

# How to avoid home cost surprises

By **ROD NUTT**

**T**he key cost consideration for any home is the price of the home itself. When you buy a brand new home from a builder, the cost typically includes the base price of the home (and lot) plus the price of any upgrades you choose, from fireplaces to additional landscaping.

In addition, there are other costs that you should be aware of right from the start, from legal fees to mortgage insurance premiums, which can apply to a home purchase.

The Greater Vancouver Homebuilders' Association believes it is a good idea to consult with your professional new home builder and your mortgage lender early in the buying process about the specific items and typical costs that will apply to your

situation. That way, you can easily budget for them and proceed with confidence, knowing that you will not be faced with unexpected last minute expenses.

The following should be considered:

**Sales tax:** When buying a newly built home up to \$350,000, purchasers are entitled to a rebate of 36 per cent, up to \$8,750. Above \$350,000, the rebate is reduced on a sliding scale and there is no rebate on homes above \$450,000. The rebate can be assigned to the builder at the time of purchase, or you can claim it directly afterwards. Find out up front if prices quoted by your new home builder are inclusive or exclusive of tax and rebate.

**Mortgage insurance:** A high-ratio mortgage (75 per cent or more of the total purchase price of the home) must be insured against default. There is a small application fee as well as an insurance premium ranging from 0.5 per cent to 3.75 per cent of the total purchase price. The premium is based on the size of your down payment and can be paid up front along with your property taxes or added to the mortgage amount.

**Appraisals:** Your mortgage lender may require a property appraisal, depending on a number of factors. For instance, for a brand new home that's already built, an appraisal is normally needed.

**Surveys:** Your lender may also require a property survey to verify boundaries, measurements and structures, and to provide you with survey documents at no cost. Alternatively, title insurance can satisfy the lender's requirements; it will also protect you against title defects.

**Water certification:** If your new home comes with its own well, your lender may require the flow and quality of the water to be tested and certified.

**Legal services:** The purchase of real estate requires the services of a lawyer (or notary) to search the title, draw up mortgage documents, register new ownership and liens and look after other closing details such as disbursement of funds. You may also want your lawyer to review the contract between you and builder (Agreement of Purchase and Sale) before you sign it. Legal costs vary considerably, depending on lawyers' practices and the complexity of your transaction. Get recommendations and spend a little time comparing firms to ensure you get the best value for your money.

**Land transfer tax:** The B.C. government taxes the transfer of real estate, calculated at one per cent of the purchase price up to \$200,000 or two per cent of the price exceeding this amount.

**Home insurance:** Your home must be fully insured before mortgage lenders can release the funds for your purchase. This protects both you and the lender.

**Moving costs:** Determine the amount of work you are willing to do yourself, from packing to unloading and setting up in your new home. Contact several moving companies to get an idea of prices and levels of service available.

**Appliances, furniture, drapery:** Does the home come with appliances or will you need to invest in new ones? Will you need new blinds and drapery for the whole house? Would this be a good time to upgrade your living room set? It's a good idea to budget for these things in advance. Talk to your lender about financing options that can help you afford the things you need.

**Home maintenance equipment:** Do you have the equipment you need to maintain your home properly? Consider your needs throughout the seasons, from lawnmower to snowblower. Will you be able to purchase equipment as the need arises? Can you include it in your initial investment in your home, or will you require additional financing?

Call the Greater Vancouver Homebuilders' Association at 604-588-5036 or click on [www.vancouverhomebuilders.org](http://www.vancouverhomebuilders.org) for more information about new homes, the home buying process and for the names of professional new home builders in your community.

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