

First Time Home Buying Guide:



T H E A Z I Z G R O U P

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3 Main steps



Whether it's your first time or you've gone through the process before, buying a home is one of the biggest purchasing decisions you can make in your life. It can be an exhilarating experience, but it can also at times be overwhelming. There are a lot of preparations to make for the mortgage, a lot of details to take care of when looking for a home and making an offer, and many costs to plan for at closing.



Using This Guide

This guide will walk you through the entire process and will help make buying a home an easy and exciting process. By the time you've read through this guide, you'll know what you need to apply for a mortgage, how to go about finding a home, how to make an offer, and what to plan for at closing. You'll be able to make informed decisions, get the right financing, and find the right home for you!

Look for these coloured boxes throughout the guide for useful tips!



**First Time
Home Buyers
Tip**



**Experienced
Home Buyers
Tip**



THE AZIZ GROUP



**Good to Know
(*useful facts*)**

Financing Your Home

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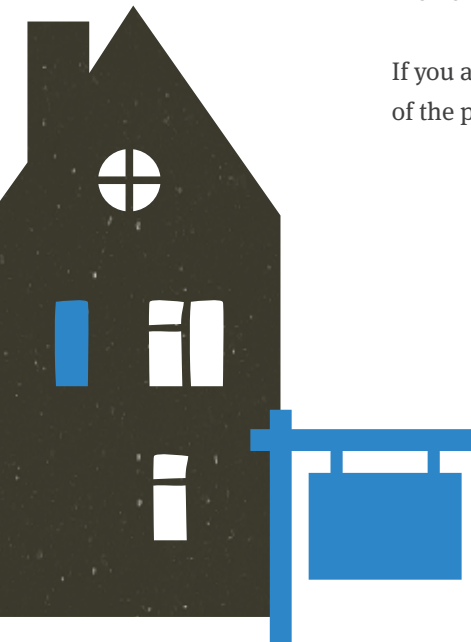
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Make Sure You're Ready

Owning a home is exciting and it has many advantages, but it's also a big commitment. There are a number of questions to ask yourself when determining whether you're ready. These are some of the things you might want to consider:

- Will you be able to afford the many financial costs of home ownership?
You won't have to pay rent anymore (if that's what you're currently doing), but in addition to everything else your current budget covers (groceries, clothes, entertainment, etc.), you'll have to factor in the following costs:
 - ✓ Mortgage
 - ✓ Property taxes
 - ✓ Utilities
 - ✓ Home insurance
 - ✓ House repairs and renovations
 - ✓ Condo Fees
- Do you have stable employment, stable income, or at least a viable strategy in case something should happen to limit your income, such as an emergency fund?

If you answered yes to all of the above questions, you've already done much of the preparation for owning a home!



Planning for a Mortgage



First Time Home Buyers Tip

The Canada Mortgage and Housing Corporation (CMHC) has a handy [calculator](#) to help you quickly calculate your GDS and TDS!

You can plan for a mortgage before even walking into a mortgage lender's office. There are two main measures lenders will use to determine the value of the mortgage they will lend you. You can use these measures yourself to estimate how much home you'll be able to afford.

Gross Debt Service (GDS) Ratio

Your GDS is the percentage of your gross income that goes towards paying housing costs. Housing costs include mortgage payments (including both the principal and the interest), property taxes, heating costs, and half of your condo fees (if applicable). Your GDS shouldn't exceed 32%.

Let's say for instance that Sunita and Jamie have a monthly gross income of \$8,800. They decide to purchase a condo in Richmond for \$500,000. To calculate their monthly costs, let's take a look at their situation:

- They make a 10% down payment (\$50,000).
- Their mortgage amount is \$450,000.
- They get a fixed interest rate of 3.00% with an amortization period of 25 years (assuming the interest rate is fixed over the entire amortization period).
- They make monthly payments.

Total monthly mortgage = \$1892.72

They would pay \$50 per month on heating, and the property taxes on their home would be \$1500.00 for the year, or \$125.00 per month. They're considering a condo, so there condo fees is \$250.00 a month. Their total housing costs would be:

**Sunita & Jamie
Total Monthly
Housing Costs**

\$1892.72	(Mortgage payments)
+ \$ 425.00	(Heating, taxes, condo fees)
= \$ 2317.72	TOTAL MONTHLY COST



Experienced Home Buyers Tip

If you're looking to purchase a home in Vancouver and you want to know the value of homes in a neighbourhood, you can contact us for valid information at TheAzizGroup.com

604-726-3257

To calculate GDS, we would divide the monthly housing costs of \$2,317.72 by the total monthly gross income of \$8,800 and multiply the result by 100 to get the percentage:

Gross Debt Service (GDS)	$\frac{\$2,317.72}{\$8,800.00} \times 100 = 26\%$
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Sunita and Jamie's GDS is 26%, and therefore under the maximum ratio of 32%.

Total Debt Service (TDS) Ratio

Your TDS is the percentage of your gross monthly income that goes towards paying off debt. Debt includes the housing costs and any other debts the household may be incurring, such as car loans, student loans, credit card or line of credit payments, and so on. Your TDS shouldn't exceed 40%.

