

Closing Costs: Budget for these 10 additional homeownership costs

Buying your first home is all about smart budgeting—saving enough for a down payment, crunching numbers to determine how much mortgage you can afford, allocating funds to DIV your fixer-upper into move-in condition. But the costs don't end there. The good news: planning in advance ensures financial bumps won't detour your homeownership plans.

Be prepared for these additional costs:

1. Home Inspection

In tight markets like Montreal, Toronto and Vancouver, bidders sometimes forgot home inspections, however, knowledgeable borrowers tend to invest in a home inspection report before putting in their offer. A certified home inspector can save you thousands of dollars by tipping you off to problem areas and repairs needed down the road.

2. Legal Fees

Once you sign your offer to purchase, you'll need to hire a real estate lawyer, or notary in Quebec to handle your paperwork and file your transactions. This includes conducting a title search, registering your new place in your name, and making sure the down payment and land transfer tax goes to the correct offices on time.

3. Provincial Land Transfer Tax

Most provinces charge land transfer when you purchase property. Rates are a percentage that varies based on property value. To help offset these costs, some provinces or cities offer land transfer tax rebates for first-time homebuyers. Check your provincial or municipal governments website for more information on available resources and rebates.

4. Provincial Mortgage Registration Fee

Check whether your province levies a mortgage registration or title fee on property sales that involve a mortgage.

5. Municipal Land Transfer Tax

For Torontonians, the real estate taxman hits twice, with Canada's only municipal land transfer tax, which is paid in addition to the provincial tax. It's advisable to check your municipality for any similar municipal taxes.

6. Mortgage Insurance

All-high-ratio mortgages (where the borrower's down payment is less than 20% of the home's purchase price) require mortgage default insurance from an insurer such as Sagen. The insurance premium is normally added to the mortgage and paid by the homeowners.

7. Title Insurance

Title insurance protects you against losses arising from challenges to the ownership of your home. Examples include fraud, forgery, and title defects (such as unpaid liens on the property, encroachments, etc.).

8. Adjustments

If the seller prepaid property taxes or utilities, you'll have to repay them the prorated amount.

9. Moving Cost

And don't forget the big day! Moving to a new home is more than just packing up and purchasing materials. You'll need to think about specialty movers for fragile or heavy items, tipping a mover, and the cost to feed your friends that you've recruited for the day.

10. Moving Cost

To protect your nest and all its contents.

House Expenditures

Be aware of these three house-specific surprise costs:

1. Utility Deposit: If you're a new customer, you might be asked for a deposit per utility when you sign up for your services.

2. House Upgrades: When you least expect it, you might need to put in a new roof or rip off that insulbrick in order to qualify for home insurance (or a preferred rate).

3. Home Maintenance Gear: All you needed as a tenant was a small toolbox. But as every house owner knows, power tools and property-maintaining gadgets like a lawnmower, pressure washer, wet/dry vac, ladders, and other items are must-haves!

Condo Cost

Be prepared for these three potential costs of owning a condo:

1. Special Assessments: Every so often, a major repair to the building dwarfs the condo's collective reserve fund - which you pay into with your monthly condo fees. When this happens, you can be faced with a hefty extra charge.

2. Rent: Yes, rent! If you bought off a blueprint, don't be surprised if construction delays push your move-in date by several months. In the meantime, unless you can stay with friends or family, you'll be paying a landlord.

3. Occupancy Fees: It can take months for a condo corporation to register a new build with the municipality. You can move in, but you're not technically the owner of your condo yet. So you'll be charged occupancy fees - also known as "phantom rent".

