Closing the Purchase

Taking Care of Final Financial Details.

To complete or "close" the purchase, a number of steps need to be accomplished after your unit is registered with Land Titles.

Assuming you have a mortgage, the lawyer handling the purchase must see to it that the mortgage is registered on Title so that the lender has a legal claim on the property (until such time as the mortgage is paid back).

After the mortgage is registered on Title, the mortgage funds can be advanced by the lender and placed into the lawyer's trust account. From there, the lawyer is responsible for disbursing the appropriate funds to the Developer.

If there are any significant construction deficiencies with your unit, your purchase agreement *may* give you the right to hold back funds from the Developer until the deficiencies are corrected.

The "holdback" represents a reasonable cost, agreed upon by you and the Developer, for completion of your unit's deficiencies.

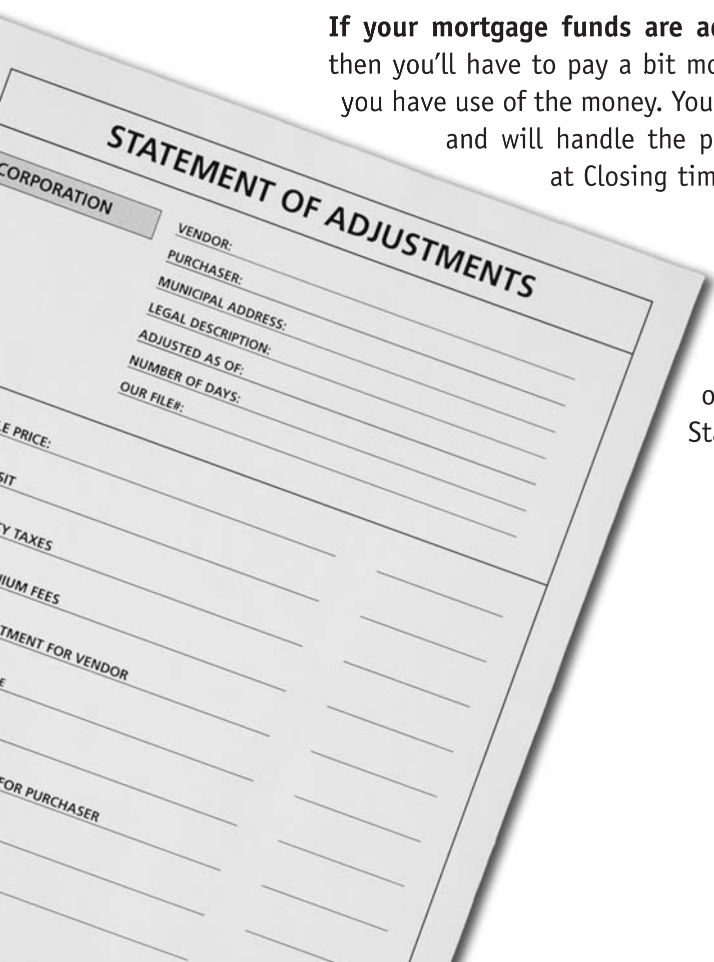
The appropriate amount of money is usually held in trust by the Developer's lawyer under reasonable trust conditions.

The Interest Adjustment Date (I.A.D.) is another financial matter of note at Closing. For the purpose of calculating mortgage interest charges, the I.A.D. is the date that your lender anticipates your mortgage funds will be advanced.

The I.A.D. is usually set one month before your first mortgage payment is due. This allows time for paperwork to be processed, mortgage funds to go from the lender to your lawyer to the Developer, and adjustments to be made in how much interest you have to pay on the mortgage funds — depending on when they are actually advanced.

If your mortgage funds are advanced before the Interest Adjustment Date, then you'll have to pay a bit more interest to the lender for the extra days when you have use of the money. Your lawyer will have this information from the lender and will handle the processing of your payment for the extra interest at Closing time.

If your mortgage funds are advanced after the Interest Adjustment Date, the lender will calculate how much in interest charges are owed back to you for the days that you didn't have use of the money. This credit will appear in the Closing Statement of Adjustments prepared by your lawyer.



