



## Closing Costs: SALE OF A HOME

**Legal Fees** Generally we quote fees according to various factors such as the complexity of the transaction, whether there is a rush, the time of year, etc. The Manitoba Bar Association sets out a prescribed list of fees or "tariff". In Winnipeg's competitive market, legal fees can be as low as \$350.00

**Disbursements** These items are costs which the seller of a house must pay but which, for reasons of convenience, the lawyer pays on behalf of the seller at the appropriate time. These include the mortgage discharge fee payable to land titles, title investigation charges, couriers, and other miscellaneous charges all of which generally range from \$85.00 - \$140.00 depending on the law firm.

**Property Taxes** In all transactions, either the buyer or the seller (or his respective mortgage holder, where applicable) pays the annual tax bill to the City or Municipality. The paying party is then reimbursed by the other party by way of an adjustment to the sale price. The tax period is ALWAYS the calendar year, however the due date for payment is sometime during the year. In Winnipeg, taxes are due as of June 30, while in rural areas the due date is usually in autumn.

If you or your mortgage lender, where applicable, have paid or will pay the tax bill prior to possession date, then you will be reimbursed by the purchaser. The reimbursement is done by having the sale price "adjusted" upward. This will increase your equity. If the tax bill is not paid as of possession date, the purchaser will take over responsibility for it and you will credit the purchaser for your share by adjusting the sale price downward. This will decrease your equity.

If you have been paying taxes with your mortgage payments, there will be a "squaring up" to be done with your mortgage holder. This is because the mortgage holder has been setting aside the tax portion of your mortgage payments in a separate savings account and now it is time to close out that account. As with all bank accounts, there is always either some money in the account or else the account is overdrawn. This credit or debit, as the case may be, will be applied against the balance owing on your mortgage.

**Mortgage** It goes without saying that the balance of money you owe under your mortgage will reduce your equity. Don't forget to include any **mortgage penalty**. Unless your mortgage is at the end of term, or is an "open" mortgage, you may have to pay a penalty to the lender to have it discharged, and the amount of the penalty may vary considerably. Also, there will be a discharging fee to pay to the lender and the average amount is approximately \$200.00. Don't forget that the mortgage payments always cover the previous time period. As a general rule, you must make mortgage payments that fall due on or before possession date.

**Home Improvement Loans** If you have such a loan through a utility company or government agency, it will have to be paid out. It cannot be transferred to another home.

**Personal Loans** If your home has been pledged as collateral for a personal loan, then the loan may have to be paid. Sometimes, a "collateral mortgage" or a "caveat" is placed against the home as additional security for a loan, and if so, it must be paid from the sale proceeds unless other adjustments are made with the lender.

**Liens, Judgments, etc.** These are quite uncommon, but if you have been involved in a lawsuit or other legal proceeding such that a lien for money has been registered against your title, it will have to be paid out.

**Interest** You will receive interest, for the duration of the land titles delay, on the sale proceeds. You will pay interest, for the duration of the land titles delay, on any mortgage on the property and on any interim financing you have arranged (usually required when buying another house).

To calculate interest to be paid, work out the interest payable under your mortgage and/or interim financing to a daily figure and then multiply by the approximate land titles delay at the time. The interest that you will earn is harder to estimate and will depend on the amount of any mortgage the purchaser is getting on the property. As a wide "ballpark" figure, a seller may get approximately prime rate interest on the sale proceeds for the duration of the land titles delay, but you may do better or worse, depending on the actual numbers involved.

**GST** is payable on the real estate commission, legal fees and most disbursements.

*Note: This Is An Example Of The Costs Incurred. The Dollars Specified Herein Are Supplied By Robertson, Shypit, Soble Wood And Do Not Necessarily Reflect The Actual Fees Charged By Other Firms. Please Inquire On The Fees By The Firm You Select. Prices subject to change without notice.*