So if we were to calculate Sunita's and Jamie's TDS, we already know their total monthly gross income (\$8,800) and their total monthly housing costs (\$2,317.72). If they also have monthly credit card payments of \$100, monthly student debt payments of \$295 and no other debts to pay off, their monthly debt load is \$395. Their total household debt would be:

Sunita & Jamie Total Monthly Household Debt	$\begin{aligned} &\$2,317.72 \text{ (Monthly housing costs)} \\ &+ \$100.00 \text{ (Monthly credit card payments)} \\ &+ \$295.00 \text{ (Monthly student debt payments)} \\ &\hline &\$2,712.72 \text{ total monthly household debt} \end{aligned}$
--	--

To calculate TDS, we would divide the monthly household debt of \$2,712.72 by the total monthly gross income of \$8,800 and multiply the result by 100 to get the percentage:

Total Debt Service (TDS)	$\frac{\$2,712.72}{\$8,800.00} \times 100 = 31\%$
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Sunita and Jamie's TDS is 31%, below the 40% limit.

Based on these GDS and TDS examples, Sunita and Jamie would in principle be able to get a mortgage, although there are also other factors that lenders take into consideration, such as down payment and credit score.

Down Payment



First Time Home Buyers Tip

When you're saving up for buying a home, don't forget to set aside at least \$10,000 to \$12,000 (perhaps more, depending on your situation) for closing costs. See page 32 for more details on what you can expect with closing costs.

How Much Down Do You Need?

The down payment is the amount of the home price that you pay up front. The larger the down payment you're able to save, the smaller the loan you'll need. This will allow you to get a better interest rate.

You will need at least a 20% down payment in order to qualify for a conventional mortgage. You can still get a mortgage if you have less than that, as long as you have at least a 5% down payment.

If your down payment is 5% or higher but under 20%, you will qualify for a high-ratio mortgage, meaning your loan value will be more than 80% of the price of your home. In this case, lenders will require you to get mortgage loan insurance.





First Time Home Buyers Tip

There are a lot of variables to keep track of when trying to figure out how much you'll be paying for your mortgage. You have to factor in your down payment amount, the amortization period, the interest rate, your payment period.

Contact us for a Preferred Mortgage Broker list.

What Is Mortgage Loan Insurance?

Lenders require mortgage loan insurance if your down payment is under 20%. This helps them protect themselves in case you default on your mortgage payments. Should you default, the insurance will cover the cost of your mortgage, with the lender being the beneficiary of the payout money.

To get mortgage insurance, you would pay an insurance premium, either as a lump sum or on a monthly basis. In the latter case, it usually gets added to your mortgage payments. The premium is a percentage of your total mortgage amount, and will vary according to the size of your down payment. It typically ranges from 0.5% to 3%.

There are three mortgage loan insurance providers in Canada: the government-owned housing agency Canada Mortgage and Housing Corporation (CMHC), Genworth, and Canada Guaranty.



Your Credit Score

Why It Matters

Your credit rating is an important factor that lenders consider when determining the interest rate of your mortgage. The better your credit score, the better the interest rate you will be able to get.

You should get a copy of your credit report before applying for a mortgage. Credit reports can sometimes include errors. Before you go to a lender, take the time to go over your report. If you find possible mistakes, contact the credit-reporting agency who issued it to have your information corrected.



Experienced Home Buyers Tip

Curious to know more about how credit scores work? The Financial Consumer Agency of Canada has a [detailed guide](#).

How to Find Out Your Credit Score

In Canada, there are two major credit-reporting agencies: [Equifax Canada](#) and [TransUnion](#). You might have to pay a fee to get a copy of your credit report. It's a good idea to check your credit rating with both companies, as they don't necessarily include the same information and your rating might differ a little from one to the other.

Your credit score will be given as a number between 300 and 900. The higher the number, the better your score will be. High numbers indicate to the lender that you are less likely to default on your loan. Different lenders have different minimum credit score requirements, but the information provided with your credit report should give you a general idea of how your credit stands.

What to Do If You Have a Bad Credit Score

Bad credit is a pain for everyone, mortgage lenders and yourself alike. It can delay the home buying process for you, but it can also be overcome. Lenders might be more reluctant to give you a mortgage. To offset it, you could try to make a bigger down payment to show that you are capable of managing your money and to show that the risk for the lender isn't as big as your score might indicate. Whether the lender accepts this will depend on the lender and your particular circumstances.

If you need to get mortgage loan insurance, the CMHC will also be less likely to insure you with bad credit. You could try with the other major providers, Genworth, or Canada Guaranty.

If after having tried the above you still can't get approved for a mortgage, here are some tips you can follow to improve your credit rating:

- Pay your bills on time.
- If you have debt, make payments towards reducing it.
- If you can, pay off your credit card in full every month, and avoid reaching your credit limit.
- If you can't pay off your bills completely, at least make the minimum monthly payments.
- Don't apply for new credit if you don't need it. Too many credit applications in a short timeframe are not a good sign for lenders. They'll be wondering why you need so much money in such a short time.

Nothing can give a major boost to your credit rating overnight, but following the above tips and good financial management practices, you should see an improvement in a few months.

