

BUYER'S GUIDE

A review of the Closing Costs for Buying Residential Property in Ontario

INTRODUCTION

For most of us, buying a new home is the biggest investment we will ever make, and one of the most exciting things we ever get to do. Lets us help reduce your stress and guide you through to a successful closing.

CHARGES & CLOSING ADJUSTMENTS

Our fees are based in part on the purchase price and break down as follows:

1. For transactions with a purchase price under \$500,000 we have established an all inclusive rate for legal fees on a purchase transaction. With no hidden costs to worry about our hope is to enable you to determine exactly how much money you will need to close well in advance. – our fee is \$1,299.00 plus HST. This fee includes disbursements such as photocopies, bank charges, title search costs and title insurance etc...
2. For transactions with a purchase price over \$500,000 but less than \$1M. – our fee is still \$1,299.00 plus HST plus the incremental cost of Title Insurance (approx. \$1.00 per \$1,000 over \$500k). This fee includes disbursements such as photocopies, bank charges, title search costs and the base title insurance policy covering you up to \$500,000. You pay only the extra premium.
3. For transactions in excess of \$1M, our fee is 1/10th of 1% of the purchase price plus applicable taxes and disbursements, such as faxes, photocopies, title insurance, title searches. So if the purchase price is \$1.2 Million, our fees are \$1,200 plus disbursements and taxes.

In addition to our fees, Buyers in Toronto will pay applicable Land Transfer Taxes to the Province of Ontario and the City of Toronto. The Tax rate is graduated and depends on the purchase price of the Property. Buyers also pay \$71.30 to register each of their Deed and Mortgage on title.

Closing adjustments cover a number of items including municipal taxes, municipal flat rate water, condominium fees, deposits submitted to your agent and rent, if applicable.

To calculate any applicable adjustments, a current tax bill or monthly condo fees is broken down into a daily rate and the Seller is responsible for the number of days that the Seller owns the property. Either the Purchaser or Seller will receive a credit based on any payments made by the Seller before closing.

These adjustments will be set out in a document referred to as the Statement of Adjustments. This document is used to set out the total amount to be delivered to the Seller on closing and takes into account deposits already paid by the Purchaser.

On new construction purchases the adjustments vary based on the Purchase Agreement and may also include hydro and water and gas meter installation, hot water tank installation, tree and shrub planting,, law society fees, Tarion New Home Warranty, and various other development charges and levies set out in the Purchase Agreement. Often these range from \$8,000 - \$15,000 (and some as much as \$30,000).

TAXES

When determining the funds you will need to close your Purchase, taxes will need to be considered. Below is a summary of the taxes that may be applicable to your purchase transaction.

LTT is a provincial land transfer tax applicable to all purchase transactions in Ontario and is calculated based on an incremental percentage of the purchase price. This tax is payable at the time the property is conveyed to you and

will need to be factored into your closing costs. If you have never owned property anywhere in the world, you may be eligible for up to \$2,000.00 LTT Rebate.

MLTT is a municipal land transfer tax that only applies to properties in the City of Toronto. Similar to the provincial LTT, this tax is calculated based on an incremental percentage of the purchase price. IF you have never owned property anywhere in the world you may be eligible for a rebate of the MLTT of up to \$3,725.00.

Be sure to advise your lawyer if you have never owned or had any interest in any property, at any time, regardless of the location.

HST is a federal tax and provincial value added tax and is payable on all new or substantially renovated homes by the first occupier of the property. HST is charged at a rate of 13% and may be included in the purchase price or added to the price. This information will be set out in the Purchase Agreement between you and the builder. Buyers should be aware that if their purchase price is not inclusive of HST as this additional cost can be quite large and will be due on closing. A partial rebate equal to 36% of the GST portion of HST is available on homes priced at \$350,000.00 or less, if you are eligible. For homes that are priced higher than \$350,000.00, the GST rebate begins to phase out and there is no rebate for homes valued at more than \$450,000.00. There is also a partial rebate of the 8% provincial portion of the HST, equal to 6% of the net purchase price, up to a maximum purchase price of \$400,000 (or a maximum rebate of \$24,000).

