



First Time Home Buyer's Guide

Mortgage Reduction Builds Equity

Each month, part of your monthly payment is applied to the principal balance of your home loan, which builds your equity. You can borrow

against a home's equity for a variety of reasons such as home improvement, sending your kids to university or college, or starting a new business. Why pay-off your landlord's property when you can own your own?

Homeowners accumulate wealth for the future while enjoying the benefits of a shelter that they have can use, improve and sell. Their home is a safe haven for investment.

Are You Ready to Buy a Home?

First - do you have the financial resources? You should have five percent of the purchase price of a home for the down payment, but ideally even more. Are there other priorities in your life e.g. starting a new business, which require your savings? If not, buying a home should be on your radar.

Second - do you expect to stay in your new home for some time? Moving can be expensive and you will want to build some equity before having to relocate. Your job and home life should be stable.

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Pride of Home Ownership

Pride of home ownership is the number one reason why Canadians desire their own home. There is no landlord looking over your shoulder. You are able to make home improvements knowing that any appreciation that results, will be to your benefit. Home ownership gives you and your family a sense of stability and security. It's making an investment in your future.

Appreciation

In Canada, especially in the last few years, homes have appreciated considerably and in doing so have added substantially to owners net worth. Unlike stocks and bonds, you get to live in your real estate investment. Also, in Canada your principal residence is exempt from capital gains taxes.



What Can You Afford?

If you haven't already gone through the mortgage pre-qualification process, you will need to meet with a lender or mortgage broker. They will establish how much of a mortgage you will qualify for. Mortgage rates vary considerably and it is paramount that you shop around for the best rate, terms and options.

At www.remax-western.ca the affordability calculator will help you determine what monthly mortgage payment and the maximum

mortgage you can manage. Note: if you are buying a condo, the amount of your monthly assessment has a direct impact on how much you can afford to spend on your mortgage.

First time homebuyers may want to take advantage of the federal government's Home Buyers' Plan. Under this plan, you may use up to \$25,000 of your RRSP towards the purchase of a home. The money is tax-free as long as you pay it back in the next 15 years. Ask your RE/MAX Sales Associate for details.

- Do you need a substantial backyard? Pets?
- Is there adequate storage space?
- Will any remodeling be required to make the home move-in ready for you?
- What service providers (cable, Internet, telephone, Satellite) are available in the area, and is the house completely wired for each? Can you hear me now - how good is the cell phone reception?



- How much are the yearly property taxes?
- How much do utilities run each month? Does the house use gas or electric for the furnace, water heater, and appliances?
- How old are the major appliances, and which are included with the house?
- Have there been any major repairs to the house, and if so, when were they completed? For example, how old is the roof? Has water ever damaged the basement or foundation?
- Ever had problems with insects, such as termites and spiders, or rodents?
- Older homes need to be carefully examined - Windows may need caulking or new sashes, bathroom tiles may need grouting, home may need rewiring (planning on a hot tub or sauna?), a new hot water heater, or a new furnace.

Questions to Ask When Assessing Home Features

- Do you need several bedrooms, more than one bathroom, space for a home office, a two-car garage?
- Do you want air conditioning, storage or hobby space, a fireplace, a swimming pool? Do you have family members with special needs?
- Do you plan to have children? Downtown or suburbs? Proximity to recreation or work.

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Location, Location, Location

- How far will you be commuting and what is the traffic like? Factor in cost of fuel.
- Where will your children attend school and how will they commute?
- Are there recreational facilities and parks close by?

- Are you close to family and friends?
- Is safety or high crime an issue?
- Is the property close to an obstacle or negative influence? (i.e. an apartment building, shopping centre, school, radio tower, power lines, LRT or railroad track, highway, airport or commercial project).
- Access to schools, work, recreation, shopping centres, public transportation, cultural attractions, libraries, churches and hospitals
- Adjacent undeveloped land - what is proposed for this or other green space?
- Heavy traffic can be noise nuisance and hazard for children
- Distance from the unit to amenities, parking, walkways, roads, public transit
- Does the neighborhood reflect positively on the value of the condo and your lifestyle choice?
- Does this neighborhood, for any reason, have a poor reputation?
- Is the future economic climate for the area good? Are businesses moving in? Is there government investment?
- Are people moving in or out of the neighborhood? What is their age, income level, family size?
- Are there plans for this neighborhood that you may be unaware of (i.e. a future highway, a commercial development or a new housing development) that will provide competition on resale?