What to Do If You Have No Credit History

If you have no credit history at all, you will likely need to build some in order to show lenders that you can be trusted with a loan. An easy way to do this is to get a credit card, either through a bank or through a retail or department store. Using it at least a little bit each month and paying off your bills in full will help you build good credit, along with following the same tips outlined above for improving your credit rating.

Government Programs and Tax Credits for Home Buyers

Houses aren't small investments, and it makes sense to get all the help you can get! There are a number of federal programs and tax credits designed to help home buyers with their purchases.

CMHC Green Home Program

If you get mortgage loan insurance through the CMHC for the purchase of an energy-efficient home or to make energy-saving renovations to the home you're purchasing, you could get a 10% refund on the mortgage insurance premium. You can also get a premium refund on longer amortization periods.

 See the [CMHC website](#) for specific details and eligibility criteria.


First-Time Home Buyers' Tax Credit (HBTC)

The HBTC is an income tax credit for those buying a home for the first time. The amount of the credit you can get is equal to the lowest personal income tax rate (15%) multiplied by \$5,000. So you could get an income tax credit of up to \$750.

 See the [Canada Revenue Agency website](#) for the most up to date details and eligibility criteria.

GST/HST New Housing Rebate

The GST/HST Rebate reduces the GST or the federal part of the HST (whichever applies in your province) from 5% to 3.5% for homes below \$350,000. You can still get a rebate for homes priced in excess of \$350,000 up to \$450,000, though it will be less, depending on the exact value of your home.

 For more details or to see if your home qualifies, please visit the [Canada Revenue Agency website](#).

RRSP Home Buyers' Plan (HBP)

The HBP is a way to help you finance the down payment for your first home. It allows you to withdraw up to \$25,000 (or \$50,000 for a couple) from your Registered Retirement Savings Plan (RRSP). If that amount helps you make a 20% down payment, it will help you avoid mortgage insurance premiums. You should consider it carefully though, as the HBP gives you 15 years to repay the withdrawn amount in full, and you must pay back at least 1/15 of the amount you withdraw each year.

 See the [Canada Revenue Agency website](#) for the most up to date details and eligibility criteria.

Other Programs

Other programs or tax credits come up from time to time in BC. Check the regulations in your province or municipality. The Aziz Group will also provide all up to date information and knowledge at the time of your purchase.



Understanding Your Mortgage



First Time Home Buyers Tip

Want to get a quick idea of the mortgage you can get?

Call us to help you find the right mortgage.

The Aziz Group has a number of contacts tailored for your needs.

Getting Pre-Approved

Once you've figured out your financial situation and decided that you've saved up enough, you're ready to go to the bank. Getting pre-approved for a mortgage is a good idea for a number of reasons:

- You'll have a clearer idea of how much you'll be able to afford and how much you'll have to pay monthly towards your mortgage.
- It will be an advantage when you make an offer, as sellers will know that you're serious about buying a home. This can be useful if the home you're interested in receives several offers, for example.
- If you get a fixed rate mortgage, the rate could be guaranteed for a number of days. The exact number of days will vary according to lender.

You should be aware that getting pre-approved for a mortgage does not guarantee that you will be approved for a mortgage loan. A number of factors could lead a lender to reject your mortgage application despite pre-approving you, such as if you acquired more debt or lost your job since getting pre-approved. The lender could also reject your application if the home is valued at less than you paid for it.

Still, it's important to know how much you can reasonably afford before you start looking.

Bank vs. Mortgage Broker

Banks are institutions that offer a range of financial services, including personal banking, credit card and loan services. If you get your mortgage from your banking institution, you can consolidate your loans or services. Because you have an ongoing relationship with the institution, you might also be able to negotiate better rates for yourself.

Mortgage brokers are independent from banks and do not themselves offer mortgages, but they take charge of finding you the best possible lender given your situation. They can negotiate a better interest rate on your behalf. They can also sometimes get volume discounts if they can sign up a certain number of people with a given lender. These discounts then get passed on to you. Mortgage brokers sometimes take a fee for these services.

One thing to note is that when you use the services of a mortgage broker to shop for a mortgage, the mortgage broker only does one credit check on you regardless of how many financial institutions he or she evaluates to find you the best mortgage for your needs. In comparison, if you go from bank to bank yourself, each bank will be doing its own credit check. The number of credit checks performed on your credit history can negatively impact your credit score.

Negotiating a Better Mortgage

To get the best possible mortgage, you could either go through a mortgage broker, who would then negotiate on your behalf, or you could negotiate with lenders yourself. If you choose to do it yourself, here are some useful tips to keep in mind:

- Make your application sound as appealing as possible. Do you have a bigger down payment? Is your job stable? Are your GDS and TDS well below the maximum allowable limits? (If you need a refresher, see pages 5-6 for more information on GDS and TDS.) Do you have a stellar credit rating? Emphasize that. Show the lender what a great customer you would be.
- Shop around. If you find a lower rate somewhere else, see if your lender of choice will match it.
- See if you can reduce any of the mortgage fees, such as the processing fee that the lender may charge, the appraisal fee to have your home's value assessed, and the legal fees for mortgage registration.
- Consider accepting a slightly higher rate in exchange for more flexibility in your mortgage terms, such as with prepayments or refinancing. Assess your needs and decide which would benefit you most in the long term.

