **Mortgage Protection Insurance** This is an optional life and disability insurance that will pay off or reduce the outstanding insured portion of your mortgage balance in the event of your death or maintain your regular mortgage payments for a period of time if you become disabled. It is a charge added to your monthly payment for the life of the mortgage.

This is just one of the options available to ensure you have the means to pay the mortgage off in the case of a death of a borrower. We can provide information on various options to ensure you are prepared for any unforeseen circumstances.

3. **Property Appraisal Fee** Banks and financial institutions may wish to verify the value of a home prior to confirming the amount they are prepared to lend for a mortgage. They will have an appraiser in their employ or contract the services from an appraiser to determine the value of a home. Some banking institutions will charge the buyer for this service and others do not charge this fee.
4. **Property Inspection Fee** A property inspection is done by a professional inspector who will do a thorough inspection of the home and provide you with a report outlining and issues or concerns. Generally Home Inspection Company rates start at \$400 for a basic inspection and the price will go up depending on the size of the home and the complexity of the inspection.
5. **Sales Tax** In most cases there is no GST on the purchase of an existing home. GST is generally included in the price of a new home. There may be a GST charge on a home that has been substantially remodeled. Usually this is to be paid by the purchaser however there is no regulation for this.