Noise and Privacy

- Proximity to highways, driveways, parking lots, playgrounds, trains.
- Proximity to elevators, garbage disposal, fire exits, heating and air conditioners.
- How well is the building soundproofed.
- Visit at different times/weekends to check noise levels and activity.

Home Purchase Expenses



Your largest cost at the beginning is your down payment. As a first time buyer, this would likely represent only 5 - 10% of the purchase price. However, you should be prepared to pay for additional costs, such as:

- Legal Fees & Disbursements
- GST and PST (if applicable)
- Property or Land Transfer Tax
- Adjustments (reimbursed to the vendor)
- Interest
- Property Taxes
- Utility Payments
- Strata or Condominium Fees
- Estoppel certificate fee
- Survey Fee
- Home Inspection Fee
- Water quality and quantity certificate
- Appraisal Fee
- Mortgage broker's fee (if applicable)
- Mortgage Loan Insurance Premium (if less than 25% down)
- Mortgage Loan Insurance Application Fee (if less than 25% down)
- Moving Expenses
- Renovations and repairs
- Furniture, paint, carpeting, window coverings, etc.
- Service and Utility Hook-up Fees
- Property/Condominium Insurance
- Mortgage Application Fee
- Deed and/or Mortgage Registration Fee

There are many costs that homebuyers incur, especially upon purchasing your first home that you should expect to pay.

Some of the expenses related to buying a home are one-time costs, while others are continuing costs.

Additionally, once you have purchased your home, you will incur regular expenses on a monthly, quarterly or yearly basis. Some of these costs include:

- Mortgage Payment
- Water and/or Sewer Payments
- Electricity and Gas Services
- Cable and Telephone Services
- Property Taxes
- Strata or Condo Fees
- Repair/Maintenance Expenses
- Homeowner's Insurance

Home Buying Costs

Mortgage Loan Insurance Premium. If yours is a high ratio mortgage (less than 20% down payment), you may need mortgage loan insurance. To get this insurance, you will be asked to pay the required insurance premium. Your lender may add the mortgage insurance premium to your mortgage or you can pay it in full upon closing. Mortgage loan insurance helps protect lenders against mortgage default, and enables consumers to purchase homes with a smaller down-payment - with interest rates comparable to those with a 20% downpayment.



CMHC Mortgage Loan Insurance. The amount of the premium varies and can range between 0.65% and 2.75% depending upon how much of the purchase price/home value is financed with a mortgage loan.

Appraisal Fee. Your mortgage lender may require the property be appraised at your expense. An appraisal is an estimate of the value of the home. The cost is usually between \$250 and \$350 and must be paid when you contract for those services. Some banks will waive this fee in return for your mortgage which is another reason to shop around.

Prepaid Property Taxes To reimburse the vendor for pre-paid costs (if any).

Property Insurance. The mortgage lender requires this because the home is security for the mortgage. This insurance covers the cost of replacing the structure of your home and its contents. Property insurance must be in place on closing day.

Survey or Certificate of Location Cost. The mortgage lender may ask for an up-to-date survey or certificate of location prior to finalizing the mortgage loan. If the seller does not have one or does not agree to get one, you will have to pay for it yourself.

Water Quality Inspection. If the property has a well, you will want to have the quality of the water tested to ensure that the water supply is adequate and the water is potable. This should be a condition on your Offer to Purchase.

- Appliances. Check to see what comes with the house, if anything.
- Gardening equipment.
- Snow-clearing equipment.
- Window treatments. Check to see what comes with the house.
- Decorating materials. Paint, wallpaper, flooring and tools for redecorating.

In preparing to buy your first home, you need to budget for expenses that will be incurred up-front in the process including:

Deposit. This is part of your down payment and must be paid when you make an Offer to Purchase. Deposits are usually around 1% but can be as high as 5% of the purchase price depending on the area. Sellers may request that the deposit be increased once all conditions have been satisfied.

Down Payment. At least 5% of the purchase price is usually required for a high-ratio mortgage and at least 20% of the purchase price is usually required for a conventional mortgage.

Mortgage loan insurance helps protect lenders against mortgage default, and enables consumers to purchase homes with a smaller down-payment.