Your Mortgage Options

There are different types of mortgages to choose from. Understanding the difference between them can help you choose the right one.

Fixed Rate Mortgage vs. Variable Rate Mortgage

- **Fixed Rate Mortgage:** You agree on an interest rate with your lender and the rate gets locked in for the term of the mortgage. You won't pay more if interest rates go up, but you also won't pay less if they go down.
- **Variable Rate Mortgage:** Your interest rate is the current rate. At specified intervals, your interest rate may change to reflect the current rate. In that case, your monthly payments do not change, but if the interest rate rises, less of your payment goes towards the principal and more goes towards the interest. Conversely, if the interest rate falls, more of your payment goes towards the principal and less goes towards the interest.

Conventional Mortgage vs. High Ratio Mortgage

- **Conventional Mortgage:** A mortgage loan valued at a maximum of 80% of the home price (meaning you've made at least a 20% down payment).
- **High Ratio Mortgage:** A mortgage in which the loan finances more than 80% of the home cost, up to 95%. The buyer is required to get mortgage loan insurance for high ratio mortgages.

Closed Mortgage vs. Open Mortgage vs. Convertible Mortgage

- **Closed Mortgage:** You get a lower interest rate than with an open mortgage, but you can't make prepayments, renegotiate or refinance your mortgage (or you might have to pay a penalty).
- **Open Mortgage:** A mortgage that allows you to make prepayments or refinance your home without penalty. It affords you more flexibility if you anticipate being able to pay off part or all of the loan early, but it comes with a higher interest rate.
- **Convertible Mortgage:** A mortgage that allows you to move into a closed term or fixed rate mortgage at any time without penalty.



First Time Home Buyers Tip

Want to protect yourself and the large investment that is a new home? Know your rights and responsibilities, helpfully laid out for you by the Financial Consumer Agency of Canada.

Mortgage Features

When establishing the conditions of your mortgage, there are many terms and features that you might want to consider.

- **Amortization Period:** The time it takes to pay off your entire mortgage. High ratio mortgages (where one is financing 80% or more of the purchase price – and mortgage insurance is required) are now limited to 25 year amortization periods. Conventional mortgages by some financial institutions may still offer up to 40 years depending on the situation and consumer.
- **Mortgage Term:** The period of time during which you are locked in to the existing conditions, interest rate and terms of your mortgage. After this period of time, you can renew your mortgage, refinance it (renegotiate the terms), move it to a new lender, or pay it off. Mortgage terms can be as much as 10 years or as little as less than a year.
- **Portability:** Having the option to port your mortgage means that if you move, you can transfer your existing mortgage to the new home without penalty. You would keep the same interest rate and terms.
- **Payment Frequency:** You can choose from 6 payment schedules: monthly, semi-monthly, bi-weekly, weekly, accelerated bi-weekly, accelerated weekly. With the accelerated payments, you still make the same number of payments in a year, but each payment is slightly larger. The extra amount you pay with accelerated payments goes towards your principal and over the course of the year equals one month's payment. This reduces the time it takes you to pay off your mortgage and can very much reduce the amount of interest you pay over the life of your mortgage.
- **Prepayments:** If you get a closed mortgage, there will be terms that specify the dollar amount of payments and the number of payments you can make on top of your monthly payments (if any) without having to pay a penalty charge. You can either make monthly prepayments (increasing your monthly payments) or a lump sum prepayment towards your mortgage.

Insuring Your Home

There are a few types of insurance that you can get to protect your property or to protect your family against mortgage payments in case something happens to you.

Mortgage Loan Insurance

The insurance you are required to get for high-ratio mortgages (if your down payment is less than 20%). It protects the lender against the risk of you defaulting on your mortgage payments. Should you be unable to meet the terms of your mortgage, the lender will receive a payment from the insurance provider.

Mortgage Life Insurance

Mortgage life insurance would cover you in case you should be unable to meet the terms of your mortgage. With this type of insurance, if something were to happen to you, the insurance would pay off the remaining amount of your mortgage. The premium you would pay is calculated over the life of the mortgage and would remain the same until the end of the mortgage. As your mortgage decreases, the payout you could receive also decreases.

Life Insurance

Mortgage life insurance is not the same as traditional life insurance. Life insurance can financially protect your loved ones if something happens to you. Rather than protecting your loved ones solely against the value of the mortgage, it replaces your income over a period of time for them.

Home or Property Insurance

Property insurance covers damages to your home. Mortgage lenders will insist you get home insurance, as your home is the collateral against your mortgage.

Title Insurance

Your title is your legal ownership of your property. Title gets transferred to you when you purchase a home. Title insurance protects you in case there are issues with the title that could make your ownership unclear, such as:

- Existing liens, for instance if the previous owner has unpaid debts on the house;
- Encroachment issues, for instance if something on your property is also partly on your neighbour's property and must be removed;
- Fraud, for instance if someone steals your identity and then sells your house or remortgages your house to get the money;
- Any other title issues that put your ownership in question or can hamper your ability to sell or lease your property.