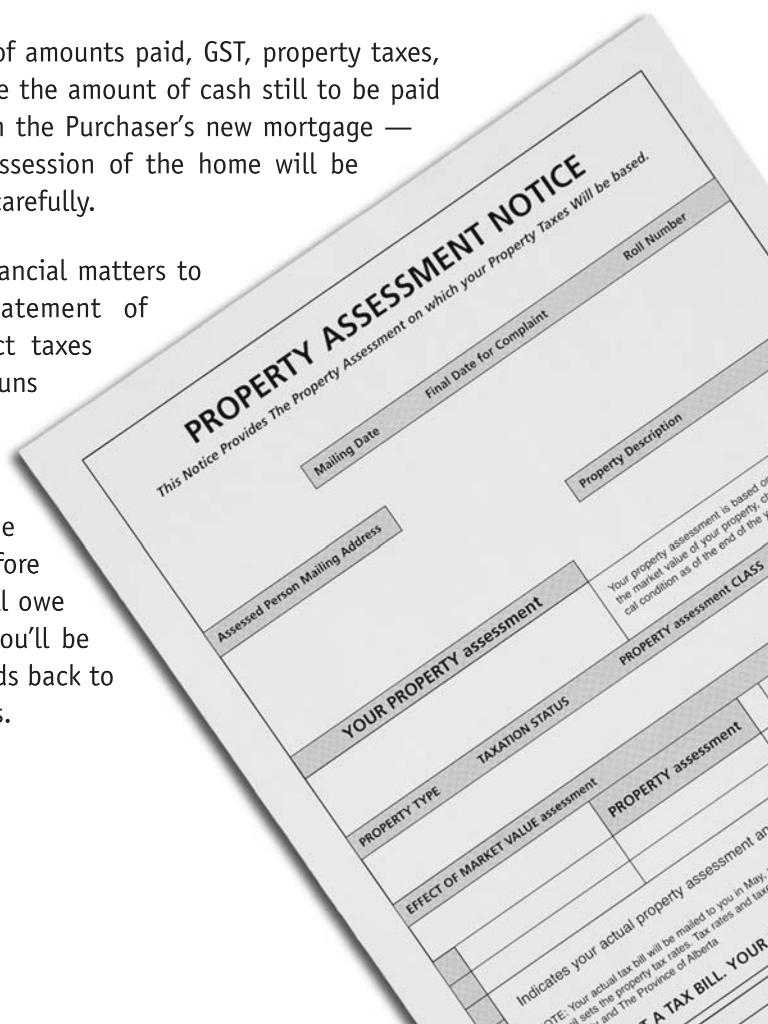
Your predetermined mortgage payments aren't affected by these adjustments. Your first and subsequent mortgage payments are still due on the agreed upon dates, in the agreed upon amount.

The Closing Statement of Adjustments is prepared by the Developer's lawyer to reflect the financial transactions applicable to the purchase as of the possession date. Along with other real estate documents, it is usually provided to the Purchaser's lawyer **at least 10 days prior to the possession date**.

This Closing Statement shows the details of amounts paid, GST, property taxes, extras and other costs. It will clearly indicate the amount of cash still to be paid — either directly from the Purchaser or from the Purchaser's new mortgage — in order to close the transaction before possession of the home will be granted. Obviously, it needs to be reviewed carefully.

Property taxes are among the important financial matters to be resolved at Closing through the Statement of Adjustments. Typically, municipalities collect taxes June 30 for a calendar taxation year that runs from January 1 to December 31.

If you take possession before June 30, then on June 30 you'll be paying taxes for the whole calendar year including the months before you move in. In that case, the Developer will owe you money for its share of the taxes that you'll be paying. An adjustment that credits these funds back to you is made in the Statement of Adjustments.



If you take possession after June 30, the Developer has paid the taxes for the entire year. You will owe money to the Developer for that part of the year in which you are the owner of the property. This payback of money, from you to the Developer, is accounted for in the Statement of Adjustments.

Be aware of the Supplementary Tax Assessment, after Closing. Often, the property taxes levied on a development under construction are on the value of the land — before improvements such as buildings are added.

So expect to receive a "Supplementary Tax Assessment" sometime after Closing if your property taxes were calculated on the basis of land value only. When you receive the Assessment, you'll want to ensure that the additional taxes are only for the period of time after you took possession.

If some of the Supplementary Tax is for a period prior to your possession date, then you will need to inform the Developer who will then issue an appropriate credit for its share of the supplementary tax assessed.