Home Inspection Fee. A satisfactory home inspection is often an important condition of the Offer to Purchase. A home inspection is a report on the condition of the home and generally ranges around \$500, depending on the complexities of the inspection. Larger or older homes may cost more, especially if there is any suspicion of latent defects.

Land Transfer Tax. You have to pay this provincial tax upon closing. The cost is a percentage of the property's purchase price and varies by province. Use our calculator on www.remax-western.ca.

Legal Fees and Disbursements. Must be paid upon closing and cost a minimum of \$500 (plus GST). Your lawyer will also bill you for any disbursements they incur such as land titles costs to check on the legal status of the purchased property.

Title Insurance. Title insurance covers loss caused by defects of title to the property and may be recommended by your lawyer.

Costs After Possession

- Hand tools. You will need some basic hand tools for your new home.
- Dehumidifier. May be required to control moisture levels, especially in older homes.
- Moving Expenses including van rental and boxes
- Service Hook-Up Fees. Charged for utilities. You may be required to pay a deposit for utilities such as telephone and heating services.
- Condominium Fees. You may have to make the initial payment for these monthly fees.
- Homeowner's association fees. Some subdivisions have an annual or monthly fee to maintain recreation facilities.
- Repairs, upgrades, renovations. Depending on the condition of the home you buy, remember to budget for the work it will take to make it move-in ready.
- Household items. As a first time buyer you may need any number of household items such as trash cans and shower curtains.



New Home Vs. Resale Home

Builder warranty. A homebuilder's warranty is usually available in all provinces (except Nunavut and the Northwest Territories). This can be important if a major system such as plumbing or heating breaks down. This warranty does not apply if you build the home yourself. Neighbourhood amenities like schools, shopping malls and other services may not be complete for years.

Taxes. Such as the Goods and Services Tax (GST) will apply. However, you may qualify for a rebate of part of the GST or HST on homes that cost less than \$450,000. For more information about the GST New Housing Rebate program, visit the Canada Revenue Agency website at, <http://www.cra-arc.gc.ca>.

New Home



Personalized choices. You may be able to upgrade or choose certain items such as siding, flooring, cabinets, plumbing and electrical fixtures.

Up-to-date with the latest codes/standards. The latest building codes, electrical and energy-efficiency standards will be applied.

Maintenance costs. Lower maintenance costs because everything is new and many items are covered by a warranty.

Extra costs. You may have to pay extra if you want to add a fireplace, plant trees and sod, or pave your driveway. Make sure you know exactly what's included in the price of your home.

Make An Offer

When you find the perfect home, buy it.

After touring homes, you will probably instinctively know which one or two homes you would like to buy. Ask to see them again. You will see them with different eyes and notice elements that were overlooked the first go-around.

At this point, your RE/MAX agent should call the listing agent to find out more about the sellers' motivation and to double-check that an offer hasn't come in, making sure these homes are still available to purchase.

Your RE/MAX agent will help you through the offer process. Be very specific in your offer about any improvements or repairs you want the seller to make before closing or about any appliances or other items you expect to be included.

Resale Home

Easy access to services. Probably established in a neighbourhood with schools, shopping malls and other services.

Extras included. Landscaping...

Landscaping is usually done and fencing installed. Previously owned homes may have extras like fireplaces, finished basements or swimming pools.

No GST/HST. You don't have to pay the GST/HST unless the house has been renovated substantially, and then the taxes are applied as if it were a new house.

Possible redecorating and renovations. You may need to redecorate, renovate or do major repairs such as replacing the roof, windows and doors.

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Counteroffer. The seller may accept your initial offer, no questions asked, but often he or she will make a counteroffer, accepting some terms but making changes or raising the price. This process goes back and forth until you either agree or the deal collapses.

Contingencies. Acceptance of the sales contract can be made contingent on (that is, dependent on) certain circumstances. As a first-time homebuyer, you should probably stipulate that the house passes any inspections you want performed and that financing is approved.



Get a home inspection. Not only for piece of mind but there is nothing worse than discovering cost prohibitive problems after you have moved in. If your home inspector identifies deficiencies, you may be able to renegotiate the purchase price to cover required repairs.

Decline mortgage insurance. You are farther ahead to increase your own term insurance for the amount of the mortgage. The premiums are often less and the payout greater.

Buy a home that produces revenue. If you can rent out your basement or a self contained suite it will help you pay the mortgage or offset your home expenses. Your RE/MAX sales associate can offer advise when it comes to zoning requirements and public transportation access.

