

THE COSTS TO SELL

Sale 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. You will receive a letter from your lawyer providing you with the total amount of money required. This amount will include the legal fees, the disbursements and the any adjustments. The total costs will be estimated as some of the actual costs cannot be determined until title is registered in the purchaser's name. Once all aspects of the transaction have been settled you will be reimbursed for any overages you have paid to the law office.

Standard Sale Costs

1. **The Commission** is the fee for service Realtors charge to sell your home. Commissions are usually paid as a percentage of the selling price of your home plus GST. The listing agent shares this commission fee with the cooperating agent. Pursuant to the listing contract and the offer to purchase, the commission must be paid by the seller's lawyer upon completion of the transaction.

2. 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.

3. **The Legal Disbursements** These are charges that the law office pays on behalf of a seller for convenience. These may include:

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

ii. **Mortgage Discharge Fee** There is a fee paid to the land titles. Also, if a mortgage is being discharged with a lender the fee is approximately \$200

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. 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.

- iii. Home Improvement Contracts** If you have a loan through a utility company or government program for home improvements, it will have to be paid out at the time of closing. Generally they can not be transferred to a new property or to the new owner.
- iv. Mortgage Balance** The actual balance remaining on an existing mortgage must be paid at the time of sale by the seller's lawyer. However, since this mortgage will not be paid out until Land Titles registration are completed, usually approximately 3-4 weeks after possession date, interest will continue to accrue until finally paid out.
- v. Mortgage Penalties** Depending on the type of mortgage, a penalty may have to be paid to the mortgage company for discharging the mortgage before the term is up. This penalty may be 3 months interest or it may be an Interest Rate Differential, whichever is greater, or loss of interest to the lender in respect to the prevailing interest rate as of the date the mortgage is paid out.
- vi. Interim Financing** Interim or bridge financing is required to bridge the gap when a purchaser must provide a payment on a purchase prior to the funds becoming available on the sale of their property. The delay depends on the Land Titles Office and could take weeks. The precise costs of interim financing requires detailed consideration of the interest being earned and being paid on both the sale and purchase. As a general rule however, the interest that the seller receives from the purchaser on the unpaid balance of the purchase price generally comes close to offsetting any interest that is paid, with the rates of interest charged on the interim financing being generally 2 to 4% above that which is being paid to you by the purchaser of your home.

All of these items must be considered when a seller tries to determine the equity of the net sale proceeds that they will receive from the sale of their home.

The Lawyers Role in Your Sale

There is a significant amount of paperwork involved in the sale of a home. Once you put your signatures on any of the many documents, you are legally bound to honor whatever obligations and conditions that particular contract contains.

A lawyer will explain the legal jargon on documents, take care of all the time-consuming tasks, deal with any complications or issues that arise while looking after your particular rights and interests.

When Selling A House, A Lawyer Will:

- i.** Gather all necessary documents to complete the transaction.
- ii.** File all the paperwork necessary to transfer the property title.
- iii.** Handle all the adjustments that need to be made and prepare a statement that itemizes the adjustments from the sale.
- iv.** If there is a mortgage on your home, request a payout statement and arrange for the mortgage to be discharged.
- v.** Communicate with the buyer's lawyer in writing with regard to all required tasks.
- vi.** On your behalf, pay all the costs incurred with sale. Once the transaction is complete your lawyer will provide a cheque for the net amount from your sale.