If you are buying a new condo from a builder, your Agreement will almost certainly say that you are (i) eligible for the New Home partial HST Rebate and (ii) that you will assign it to the Builder on closing. To be eligible, you must (A) be a resident of Canada and (B) you or an immediate family member must occupy the Unit as your primary residence. If you are not eligible, you agree to indemnify and pay the Builder an amount equal to the HST Rebate, which can run as high as \$29,000.00. This becomes an “adjustment” at closing and cannot be added to your mortgage.

CLOSING PROCESS

The first step in helping to alleviate some the stress related to buying a property is, understanding the process. The following is a step-by-step summary of what to expect during the closing process:

- Step 1 – retain the services of a lawyer. Provide this information to your other professional advisors i.e. Real Estate Agent, Banker or Mortgage Broker. Have all other professional advisors forward any agreements to your lawyer i.e. Purchase Agreement, Amendments, Status Certificate if you are purchasing a Condominium or Mortgage Commitment. (If you are buying a new home from a builder or any condominium unit your lawyer will typically need to review either your Purchase Agreement or Status Certificate prior to your Purchase Agreement becoming firm.)
- Step 2 – arrange for financing and property insurance (should you need help locating a professional to represent you in either of these areas your lawyer or real estate agent should be able to recommend someone). The process of arranging both financing and property insurance can be much more involved than first imagined. We suggest that this process be started in the early stages of the transaction in order to guarantee that the transaction closes on schedule.
- Step 3 – your lawyer will need to gather some personal information in order to process the transaction on your behalf, such as, your full name, date of birth, how you wish to hold title. This is typically done by an initial telephone consultation.
- Step 4 – your lawyer conducts and reviews a title search along with any other searches that may be required for your transaction. Your lawyer will review these searches to ensure that there are no issues with the current state of ownership. There are building, zoning, tax and water searches that may not be done, as these items are covered by the title insurance policy.

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- Step 5 - your lawyer will prepare the closing documents including title transfer, mortgage, land transfer tax documents and a funding summary which will set out the balance of the down payment required by you to close the transaction.
- Step 6 – a couple of weeks prior to closing you may wish to contact all the utility suppliers and the municipal tax department to set up accounts in your name. Your lawyer will be able to provide you with the contact information for suppliers should you so require. Please ask your property insurance company to fax an “insurance binder” to your lawyer before closing. The insurance binder should also show your mortgage lender as an insured party. If you buy a condo, you will still want a “condo” insurance policy to protect (i) your belongings, (ii) upgrades to your unit and (iii) liability.
- Step 7 – a few days before closing is when you typically meet with your lawyer to sign the final closing mortgage documents and deliver the balance of the down payment. Your lawyer will ask you to bring (i) 2 pieces of ID (at least one driver’s license, Canadian passport), (ii) a certified cheque or bank draft and (iii) a void cheque (for mortgage payments). A copy of all documentation relevant to the transaction will be delivered to you with a final report approximately 60 days after closing.
- Step 8 – your lawyer will deliver the closing funds to the Seller’s lawyer in exchange for keys and simultaneously register the transfer of title and mortgage documents.
- Step 9 – your lawyer will contact you to release keys once the transaction has closed. This typically happens between 3:00 and 5:00 p.m. on the day of closing.
- Step 10 – move in and enjoy your new home!



YOUR COHEN REAL ESTATE TEAM

Here at Cohen LLP we work as a team to ensure that we provide the best level of service possible and any of the following people from our Real Estate Team may be in touch with you to gather information, go over the closing process or arrange a signing appointment. Should you have any questions please do not hesitate to give any one or all of us a call.

LAWYERS

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