

## PROTECTING YOURSELF FROM THE BUILDER’S BIG BITE

**Potential hidden costs payable on the day you move in of \$17,000.00!**

**DO NOT SIGN ANYTHING UNTIL YOUR LAWYER HAS REVIEWED IT !**

You hear that the woman on the opposite shift from you has just bought a brand new house, and you are considering doing the same. You visit a sales office and the salesperson shows you a price list. The model home seems so nice, and the salesperson even volunteered to help you find a mortgage so that you can buy your dream home. The prices seem steep but you like all those shiny new appliances and gleaming tile floors. What the salesperson probably didn’t tell you is that **the agreement the builder wants you to sign contains hidden costs, quite often buried in the fine print, which can add thousands of dollars to the purchase price.**

Here is a list of some of these hidden costs:

New Home Warranty Enrolment Fee	\$700.00
Driveway Paving	\$1,100.00
Hydro Meter Installation	\$400.00
Water Meter Installation	\$350.00
Go Transit Levy	\$350.00
Grading Adjustment	\$800.00
Survey	\$750.00
Cost of Humidifier	\$1,100.00
Boulevard Landscaping	\$500.00
Law Society Charge	\$50.00
Hydro Energization Charge	\$350.00
Damage Deposit (this one you will eventually get returned to you)	\$1,000.00
Electronic Registration Surcharge	\$100.00
Fee to Discharge Builder’s Mortgage	\$70.00
<b>Total</b>	<b>\$7,620.00</b>

In addition, there may be **one more hidden cost**, and it is the most expensive of all. It is called an **“increased lot levy” or “increased development charge”**, levied by the municipal government, to pay for new schools, parks, or other essential community services. The amount varies, but in a recent case the increase was almost **\$9,500.00**. Adding that to the other hidden fees set out above, and you have **potential hidden costs payable, on the day you move in, of more than \$17,000.00 !**

That’s right, we just said that you must pay them on the day you move in! They are part of your “closing costs”! If you haven’t planned for them, you may need additional mortgage funds. Even worse, you may not be able to afford the home at all, and potentially could lose your deposit, or be sued for even more.

How can protect yourself against surprises about hidden costs?

Surprisingly enough, consumer legislation requiring complete disclosure of hidden costs does not extend to new home purchases. So, the best advice is:

1. Ask the salesperson to give you a list that clearly specifies each one of the hidden costs.
2. Ask the salesperson for a copy of the agreement, and, if possible, take it to your lawyer before you sign it.
3. If you must sign the agreement before seeing a lawyer, insist that it contain a clause making it conditional upon review by a lawyer. Then, immediately arrange an appointment for your lawyer to review the agreement with you, well in advance of the expiry date of the condition. A typical conditional clause should look this:

***“ This agreement is conditional until [insert date at least 10 days from date of agreement], upon the purchaser obtaining approval of this agreement from his/her solicitor, otherwise this agreement shall become null and void and the deposit(s) shall be returned to the purchaser forthwith without interest or deduction. This condition is for the exclusive benefit of the purchaser and may be waived by him/her during the conditional period, at his/her option.”***

4. Contact the Municipality directly about the possibility of an “increased lot levy” or “increased development charge” (explained below) prior to your closing date.

Your lawyer will help you identify the hidden charges and, in some instances, get them “capped” or deleted entirely from the contract. In one case, our client was faced with a \$9,500.00 increase in the development charge, which we persuaded the builder to “cap” at \$1,000.00.

Some of these hidden charges actually make sense, such as the New Home Warranty enrolment fee, the water meter hook-up and hydro meter hook-up charges. Your lawyer will explain those to you.

If your lawyer reviews your purchase agreement before you sign it, he or she may find other potentially troublesome clauses that should be changed or deleted. Your lawyer may also want to add some clauses, for your protection. Remember, no two builders’ purchase agreements are alike, so it is impossible to tell you exactly what to look for and where in the purchase agreement you will find it.

It is probably the most expensive purchase you will ever make, so make sure that you know what you are getting yourself into, before you buy that shiny new house.

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