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LAWYERS

So, you want to buy a house....

By Stephanie Hermans



When should you contact a lawyer? Homebuyers typically contact a lawyer once they have signed an agreement of purchase and sale. It is highly recommended, however, that clients contact a lawyer before signing an agreement. Small details in a purchase agreement can turn into contentious issues, and contacting a lawyer early on can help avoid some of these issues.

It is rare for clients or potential clients to ask about experience or expertise in real estate transactions. Rather, one of the most common questions that real estate lawyers get when clients are looking to purchase a home is “how much is it going to cost?”. The short answer is it depends.

With real estate transactions, most lawyers charge a flat fee for services, but disbursements and taxes are added on top. However, before you go and find the cheapest lawyer you can, you also want to make sure that you hire a lawyer with the knowledge and skills to handle your transaction. Real estate transactions can have all sorts of unexpected issues, and you want to make sure that your lawyer has the ability to deal with these issues. Service is also a big aspect of real estate transactions. You want to ensure that you find a lawyer that you are comfortable dealing with, and one that you are able to speak with regarding concerns or issues.

What are Disbursements? The word “disbursement” refers to money paid out. In a real estate transaction, the law firm pays a number of expenses on behalf of the client, which later need to be recouped. What disbursements apply to a real estate transaction? The unsatisfactory answer is it depends. It depends on what documents need to be registered, on the value of the property, the searches that need to be performed, and whether additional complications are encountered. However, there are some disbursements that apply to typical real estate transactions:

1. Land Transfer Tax (calculated based on the purchase price. A rebate may be available for a first-time homebuyer)
2. Title Search
3. Search Charges

4. Electronic Registration Fees
5. Registering Deed
6. Registering Mortgage
7. Execution/Sheriff Certificates
8. Title Insurance (varies based on purchase price, insurer, and property type)
9. Office Expenses (includes costs such as postage, copies, faxing, and courier charges)

Land Transfer Tax tends to be the biggest disbursement. The formula for calculating the total land transfer tax is as follows:

- 0.5% on the first \$55,000
- Plus 1% of the amount from \$55,001 to \$250,000
- Plus 1.5% of the amount in excess of \$250,001 to \$400,000
- Plus 2% of the amount in excess of \$400,001

Here are some sample calculations:

Purchase Price	Land Transfer Tax
\$50,000	\$250
\$100,000	\$725
\$150,000	\$1,225
\$200,000	\$1,725
\$250,000	\$2,225
\$300,000	\$2,975
\$350,000	\$3,725
\$400,000	\$4,475
\$450,000	\$5,475
\$500,000	\$6,475

Purchasing your first home (or your tenth home!) can be a very rewarding experience. It can also be stressful. Extra closing costs should not add to your stress. Be sure to ask questions so that you are fully prepared and informed for home ownership. Happy house hunting!