

CLOSING COSTS: Residential Purchase

The following is a list of typical adjustments, which a purchaser of residential property in British Columbia may encounter. I hope you will find this information helpful.

HOME INSPECTIONS

This is a one time cost that a purchaser may or may not incur. The purpose of the home inspection is to check for the structural, electrical and plumbing integrity of the property. This service is totally at the option of the purchaser and is not required by the lender. The costs range from \$250.00- \$375.00

APPRAISALS

If the client has 20% or more down into the purchase, the lender may require an appraisal. This is done to ensure that: a) the lending institution is not over lending on the property and b) to protect you the borrower from overpaying. A typical appraisal cost is \$200-\$300.

SURVEY CERTIFICATE/TITLE INSURANCE

Most mortgage lenders will require a survey certificate. This is prepared by a B.C. land surveyor. It shows the outline of the house as it sits on the legal lot. Lenders require a certificate to ensure that the house does not encroach on a neighboring property. If the vendor does not have one, or if the lender will not accept an old survey, then the purchaser will need to order a new survey. The cost of a new survey is approximately between \$1000 and \$2000. An alternative to obtaining a Survey Certificate is to obtain title insurance. Currently the cost is between \$150 and \$200, depending on the desired policy.

PROPERTY TRANSFER TAX

This is a one-time tax payable on the purchase of real estate. It is based on the purchase price and it is payable to the provincial government. The amount of the tax is 1% of the first \$200,000 and 2% of the balance. There is a full exemption from this tax for first time home buyers who meet all the qualifying conditions as follows:

- Never owned a principle residence anywhere in the world
- Resident of BC for the last 12 months
- Purchase price is not over \$425,000
- There is a partial tax exemption on homes valued between \$425,000 and \$450,000

MUNICIPAL PROPERTY TAXES

Property taxes are based on a calendar year and are paid in early July each year for most municipalities. If the completion date is after the due date for property taxes this adjustment is a debit for the purchaser, as the previous owner will already have paid the amount for the entire year to the municipality. If the completion date is prior to the due date this adjustment is a credit for the purchaser. To calculate this amount: one day's taxes are the annual taxes, less the \$570 homeowners grant, divided by 365. Municipal utilities such as water and sewer may be included in the property taxes or may be adjusted separately depending on the particular municipality.



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STRATA TITLE

Condominiums and townhouses have a special form of title called Strata Title. You will not need a survey certificate if you are purchasing a strata title property. However, there are other expenses as follows:

- Some strata corporations charge a move in fee which is usually \$25-\$50.
- Almost all strata corporations charge a fee to provide two documents required to complete a strata purchase. These are called form B and form F. The fee ranges from \$50-\$90.
- Your law firm will ordinarily order a copy of the strata plan to ensure that you are in fact purchasing the strata unit that you intend to. The cost is approximately \$15.
- There will be adjustments for your portion on the monthly strata fees for the month in which your purchase falls.

INTEREST ADJUSTMENT

This is the interest you will pay for receiving your mortgage money before the official start of your mortgage (i.e., if your "completion date" was on the 23rd of a 30 day month, your interest adjustment would be 8 days interest).

LEGAL FEES

Legal fees generally range between \$700-\$1000 to convey title and register a mortgage (these figures include fees, disbursements, GST and PST) you can add another \$450 if you are selling property at the same time. There are no legal fees for a mortgage switch from one institution to another.

INSURANCE BINDER

This is a requirement by the bank to ensure that you have arranged sufficient home insurance to cover any losses that may be incurred on the purchase property. Proof of coverage by way of an insurance binder supplied by the insurance agent is necessary and usually costs \$35 (this is not applicable for a strata property).

*This lists only the major items.
Please feel free to ask me questions
relating to your home purchase.*

This information is being provided to assist in the planning of a home purchase. It is not intended to be legal advice and information set out may not be applicable in all cases. In some situations, a purchaser may be required to pay for other additional expenses such as a second mortgage, an assignment of rents, power of attorney or independent legal advice.



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