Shop and get quotes on all of your major expenses including moving costs, renovations, home insurance etc. Ask lots of questions and get referrals. Your RE/MAX sales associate is a great resource.

Home Buying - Money Saving Tips

Shop for a mortgage. That ½ percentage point may not seem like much but it will save you thousands over the life of a mortgage. Get quotes from a variety of banks or enlist a mortgage broker (the bank, not you, pays his or her fee). You can always go to your own bank to see if they will match the rate.

Shop for a lawyer. Fees may vary greatly and you can often save a lot by using someone who specializes in real estate law, as they compete for this business. Costs are often less due to economies of scale, but ensure you get a full cost quote.

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Don't buy your furniture on time payment plans. Make do until you can afford it. Shop garage sales or used furniture outlets.

Make a budget and stick to it. There are a number of costs that you need to take into account as we have illustrated. Put the money aside.

Remember, all of the money but the most consideration is to buy to live in.

Real Search

Check out real estate <http://www.remax.ca>



above will save you important a home you can afford

Estate Process

websites, such as for information and

pictures of a wide range of properties. This site allows you to narrow your search by location, price, number of bedrooms and other features.

The amount of information available online is large and growing. Refine your property search to specific features you want. Are you looking for a lake view? Pet friendly condo? Three car garage? When you physically view homes you have selected, it's just a validation process.

Take advantage of property match services provided by your RE/MAX agent. Email alerts will keep you abreast of the newest listings and eliminate the need to manually check the Web again and again for updates. These can also be sent to your Blackberry, cell phone or other device. RE/MAX market reports, how-tos and other information can give you the foundation for an informed online home search.

Search Process

Once you figure out what you can afford to pay for a house and obtain a pre-qualified mortgage, you are ready to start your search. There are a variety of sources you can use to find the home that is right for you:

Begin on the Internet. With just a few clicks of the mouse, home buyers can search through hundreds of online listings, view virtual tours, and sort through dozens of photographs.

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Newspapers and real estate magazines. Check the new homes section in daily newspapers or look for real estate magazines available at newsstands, convenience stores and other outlets. These free publications feature pictures and brief descriptions of a variety of homes.

Visit open houses and new home developments. You will learn a lot by getting out and seeing what is on the market.

Work with a RE/MAX agent. For most buyers, a real estate agent is key to finding the right home.

Good real estate agents will listen to your wants and needs and arrange to show only those homes that fit your particular parameters. Bring a digital camera so you can look at photos later.

You will have a lot of questions that your RE/MAX agent can answer such as - how should I decide how much to offer for a home? How does the negotiation process work?

Your RE/MAX Agent

No one will play a more important role in helping you find a home than your RE/MAX agent. His or her job is to:

Help you find the ideal home.

Write an offer to purchase.

Negotiate on your behalf to help you get the best possible deal.

Provide you with important information about the community, arrange and coordinate the home inspection and essentially save you time, trouble and money.



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What Should You Buy?

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Semi-detached

A single-family home that is joined to another one by a common wall. It can offer many of the advantages of a single-family detached home and is usually less expensive to buy and maintain.

Duplex

Two units - one above the other or side by side. The owner usually lives in one unit and rents the other.

Row House or Townhouse

One of several types of single-family homes joined by common walls. It offers less privacy than a single-family detached home but still provides a separate outdoor space. These homes can cost less to buy and maintain.



Types of Homes

There are many types of homes to choose from and each has its advantages and disadvantages. Think about your needs before making a decision. Don't forget to look beyond the walls. The environment surrounding your home can be almost as important as the environment inside of it.

Single-family Detached

The most popular style and the most solid investment. It is a free-standing home which sits on its own lot thereby offering a greater degree of privacy.

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Manufactured Home

A factory-built single-family home that is transported to your chosen location and placed on a surface-mounted foundation. The term manufactured home has replaced the term "mobile home".

Modular Home

Also a factory-built home constructed in compliance with local building codes. The home is typically shipped to your location in two or more sections. It may or may not have a longitudinal sub-frame.

Condominium

Refers to a form of legal ownership as opposed to a style of construction. Condominiums can be high-rise residential buildings, townhouse complexes, individual houses and low-rise residential buildings. Condominiums are also known as stratas in British Columbia.