



SPECIAL REPORT

8 Closing Costs to Be Aware of When Buying a Home

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Special Report Exposes The Closing Costs To Be Aware Of When Buying A Home

When you are ready to purchase your home it is important to be aware that it will cost you some money to complete the deal. There is nothing worse than going through the entire process and finding out that the costs of completing the transaction are higher than you thought.

Closing Cost #1: Down Payment

Every lender will want to see that you have the funds available to pay for your closing costs. If you have a high ratio loan (less than 20% down payment) it is a rule that you have to prove you have 1.5% of the purchase price available to pay for this. Even though it may not cost you this much, it will be a requirement for the approval.

Closing Cost #2: Appraisal Fee

A fee will be required to assess the value of the property you are buying. If you put less than 20% down and you have mortgage insurance on your mortgage (which will be the case unless you go through an alternative lender), you will have to pay \$165.00, which will be deducted from the mortgage proceeds. If you have 25% down or more, or happen to use an alternative lender, then you will have to have an appraisal done on the property to determine the market value. This appraisal fee can run you around \$250-\$300 depending on the property.

Closing Cost #3: Site Survey or Title Insurance

You will also have to have either a site survey or title insurance on the property. In many instances the realtor or seller will have a survey that is valid to use. However, if there is not one available, then you will be responsible to have one done. Your lawyer or notary will make sure this is done for you and the cost of a survey is approximately \$300. You can choose to have title insurance instead

which is a little bit cheaper, but is a one time thing (if you go to refinance your mortgage, you will need to repurchase this, whereas a survey would be reusable).

Closing Cost #4: Home Inspection

Most people choose to get a home inspection done to make sure the home has no major problems. This is not a requirement for financing, but it is a smart investment. Can you imagine buying a home and not having a home inspection done later to find out that there is major foundation issues that are going to cost you thousands of dollars to fix!! The cost of a house inspection is around \$300 and will be worth every penny for the peace of mind. I strongly recommend having this done!

Closing Cost #5: Lender Fees (If Applicable)

Although most of the time borrowers will not be charged lender and/or broker fees, there are some instances fees will be charged. One example is private mortgages. In these cases usually broker and lender fees will be charged, but will be disclosed up front to clients. Brokers may also choose to charge fees for some deals and some alternative lenders have some form of application fees. But in MOST instances, especially for conforming deals, there are no fees charged to the borrower and the broker gets paid by the lender.

Closing Cost #6: Legal Fees

Another cost to be aware of is the legal fees you will have to pay to either a lawyer or notary for registering your mortgage. The cost for this for a purchase will be approximately \$850-\$1000 and less for a refinance of your existing mortgage (not all of this goes to the lawyer/ notary). You will get a statement of adjustments from your lawyer/ notary outlining all the fees involved.

Closing Cost #7: Home Insurance

You will have to have house insurance in place before you get your mortgage. The reason for this is to protect the lenders security in case of fire or any other damage to the property. Expect this to cost approx. \$50/month depending on the

property. Your notary or lawyer will make sure you have this in place before your mortgage closes.

In most cases, if you have a high ratio mortgage (less than 20% down) you will have to pay a mortgage insurance premium. This is a one time premium that insures the lender against default of the mortgage. The mortgage premiums range from .50% to 3.70% for standard conforming mortgages, but can be higher for non-conforming deals. These premiums do not have to be paid up front, but you will have the option to do that. **Most people chose to have this amount added to the mortgage amount.** Some alternative lenders have their own application fees that usually can be added to the mortgage as well.

Closing Cost #8: Property Taxes

When you buy a home, you will now have to pay the property taxes. Most of the time you can have 1/12 of your property tax payment added to your mortgage payment. With high ratio mortgages, lenders will most likely not give you an option, as they will want the taxes added to your mortgage payment. But if you have 20% down or more, you usually have the option to collect your own taxes or have the lender do this. If your mortgage closes after the taxes have been paid for the year you will have to have enough to reimburse the sellers for the length of time you own the home for that year. But if you close the deal before the taxes have been paid then the sellers must reimburse you for the months they have owned the home for that year. However, you will have to pay the entire years taxes by the beginning of July.

If you have ever owned a home anywhere in the world and buy another home in BC, then you will have to pay a property purchase tax. This accounts for 1% of the first \$200,000 and 2% of the remaining amount. If you are a first time buyer, and buying a property for 375,000 or less, you will likely not have to pay this property purchase tax (as long as you qualify). It is best to discuss this with your notary or lawyer just to make sure. If you are stuck paying this you want to make sure you have enough funds available to cover this cost.

Why do I offer this report free of charge?

I am offering these helpful tips free of charge because I want to be your mortgage advisor. I offer more than simply a loan: I'll personally advise you on how to use and apply the principles contained in this report. Worried that you can't remember all of what is contained here? Call me. I want to earn your business. We currently have over 40 creative programs to fit your needs. Please contact us at **(604) 436 4600** to set up your **FREE No-Obligation consultation** where we will meet to tailor a program to fit your needs and comfort levels for monthly payment and investment.

Sincerely,

A handwritten signature in black ink that reads "Laxamana". The signature is written in a cursive style with a large, sweeping initial "L" and a long, horizontal flourish extending to the right.

Bernadette P. Laxamana, MBA, AMP
President/Managing Broker
Verico M & B Mortgage Solutions, Inc.