

More than real estate commissions: Closing fees add up

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Author James Thurber once said, "It's better to know some of the questions than all of the answers." This is especially true when determining the cost of closing your home purchase transaction.

Legal fees for residential purchases typically vary from lawyer to lawyer. This can be disconcerting for a first-time homebuyer inexperienced in dealing with real estate lawyers.

Most homebuyers simply want to know how much it will cost to close their deal. Seasoned homebuyers recognize legal fees are only one element of the closing-cost issue. Here are some other costs to be aware of:

- GE Capital/CMHC application fee, premium and provincial sales tax (if the down payment is less than 25%).
- Property survey (check the contract -- some builders charge the buyer for it).
- Land transfer tax (there is a first-time buyer's rebate program in Ontario that applies to newly built homes and condominiums).
- Adjustments on property taxes, public services, condominium fees, etc. An adjustment is a repayment of a pre-paid expense. It is common for the builder to make advanced payments for some expenses beyond the closing date. Those funds are returned by way of adjustment.
- Property/home fire insurance.
- Mortgage broker's fee. Consumers using a mortgage broker should always clarify fees. A mortgage broker usually does not charge fees unless the transaction involves something unusual, such as the homebuyer having poor credit.
- Hidden charges. These vary among builders and may include deposits for hydro and water meter connections, levies or an enrolment fee for the Ontario New Home Warranty Plan.

The lawyer's invoice can include:

- Document registration charges.
- Lawyers Professional Indemnity Company transaction levy (currently \$50 plus tax).
- Title insurance (lawyers are obligated by their rules of conduct to explain this option to their clients. It ensures a buyer's rights to the title -- or right of ownership in real property -- of the home as of the date of closing and is backed by major insurers).
- Disbursements incurred by the lawyer for such things as photocopying, postage, off-title searches, execution searches, a title search, etc. These should not vary significantly between lawyers.

Off-title searches are largely for matters municipal in nature (e.g., hydro, taxes, other utilities). Title searches are carried out to verify that the vendor acquired title correctly, and to ensure that the vendor has authority to transfer clear title to the buyer. The fees for off-title searches are prescribed by each municipality. The fees for title searching vary between law firms but should not differ greatly.

It is perfectly reasonable to get price quotes from different lawyers, but it is a mistake to choose a lawyer solely based on price. In the past few years, there has been a demand for fixed-price closings of new homes. Some companies in Ontario offer fixed-price packages, all of which work with lawyers (although in different ways). With all three, the homebuyer gets a title insurance policy. These programs improve homebuyers' ability to budget their closing costs.

Further information on fixed-price closings can be obtained by calling First Canadian Title at (800) 307-0370 (www.firstcanadiantitle.com), Stewart Title at (888) 667 5151 (www.stewart.ca) or Title Plus at (800) 410 1013 (www.titleplus.ca). First Canadian's home closing service is also available for resale purchases and sales.