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Finding the Right Home for You

2

Working with a Real Estate Agent

If it's your first time buying a home, you might be confused about how to work with an agent. But there's no need for that; here are some simple answers to the questions people commonly have!

Do You Need a Real Estate Agent?

When buying a home, you could choose to work with the listing agent, or you could get your own real estate agent. From a buyer's perspective, it makes more sense to get your own agent, for many reasons:

- The listing agent's interest is in selling you a home at the highest price possible.
- Your own agent doesn't make a commission unless they help you find the home you want.
- Real estate agents have the education, legal knowledge, and years of experience to walk you through the process, down to its most intricate details.
- They have expertise on the type of home and the neighbourhood that you choose. They can also give you information about different types of homes or neighbourhoods if you're still undecided.
- They'll help you by searching for and showing you the homes that match your desired criteria.
- They can negotiate on your behalf.
- They can spare you the tedious task of dealing with all the paperwork involved by handling it themselves.



TIP

Our team specializes in many areas in the lower mainland. We also speak several different languages.



TIP

When you choose The Aziz Group, you receive a wealth of experience and knowledge on your side. Tap into that information and ask questions. Also ask us for our preferred contacts who will carry out the same quality of services to fit your needs.

How to Find the Right Agent

Here are things to consider to help you find the right agent:

- Knowledge of your desired neighbourhood. How many homes have they sold in the area? Do they know the pros and cons of the neighbourhood and how much homes go for here?
- Knowledge of the type of home you're looking for. How many of that type of home have they sold in the past year?
- Personal fit. Your agent is going to negotiate on your behalf and will be working with you closely. It's important to make sure that you trust your agent and get along!

Common Questions About Real Estate Agents

There are many questions you might ask about dealing with a real estate agent. These are answers to some of the most frequent questions!

How does commission work?

Typically, real estate commissions for both the seller's agent and the buyer's agent are paid for by the seller out of the proceeds of the sale received by the seller. There is no extra amount to pay over the negotiated purchase price.

Will my agent put less effort into finding me a home if my price range is lower than other clients' and therefore results in a smaller commission?

No. Good agents will help you find the home that best matches your criteria, in price and otherwise, regardless of the commission they stand to earn. In fact, it's in their best interest to do so regardless of your budget. The faster they help customers find the perfect home, the happier customers will be. That means customers will be more likely to rely on the same agent for future home sales and purchases and to refer that agent to others.

Plus, in law, agents have a fiduciary duty (legal obligation) that requires them to place their clients' interest above all else except the law. This means the agent has an obligation to put your interest ahead of their own regardless of the commission they stand to earn from a transaction.



Good to Know

While looking for an agent, you may come across the terms “real estate agent” and “REALTOR®.” The terms are sometimes used interchangeably, but there is a difference. REALTORS® are simply agents who are members of the Canadian Real Estate Association, which holds its members to higher ethical standards than those required by law and gives additional ethics training to its members.¹

You should also know that all agents who are members of the Canadian Real Estate Association in Canada have agreed to follow a strict Code of Ethics and Standards of Business Practice. The Code specifies that agents owe their primary duty to their client and that they will always protect and promote the interests of their client while exercising due care and dealing fairly with all parties to a transaction. In other words, if your agent is a member of the Canadian Real Estate Association in Canada, he or she will first and foremost take care of your interests, while doing right by anyone else involved in the transaction.

Will my agent put less effort into finding me a home if they’ve been referred by another agent and will be sharing their commission?

No, for the same reasons as above: a professional agent’s focus is on finding you the best possible home as quickly as possible, guiding you through the process and making sure the contract you sign works for you. The better they are as an agent, the more commissions they’ll have from the influx of business.

Will my agent purposely avoid showing me homes that have lower commissions?

No, for the same reasons as above! The agent will show you the homes that match your criteria to help you find the most suitable one for you.



Good to Know

The AizGroup can help you...Check out our blog for useful tips for buying and selling a home and much more.

Other Tips for Working with an Agent

Here are other useful tips for finding the right agent and maintaining a good working relationship once you do:

- Your agent's interest is in helping you find the home that you want to live in. Don't be afraid to set expectations. Explain clearly what you're looking for.
- If you don't understand a form or part of the process, don't be afraid to ask your agent for clarification. Your agent is an expert on the process and should be willing to explain it to you.

Also Selling a Home?

Here are 5 questions to ask your real estate agent:

- 1 How many homes did the agent sell in the last year? What was the average time it took to sell homes?
- 2 What were the listing and selling prices of the agent's sales in the last year? Has there been a large discrepancy? How does the sale price compare with the sale price of other homes in the area for the same period?
- 3 What is the agent's strategy for getting your home seen and sold?
- 4 How will the agent communicate with you? Through which channels and how often? How accessible will they be to you?
- 5 What can I do to increase the sale price of my home?

Where to Live

When choosing the right place to live, whether you're deciding on a city or on an area within the city of your choice, there are a number of factors you can consider.

