

Real Estate Topics

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Home Buying Costs

Your Estimate

Down Payment - You may not need a down payment. However if you use less than 25%, your mortgage will be considered to be a "high ratio" one and as such must be insured to protect the lender against your default. The one time premium is usually added to the total amount of the mortgage and does not have to be paid up front.

Application Fee - There is a high ratio mortgage application fee of \$165 (or \$75 with an independent appraisal supplied by you). Some lenders will pay the fee if you place your mortgage with them. It is to your advantage to shop around for a mortgage lender before you start looking at properties. This way, you are pre approved for a mortgage and are protected from any mortgage rate increases for a period of time. If the rates go down before you buy, you will get the lower rate.

Appraisal - You may want an independent market value appraisal of the property. The appraised value should be equal to or greater than the purchase price. If the appraised value is less than the purchase price, and you still want to purchase the property, you may have to increase your down payment. In the Moncton area, the typical cost of an independent appraisal is around \$250.

Home Inspection - In the process of choosing a home, you and your Real Estate Agent should be looking or "inspecting" for potential problems. Once you have chosen a home and start to negotiate an Agreement of Purchase and Sale, you must then decide whether to include, as a condition of the Agreement, a satisfactory Property Inspection. These inspections involve a closer and more detailed inspection of items such as insulation, roofing, moisture, electrical, plumbing and heating. Inspection reports usually include a manual or reference book. Home inspections are not usually done on new construction covered by a home warranty or on condominiums. Typical costs are around \$345.

Surveyor's Report - If you need a mortgage, your lender will require a surveyor's report or title insurance. A surveyor's report not only verifies the measurements of the land, it ensures that any structures are within the boundaries and do not encroach on neighboring properties, required setbacks or utility easements. Some lenders will accept a copy of a recent report. However if there was any error made, you could not get the surveyor to correct it, because you did not pay for the report. Also there could be problems if there were any structures added since the report. Surveyor's reports are usually included with new construction homes and are not necessary with condominiums. Average cost of a report is \$500. Title insurance is around \$250.

Home Insurance - Home Owner packages for fire and extended coverage vary from basic to comprehensive. When it is time to buy, find an insurance broker with whom you are comfortable and who will help you select a package that fits your personal needs. Annual premiums vary between 1/4 of 1% of the insured amount for basic packages to 1/2 of 1% for comprehensive packages.

Land Transfer Tax - You can't avoid the tax man, or get your deed registered without paying 1/4 of 1% of the purchase price of the property.

Legal Fees - Certifying title, executing the mortgage documents, verifying adjustments, and conducting the closing. Typical fees are in the order of 1% of the purchase price, but rates can vary. It usually pays to shop around. Disbursements to government agencies for things like tax certificates and document registration fees typically add another \$180.

Prepaid Adjustments - If the Seller has prepaid the yearly property taxes, you will need to reimburse them from the time that you acquire the property. Example: \$1,200 yearly taxes, paid by the Seller in April, and you take possession June 30th, you will need to reimburse the Seller \$600.

Utility Charges - Hookup charges for NB Power (\$38.50), NB Tel (\$25.30), cable tv (\$36.74) and water meter reading \$25 (Moncton only).

Less Any Rebates - Here's where you can reduce the costs in certain instances. Some mortgage lenders have incentives such as cash backs, monthly payment rebates or reduced payments for a number of months. These are usually in lieu of a lower interest rate, but it pays to shop around for the best deal. Also, there is a Federal rebate of 2% to qualified buyers of **new construction** homes and condominiums.