

3. How Much Will It Really Cost?



Once you have figured out the home price range you can afford and the type of mortgage you qualify for, you will need to calculate all of the associated costs of the transaction to make sure you are financially ready.

Up Front Costs:

You will need to plan ahead to cover the many up-front costs of buying a home. Timing is important to help make sure things go smoothly.

- **Mortgage Loan Insurance Application Fee and Premium.** If yours is a high ratio mortgage (less than 25% down payment), you may need mortgage loan insurance. To get this insurance, you may be asked to pay the required application fee. Your lender may add the mortgage insurance premium to your mortgage or ask you to pay it in full upon closing.
- **Appraisal Fee.** Your mortgage lender may require that the property be appraised at your expense. An appraisal is an estimate of the value of the home. The cost is usually between \$250 and \$350 and must be paid when you contract for those services.
- **Deposit.** This is part of your down payment and must be paid when you make an Offer to Purchase. The cost varies depending on the area, but it may be up to 5% of the purchase price. If you wish to make a down payment of 5% and you give a deposit of 5%, then your down payment is considered to be made.
- **Down Payment.** At least 5% of the purchase price is usually required for a high-ratio mortgage and at least 25% of the purchase price is usually required for a conventional mortgage.
- **Estoppel Certificate Fee.** This applies if you are buying a condominium or strata unit and could cost up to \$100. (Not applicable in Quebec)
- **Home Inspection Fee.** Remember that this may be a condition of your Offer to Purchase. A home inspection is a report on the condition of the home and may cost over \$200, depending on the complexities of the inspection. For example, it may be more costly to inspect a home that has large square footage, one that is expensive or one where contaminants such as pyrite, radon gas or urea-formaldehyde are suspected.
- **Land Registration Fees.** You may have to pay this provincial or municipal charge upon closing in some provinces. The cost is a percentage of the property's purchase price and may vary. Check with your lawyer/notary to see what the current rates are. (Sometimes called a Land Transfer Tax, Deed Registration Fee, Tariff or Property Purchases Tax)
- **Prepaid Property Taxes and/or Utility Bills.** To reimburse the vendor for pre-paid costs such as property taxes, filling the oil tank, etc.
- **Property Insurance.** The mortgage lender requires this because the home is security for the mortgage. This insurance covers the cost of replacing the structure of your home and its contents. Property insurance must be in place on closing day.
- **Survey or Certificate of Location Cost.** The mortgage lender may ask for an up-to-date survey or certificate of location prior to finalizing the mortgage loan. If the seller does not have one or does not agree to get one, you will have to pay for it yourself. It can cost in the \$1,000 to \$2,000 range.
- **Water Quality Inspection.** If the home has a well, you will want to have the quality of the water tested to ensure that the water supply is adequate and the water is potable. You can negotiate these costs with the vendor and list them in your Offer to Purchase.
- **Legal Fees and Disbursements.** Must be paid upon closing and cost a minimum of \$500 (plus GST/HST) .Your lawyer/notary will also bill you direct costs to check on the legal status of your property.
- **Title Insurance.** Your lender or lawyer/notary may suggest title insurance to cover loss caused by defects of title to the property.

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If you feel you cannot cover all of the up-front costs, you can ask your lender for a loan. Remember that payment for this loan amount, based on a 12-month repayment period, will have to be included in your Total Debt Service ratio calculation.

Other Costs

Besides up front costs, there are other expenses to consider:

- Appliances. Check to see what comes with the house, if anything.
- Gardening equipment
- Snow-clearing equipment
- Window treatments. Check to see what comes with the house.
- Decorating materials. Paint, wallpaper, flooring and tools for redecorating.
- Hand tools. You will need some basic hand tools for your new home.
- Dehumidifier. May be required to control moisture levels, especially in older homes.
- Moving Expenses
- Renovations or Repairs
- Service Hook-Up Fee. Charged for utilities. You may be required to pay a deposit for utilities such as telephone and heating services.
- Condominium Fee. You may have to make the initial payment for these monthly fees.