Choosing a City

Here are some things to consider when deciding on the city to call your home:

- **Work:** Can you find work in your profession in the city you're considering? Can your spouse? Is there a demand for what you do? If you have to work in a nearby city, is your commute acceptable?
- **City Size:** Do you prefer metropolises or small towns? Would you rather live in an urban centre, the suburbs, a small county, or the country?
- **Recreation and Culture:** Is there enough for you to do there? Are there enough museums, live shows, hiking trails, sport teams, or whatever you're into to meet your needs?
- **Family:** Do you want to be close to family? Knowing people in a city can go a long way towards making it more inviting.
- **City's Appearance:** Does the city's pollution level bother you? Are you annoyed by the sight of skyscrapers and condos everywhere? Or is that exactly what you're looking for? Are you looking for a city with a lot of street art? Is the city well maintained?
- **Affordability:** Can you afford the cost of living in the city you're considering? Will you be able to afford not only your home but the costs of parking, public transit, groceries, and so on?

Choosing an Area Within a City

Some of the factors to consider when choosing an area within a city are the same as when choosing a city, but some are different. Here are things you might want to consider before settling on a particular neighbourhood:

- **Urbanity Level:** Are you looking for something in the downtown core, a little removed from the action but not too far, or something just outside the city? Decide first whether you want to live downtown, in the suburbs or in the country.
- **Affordability:** Which neighbourhoods have properties that tend to fall within the range you can afford? You might like to live in the really high-end part of the city, but if you're always concerned about your finances and working overtime to make your mortgage payments, you'll be too stressed to enjoy the neighbourhood.
- **Type Of Property:** Do you want a condo or a detached home? Where in the city does your ideal type of home usually cluster?
- **Transportation:** How long will your commute be? Will you have easy access to public transit? Will you be spending a burdensome amount of time in traffic?
- **Your Children's Needs:** If you have kids, where are the schools that would be most suitable for them? Which are the areas that are welcoming to families? Where will your kids have access to sports or other extracurricular activities?



Know What You Want to Own



Types of Home Ownership

Do you know what kind of ownership you want? Are you happy to spend time renovating and maintaining your home, if it means paying less monthly fees? Or would you rather pay fees to have the maintenance taken care of for you? There are three main types of ownership options to know about when considering buying a home.

- **Freehold Ownership:** You own the home, the property, and everything else that falls on that property and you can do with it as you please. All the responsibility (such as paying bills, maintenance and so on) is yours.
- **Condominium Ownership:** You purchase a unit in a complex and own everything within that unit. The common areas are jointly owned by all the unit owners and the condo corporation. You pay a monthly fee to have the maintenance and repairs taken care of on your behalf. The monthly fee may also include some or all of the unit's bills. There may also be rules that you must adhere to, such as strict noise restrictions or pet limitations.

Although the word “condo” is commonly used to refer to owned apartment units in buildings, it actually refers to a type of ownership. Condo units can also be town homes or other types of units.

- **Co-operative Ownership:** Co-ops are not very different from condos. However, instead of owning the particular unit you live in, you own a share in the property. You pay fees for the maintenance of the place, as with a condo, and you may also be required to put in a certain number of volunteer hours towards the upkeep of the building. The co-op board may reject your prospective buyer if you eventually decide to sell and move out.

Types of Homes

- **Detached House:** A house that does not share a wall with another house.
- **Attached House:** Houses that are attached on one or both sides to other houses. Attached homes include duplexes and town houses. Generally less expensive than detached houses, but this will depend on the neighbourhood of the property and the condition and features of the home.
- **Condo:** Condominium, as mentioned in “Types of Home Ownership,” is actually a type of home ownership. Nevertheless, the word is frequently used to refer to purchased units in apartment buildings. You can get a condo in a high-rise or a low-rise building.



How to Find the Right Home

Look for Homes

Finding the right home can be a long process, but you can increase your chances of finding the right home quickly by viewing more homes that match your criteria. There are a number of things you can do to look for the right home:

- You can look for “For Sale” signs in your target areas and visit homes. Of course, this is inefficient as you won’t know whether the home has any of the features you want before you visit.
- Get a real estate agent. You can tell them what you want and they will do the work of finding the right home for you.
- Look online! You can get listings from any area and detailed information on the homes that interest you without leaving your chair.



TIP

Want to see listings on the go? Our PCS service has iOS or browse from your phone to get the latest listings no matter where you are!

Make Sure It's the Right Home

So you've found a house that seems to fit your criteria! Here are some things you should consider before making a final decision:

- **Street Location:** Is it on a busy street? Might it get too loud for you?
- **Liens and Service Contracts:** Many homes have rented heaters, boilers, furnaces and other equipment that could add to your monthly costs, if you inherit these.
- **Renovations:** Do you anticipate having to do a lot of renovation on the house? Don't forget to factor that when evaluating how much you can reasonably afford to pay for the house.

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Purchasing the Home You Want

3

Making an Offer

Alright! You've fallen in love with a home and want to make an offer. The Offer to Purchase is a legal document that, if accepted by the seller, is binding on both parties, provided all conditions specified within the offer are met. A real estate agent can be a huge help through this process, to ensure that you don't miss anything important and that you understand the conditions of the contract.

Here's what you need to know about the offer process.

