

Costs for Residential Purchasers

The following is a list of typical adjustments which a purchaser of a residential property in British Columbia may encounter. We hope that you will find the information useful.

What to expect in the beginning...

1. HOME INSPECTION

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 is completely at the option of the purchaser and is not required by the lender. The costs range from \$250.00 - \$450.00.

2. DEPOSIT MONEY

In all purchases, a deposit is required usually on the subject removal date or within 24 hours of subject removal. The amount normally is 5% of the purchase price, but is negotiable at the time the contract is written up. This money is to be held in YOUR realtor's office and will be paid into "trust".

3. 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 the borrower from over paying. A typical appraisal costs approximately \$300.00 plus tax.

4. CMHC/GENWORTH/CANADA GUARANTY APPLICATION FEES

If the client has less than 20% down for the purchase the mortgage will have to be insured by one of the mortgage insurers in Canada. There is normally no application fee charged but there is a one time insurance cost that is added to your mortgage amount.



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Costs Payable on your closing date at the lawyers/notary office...

5. 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 a legal lot. Lenders require a Certificate to ensure that the house does not encroach on a neighbouring 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 generally ranges from \$300.00 - \$500.00.

An alternative to obtaining a Survey Certificate is to obtain Title Insurance. The cost varies depending on the size of mortgage.



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6. PROPERTY TRANSFER TAX

This is a one time tax payable on the purchase of real estate. It is based on the purchase price and is payable to the Provincial Government. The amount of the tax is 1% on the first \$200,000, 2% on the amount above \$200,000 and 3% on the amount above \$2 million.

There is a full exemption from this tax for First Time Buyers who meet all of certain qualifying conditions as follows:

- ✓ Never owned a principal residence anywhere in the world
- ✓ Resident of B.C. for the last 12 months.



6. PROPERTY TRANSFER TAX, cont.

- ✓ Purchase is not over \$500,000. There is a partial tax exemption on home values of \$500,001 - \$525,000.
- ✓ For newly built homes; provided the purchase is not over \$750,000. There is a partial exemption between \$750,001 - \$800,000.
- ✓ A full PPT is available in PDF form. Please contact us for a copy.

7. 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 Corporation charge a Move In Fee, usually \$100 - \$300.
- ✓ Almost all Strata Corporations charge a fee to provide two Documents required to complete a strata purchase. The fee ranges from \$50 - \$100.
- ✓ 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 are intending to. The cost is approximately \$15.
- ✓ There will be an adjustment for your portion on the monthly Strata Fees for the month in which your purchase falls.

8. LEGAL FEES

Legal fees generally range between \$1000.00 - \$1200.00 to convey title and register a mortgage (these figures include fees, disbursements, but not taxes).

You can add another \$600.00 if you are selling a property at the same time. The legal fees to only register a mortgage will be in the \$600.00 range.

9. INSURANCE BINDER

This a requirement by the bank to ensure that you have arrange sufficient home insurance to cover any losses that may be incurred on the purchase. Proof of coverage by way of an insurance binder supplied by the insurance agent is necessary and usually cost \$35.00.

What costs to expect after closing...

10. INTEREST ADJUSTMENT

This is the interest you will pay for receiving your mortgage money before the official start of your mortgage (ie: if your monthly payments were on the 1st of every month and your mortgage completed on October 20th, you will pay an interest only payment on the 1st of November for the 11 days between October 20th and November 1st.

Your regular monthly payments will continue on December 1st. This amount is normally deducted from your payment account on the IAD date.

11. MUNICIPAL PROPERTY TAXES

Property taxes are based on a calendar year and paid in early July each year for most municipalities. If the completion date is after the due date for the 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 on an owners occupied property is the annual taxes, less \$570.00 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.

If the purchaser's closing date is after the payment date of the taxes for that municipality, then this amount would be payable to the lawyer/notary on closing. If the closing date is before the municipality tax date the purchaser would be given a credit at the lawyer for the vendor's portion of the taxes.