

WHAT ARE THE CLOSING COSTS

Closing costs are the amounts of money that pass through the lawyer's hands in addition to the

Purchase or Sale price that are needed to complete a real estate transaction. The legal closing

costs on a Purchase are made up of three components. The largest component is provincial Land

Transfer Tax. The second component is the Disbursements that a lawyer pays out when searching title and paying for title insurance. The final component is the lawyer's fee.

Provincial Land Transfer Tax

This money is paid by a Purchaser to the Province of Ontario on the value of the Land and Buildings at the time the Transfer is registered. It is calculated on a sliding scale.

On the first	\$ 55,000.00 -	0.5%	(Land & bldg value x .005)
On the next	\$195,000.00 -	1.0%	(Land & bldg value x .010 less \$ 275.00)
On the next	\$150,000.00 -	1.5%	(Land & bldg value x .015 less \$1,525.00)
Over	\$400,000.00 -	2.0%	(Land & bldg value x .020 less \$3,525.00)

Provincial Retail Sales Tax - Chattels

Many Agreements of Purchase and Sale for real estate include chattels (personal property not attached to the Land or Buildings, e.g. all of the furniture and contents of a cottage).

Usually a value for the chattels is not specifically set out in an Agreement of Purchase and Sale. A Purchaser must set out in the Affidavit of Residence and of the Value and Consideration how much of the purchase price is being paid for the chattels. Provincial Sales Tax at the rate of 8% of the value of the chattels is collected at the same time as the Land Transfer Tax.

Disbursements

As the Purchaser's lawyer, I will disburse various amounts for search fees, title insurance and registration. These usually total \$500.00 - \$800.00. I ask for \$500.00 to be paid into my trust account at the time that I am hired so that I can pay these disbursements. Some examples of disbursements follow:

Municipality for Building and By-Law Compliance Report	-	\$100.00
Municipality for Certificate of taxes paid and outstanding	-	\$ 50.00
Teranet - Search of Title	-	\$150.00
Execution Search (\$11.00 per name twice)	-	\$ 44.00
Registration of a Transfer Electronically	-	\$ 70.60
Registration of a Charge Electronically	-	\$ 70.60
Title Insurance to \$200,000.00 value	-	\$206.40 or
Title Insurance to \$200,000.00 to \$500,000.00 value	-	\$238.80

Lawyer's Fees

The Working Group on Lawyers and Real Estate (lawyersworkinggroup.com) was established to try to provide uniformity in real estate in Ontario. It has suggested a set of

practice standards that a lawyer should follow when handling a real estate transaction. I have always adhered to the proposed standards. The Working Group has also suggested a fee schedule for providing legal service that adheres to those practice standards.

On a Purchase it is suggested that the fee, exclusive of disbursements should be on the following sliding scale based upon the purchase price:

Up to \$100,000.00	-	\$850.00 (My Base Rate is \$750.00);
Plus on the excess of the purchase price from \$100,000.00 to \$300,000.00	-	0.5% of the said excess; and
Over \$300,000.00 price	-	0.25% of the said excess.

These fees are for cottage or residential transactions of ordinary complexity. If there are extraordinary title problems, or the transaction involves non-resident Canadians additional fees will be charged. These fees do not apply to commercial real estate transactions.

I believe that the suggestions are reasonable but I also believe that because of my reduced overhead I can charge a lower base rate of \$750.00. Please call me for a quote on your particular transaction.

Sale

On a Sale it is suggested that the fees be two thirds of the fees suggested on a Purchase. On a sale there may be a disbursement of \$70.60 to register a Discharge of Mortgage and a \$50.00 LPIC fee but there are not usually other disbursements.

Mortgage Only

Please contact me for my fee quote. On a mortgage there will be disbursements of \$70.60 to register the Mortgage and TitlePLUS insurance is \$113.70 in addition to the search disbursements. There may be a disbursement of \$70.60 to register a Discharge of Mortgage.

GST

My fees and most disbursements are subject to GST. Registration Fees, Land Transfer Tax and Provincial Sales Tax are exempt from GST.

Mission Statement

I subscribe to the Mission Statement of the Lawyer's Working Group. "I will provide my services with skill, professionalism and understanding, endeavouring always to:

- a) communicate with my clients promptly and clearly and to keep them informed about the status of their files and fees and costs they are responsible for;
- b) provide value for my services;
- c) treat people with integrity and understanding; and
- d) actively participate in my community and the practice of law in a manner consistent with the high ethical ideals of the legal profession.”

Please contact me for an estimate of what your closing costs may be.