What to Include in the Offer

You should include the following information in your offer:

- **Names and Address:** Your full legal name, the legal name of the vendor and the civic address of the property.
- **Price:** The amount you are offering for the purchase of the home.
- **Things Included:** List any items that you think should be included in the purchase price, such as appliances, furniture, the shed, window blinds, or anything else that might reasonably come with the home. It's important to include all items you want in the offer, even if you're unsure as to whether or not it comes with the house, to avoid misunderstandings and disputes later on. If the seller disagrees, they will let you know.
- **Deposit Amount:** How much you'll put down as a deposit.
- **Closing Date:** The day you would take possession of the home.
- **Offer Expiry Date:** The date after which the offer is no longer valid if the seller fails to respond.

- **Conditions of the Offer:** These are the conditions that must be met for the offer to be valid. Place a time limit on the conditions, and ensure the offer can be cancelled if any of the conditions are not met. While an offer without conditions will likely be more appealing to the seller, conditions are not uncommon and you should protect yourself. Here are some things you might want to consider as conditions:

- » Satisfactory land survey results
- » Satisfactory home inspection results
- » Mortgage and mortgage loan insurance approval

Once You've Made the Offer

After you've had your real estate agent (and maybe even your lawyer, to be safe) look over the offer, your agent will send it to the seller. The seller can respond in one of three ways:

- **Accept the Offer:** If the seller accepts the offer as you've made it, you'll receive the signed copy and the contract becomes legally binding (provided the conditions are met).
- **Reject the Offer:** If the offer is very far from what the seller is seeking, it may get rejected outright. At that point you will not be legally bound to any of the terms in the offer.
- **Send a Counteroffer:** If the seller likes some of the terms in the offer but takes exception to others, you may receive a counteroffer with a modified sales price, modified conditions or modified list of things included. At this point you are yourself free to accept, reject, or send another counteroffer.



Closing Costs

In addition to the deposit and the down payment, there are many costs you'll incur around closing time. This list will help you plan for them, so you have one less thing to worry about the day you take possession of your new home. Please note that these are estimates only and can vary greatly from province to province and from home to home. There may also be other closing costs unique to your transaction, municipality, or province.

Your local agent will be well versed in explaining the typical closing costs in your market. The amounts below are only general estimates. Buyers should obtain quotes, confirm actual local costs and seek professional local advice before committing to a transaction. Use the Closing Costs Planning Sheet on page 36 to help you keep track of the prices you get quoted.

Appraisal Fee

Approximate cost: \$200-\$600, depending on property

The mortgage lender may require an appraisal fee before approving your loan application. The appraisal is an evaluation of the value of the home, which may or may not be the same as the purchase price. It takes into account the characteristics of the home, a comparison between your home and similar sales, and current market conditions that might affect the value of the home.



First Time Home Buyers Tip

If you're ready to get an inspector, it's a good idea to get quotes from different inspectors first.

Home Inspection Fee

Approximate cost: \$300-\$500

A home inspection is not mandatory but is nevertheless very important to protect yourself against damages in the home that you may not notice and may not be able to afford. The inspector can check the foundations, ensure there's no water damage, and let you know whether you'll have to make expensive repairs in the near future. It's not a fee to skip on.

Property Survey

Approximate cost: \$1,000-\$2,000

The property survey is an assessment of the land boundaries and measurements, and it details the structures on the property, as well as encroachments.

The property survey may be required by your mortgage lender. You may be able to obtain the necessary documentation from the seller, if a survey has been done within the last five years.

Insurance Premiums

Approximate cost: (will vary)

You'll have to pay the premiums for any insurance you took out in relation to the home, including your mortgage loan insurance premium, the property insurance premium, the title insurance premium, and the mortgage life insurance.

Land Transfer Tax

Cost: 1% of 1st \$200,000 and 2% on remainder.

The land transfer tax is levied in some provinces or municipalities when property is transferred from one owner to the next. It is calculated as a percentage of the property's purchase price. Don't forget to check whether this applies in your province or municipality. In some provinces, this tax, or some of this tax may be waived for first-time home buyers.

Prepaid Property Taxes and Utility Bills

Approximate cost: \$400-\$2,000

You will have to pay back the seller for any prepaid property taxes or utility bills.

Legal Fees

Approximate cost: \$500-\$2,500

You'll need to hire a lawyer to handle the transfer of money on closing day. You may also want to rely on a lawyer when drafting your offer and at other points throughout the home purchase process, to make sure you're making legally sound decisions.

To avoid a surprise when you receive the bill, make sure the price your lawyer quotes you includes all related expenses, not just legal fees.

Title Insurance

Approximate cost: \$300 to \$600

Title insurance protects you against title fraud, errors in public surveys, encroachment issues with neighbours and more. Speak to your lawyer during the closing period for more details.

New Home Warranty Programs

Approximate cost: \$500 to \$1200

Many new homes carry some form of New Home Warranty Program. The warranty protects new home buyers against various issues that may emerge, including structural defects in the home. On occasion it will also offer deposit protection to buyers of new homes. Sometimes the enrollment fee is included in the purchase price and other times it is due at closing – check with your home builder.

Mortgage Insurance

Approximate cost: 0.5% to 2.5%

If the down payment on your home is less than 20 per cent of its sales price, you will be required to buy mortgage insurance. Rates depend on how much you are borrowing. For more information, visit www.cmhc-schl.gc.ca.

