

What to expect at closing

Now that your financing is all approved and you have met all conditions of your offer to purchase the next step is to meet with your lawyer to complete the transaction. You can expect to see your lawyer approximately two weeks prior to your scheduled possession date. The following are a few of the costs and other things you will need to consider for that meeting. Please keep in mind that these costs are an estimation-your lawyer will have the firm numbers.

\$ Down Payment

You will be required to bring the balance of your down payment to your lawyer approximately 10-14 days prior to your possession date. Your lawyer will give you a figure representing exactly how much you will need to bring in. This will include your down payment less any initial deposits you may have already given.

\$ Tax Adjustment

Property taxes are calculated yearly from January 1st to December 31st but are billed mid year on June 30th. This means that if you move in prior to June 30th you will end up with the tax bill for the entire year come June 30th and your lawyer will ensure that the vendor gives you a credit for the number of days which they occupied the home and are therefore responsible for the taxes. If you move in after June 30, then the vendor has paid for the years taxes which you are responsible for.

\$ Tax Holdback

If your lender is going to be collecting your property taxes a tax holdback may be required. If your property taxes are \$1200 per year and you move in on November 1st with a first payment December 1st, your lender will only have 7 months to collect taxes. Assuming that they collect 1/12 of the 1200 or \$100 per month, come June 30th of the next year your tax account would then be \$500 short. By requiring a tax holdback of \$500.00 at closing they insure that you have sufficient funds in your tax account to meet your property tax obligation for the next year.

\$ Interest Adjustment Data (IAD)

This is the date from which interest on your mortgage is calculated. For example if your transaction closes on the 27th of the month, but you would like payments to be on the first of the month, your IAD would be the 1st of the next month.

\$ Interest Adjustment Cost

If your IAD and your closing date are not the same date you will be required to pay the interest on your mortgage for the period between your closing date and the IAD. In the example where you took possession on the 27th, assuming a 30 day month, you would be responsible for 3 days of interest on the mortgage amount. Some lenders will deduct this from the original mortgage advance meaning that you will have to make up that shortfall at your lawyers. Some lenders will just deduct this amount directly from your bank account.

\$ Title Insurance

Title insurance may be required by the lender, or you may take title insurance in replacement of a new Real Property Report or Survey. Title insurance can protect the lender or you from title defects. Your lawyer will advise if this is needed.

\$ Bridge (Interim) Financing

When you take possession of your new home, all funds are required on that date. This includes the mortgage money and the down payment (or cash shortfall). If your down payment is coming from the sale of your existing home and this date is after your possession date on your new home, you do not have that money yet. So, what happens is that you take out a short-term loan (usually with the lender you are doing the mortgage with) that covers the cash shortfall required to complete your purchase. You pay interest on this loan and depending on the lender, a fee as well. This loan is paid off when your lawyer gets the money from the sale of your home. The requirement to obtain bridge financing is that there is a firm and accepted offer on the sale of your home with no conditions outstanding.

\$ Fire Insurance

You will be required to provide your lawyer with a copy of fire insurance on the home you are purchasing. Your insurance agent will usually handle this but you need to make sure you have an insurance agent in time to get the relevant documents to your lawyer. When purchasing a condo, your condo fees usually include fire insurance coverage. Therefore, when you call your insurer, tell them that you are buying a condo and need condo insurance. This is usually cheaper than house insurance. You will need the following lender information for your insurance company. This is who should be listed as first loss payee on the policy.

\$ Legal Fees

This is your lawyer's fees. Make sure you ask if quoted price is just legal fees or includes disbursements.

\$ Appraisal

If required you may be responsible to pay for the appraisal. Ask your agent for an approximate cost. (Not usually required with a high ratio mortgage.)

\$ Statement of Adjustments

Your lawyer will provide you with a statement of all the relevant adjustments that have been made. This will outline in detail all of the costs incurred for your transaction. Your Mortgage Agent would be pleased to review this with you if you have any questions or concerns. When you go to your lawyers office, they will ask you to bring the funds to close your purchase in the form of a draft or certified cheque. They will also ask you to bring the following:

- ⇒ 2 pieces of Identification, one must be a picture ID
- ⇒ VOID cheque on the account you would like the payments to be withdrawn
- ⇒ You may also be asked to sign a Life/Disability Insurance acceptance/waiver.
- ⇒ This is insurance that is offered by the lender.

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