GST/HST

Approximate cost: (will vary; only applicable in some provinces)

GST or HST is not charged in all provinces, and not on all types of homes. Where applicable, generally the tax will apply to new homes but not to resale properties. It's a good idea to check before signing an offer, or you may end up paying thousands of dollars above what you had anticipated.

Interest Adjustments

Approximate cost: \$10-\$1,000

If there's a difference in the interest rate on your closing date and the date of your first mortgage payment, you'll have to pay the difference. You can avoid this extra cost by having your first mortgage payment be exactly one payment period after your closing date.



First Time Home Buyers Tip

Don't forget to factor in instant rebates from federal, provincial, and municipal governments.

FIRST TIME HOME BUYERS REBATE

Closing Costs Planning Sheet

It's easier to plan your finances when you can keep track of them! Use the planning table on the next page to estimate costs, keep your quotes organized (where applicable) by noting the quoted price and the name of the vendor, and tally your total costs.



Closing Costs Planning Sheet

Service or Charge	Quote 1	Quote 2	Final
Appraisal fee	\$ Vendor	\$ Vendor	
Home inspection fee	\$ Vendor	\$ Vendor	
Property survey	\$ Vendor	\$ Vendor	
Insurance premiums	\$ Vendor	\$ Vendor	
Land transfer tax	\$ Vendor	\$ Vendor	
Prepaid bills	\$ Vendor	\$ Vendor	
Legal fees	\$ Vendor	\$ Vendor	
Title Insurance	\$ Vendor	\$ Vendor	
New Home Warranty	\$ Vendor	\$ Vendor	
Mortgage Insurance	\$ Vendor	\$ Vendor	
GST/HST	\$ Vendor	\$ Vendor	
Interest adjustments	\$ Vendor	\$ Vendor	
			Total

Moving into Your Home

So you're ready to take possession of the house! There are just a few things left to take care of before you can live comfortably in your new home. Planning for these ahead of time will make moving into your home a smoother transition for you and your family.



Good to Know

Some moving companies are less scrupulous than others. While searching for a mover, you may come across horror stories. We can provide you with a list of selected and tested movers you will be very happy with.

RAIN CITY MOVERS
best in vancouver

Moving

There are many preparations to make when moving. You might need to hire movers. If so, it's a good idea to research moving companies in your area, to avoid scams. Will you get movers to pack and transport your belongings, or will you do the packing yourself? You'll save money by packing yourself, but it can also be time consuming, and the moving company won't replace or repair damaged items they haven't packed themselves.

Storage

If you take possession of the house later than you are required to leave your current residence, you might have to put your belongings in storage.

Repairs and Renovations

If there are major repairs and renovations to be done on the house, getting those taken care of before your family and furniture move in might save your family a lot of discomfort. For example, if you wish to have the walls painted, doing that before you start living in the house might be a good idea, if you can afford not to move into the home on possession day.

Service Connection

You'll probably need to get certain services connected, such as hydro, phone, internet, cable, and so on. It can sometimes take several weeks to get connection, depending on the service and the company providing it, so it's a good idea to plan ahead.

Appliances

If the Offer to Purchase didn't include the appliances and you don't have your own, you might want to purchase those ahead of time and have the delivery date coincide with the day you move into your home.

Furniture

If you need to purchase furniture, you might, as with the appliances, be able to buy it ahead of time and have it delivered the day you move in.



Home Buyers Checklist

Monthly Responsibilities

- ☐ Did you establish your readiness?
- ☐ Can you afford the monthly payments and the time commitment involved in home ownership?

Upfront Responsibilities

- ☐ Have you established that your financial situation and savings will allow you to get a mortgage?
- ☐ Have you calculated your GDS and TDS and determined the value of your down payment?
- ☐ Did you plan for closing costs? (See the Closing Costs Planning Sheet at p.36.)

Credit Check

- ☐ Did you acquire a copy of your credit report, ideally from both credit reporting agencies in Canada, and rectified any possible errors?

Rebates

- ☐ Have you figured out which government and other rebate programs are applicable in your area?
- ☐ Did you make sure you're eligible for them and fill out any required forms?

Pre-approval

- ☐ Did you get pre-approved for a mortgage and establish your price range?

Real Estate Agent

- ☐ Have you found a good agent to represent you and walk you through the complicated practical and legal details of the home buying process?

Defining Criteria

- ☐ Have you established your criteria for an ideal home?
- ☐ Did you share these with your agent and make sure that you're on the same page?

Area Research

- ☐ Have you chosen where to live and done your research on the area and the valuation of homes in the neighbourhood?

Offer of Purchase

- ☐ Did you get your offer looked over by your real estate agent and by your lawyer?

Moving

- ☐ Did you make the necessary preparations for moving, like getting movers, arranging for storage, setting up utilities, arranging for renovations, and arranging for appliance and furniture delivery?

Notes

What's Next?

You've moved into your house, made the necessary repairs and renovations, and decorated it just to your taste. Now you get to live in it and call it home!

With careful financial management and planning for the costs and responsibilities of home ownership, you'll help make your life in your new home as comfortable as possible. With the help of this guide, you should now be prepared to do just that.



