

# Helping You Find a Home !



**Dena Arnold**  
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# 1. Your Downpayment

## How much should I contribute as a down payment?

The answer depends upon your specific financial situation. Of course, the more you put down, the lower your monthly payment will be. Don't forget to set aside a cash reserve for your closing costs.

\* A large savings, 25% down with a conventional mortgage.

\* Smaller savings, less than 25% down you must arrange a high ratio mortgage.

**Whether you have owned a home or you are a first time buyer you qualify for 5% down.** For example; If you purchase a home worth \$100,000.00 your down payment can be as low as \$5,000.00.

## "Free" Money for First-Time Home Buyers

The key to that fabulous house warming gift from the federal government: The Home Buyers Plan, Better known as the RSP Program

It lets first time buyers, including anyone who hasn't owned a home in the last 5 year, to borrow up to \$20,000 per spouse from their RSP interest free to buy a home. However, it is to be repaid over the next 15 years.

But only funds that have been in your RSP at least 90 days can be withdrawn.

# 2. Your Mortgage

Choose a bank that you are comfortable with and that offers you the best mortgage plan which includes; interest rate, appraisal costs, customer service, etc.

## Get Pre-qualified!

When you are pre-qualified through a financial institution the Offer to Purchase is much easier to present to a seller due to the fact that you are making an offer "subject to financing" which you are already approved for. Also, by getting pre-qualified you know what you can afford as well as locking in a mortgage rate for 60 or 90 days just in case they rise.

## **Qualifying for A Mortgage!**

When approving a borrower for a mortgage, lenders look at two factors - down payment and income.

If the down payment is 25% or more it's a conventional mortgage

If not it's a high ratio mortgage requiring default insurance from Canada Mortgage and Housing Corporation or GE Capital Mortgage Insurance Canada (GE).

As for income, lenders look at two ratios.

One is "GDS" or Gross Debt Service ratio which is approximately no more than 32% of your gross income. The other is "TDS" Total Debt Service ratio looks at both mortgage payments and debts should be no more than 40-44% of your total debts.

## **3. Choosing the Right Real Estate Agent**

Real Estate Agents are matchmakers bringing buyers, sellers and homes together.

Agents must be on top of the market - in terms of sales, listings and house prices in the area.

They must be up on the latest developments in mortgage financing

And they must be skillful negotiators.

Real Estate agents need "People Skills" - the ability to make a buyer feel at ease.

### **Buying....**

#### **"It's a Big Decision"**

I hear it all the time. Along with all the excitement and anticipation, buying a home can be a stressful experience. That's why it's important you choose a Realtor who understands what you are going through. And who's qualified to help you make the best possible decision.

Buying services that **Dena Arnold** can provide for you;

- Access to a large variety of homes, through all local real estate companies, to assist you in finding the one just right for you at the right price.
- Dena can analyze local market conditions to help you find the best possible opportunities.
- Through contacts and knowledge of local finance companies and banks, Dena can help pre-qualify you for a mortgage at the best mortgage rates available.
- A commitment to personal, quality services and honest advise.

**I'm Qualified to HELP!**

## 4. Designing a Home Buying Strategy

Get a Game Plan that reflects your unique needs and wants.

This means developing a pre-determined shopping list of what a house must provide (needs) and what you would like to have (wants). To properly prepare a home buying strategy, home buyers must first examine their lifestyles and budgeting priorities.

### Charting Your Needs and Wants

To help you zero in on your home, I've listed some of the major features most buyers think about when purchasing a home. Identify the features that are "needs" and those that are "wants" by placing an "Need" or a "Want" by each feature that appeals to you, and be sure to add any additional items of importance (where we've suggested options, circle your first choice):

#### Needs and Wants - Property Features

##### Exterior

Large lot and yard  
Single-family (Two Storey)  
Single-family (Bilevel)  
Single-family (Bungalow)  
Single-family (Split Levels)  
1/2 Duplex  
Townhouse  
Condominium  
Fenced backyard  
Deck or patio area  
Mature trees, landscaping  
Low-maintenance landscaping  
Attached garage  
One or two car garage

##### Interior

Number of bedrooms  
Number of bathrooms  
Basement suite for rental income  
Kitchen appliances with purchase  
1.  
2.  
3.  
4.  
Eat-in kitchen  
En-suite bathroom off master bedroom  
Room for den or home office  
Plenty of closets/storage  
Finished basement for additional living  
Fireplace in living room  
Separate dining room  
Fireplace in family or recreation room  
Island kitchen

#### Needs and Wants - Location Preferences

Identify the following preferences with an "N" or a "W" and wants, add others that are important to you:

##### Nearby facilities

Quiet street  
Shopping within walking distance or short drive  
Parks  
Playgrounds  
children  
Snow removal  
Community centre  
Public library  
Churches

##### Transportation

Close to work  
Near public transportation  
Schools  
Near schools appropriate for your  
School-operated transportation available  
Services  
Police  
Fire department

### Your Other Preferences

1. \_\_\_\_\_  
2. \_\_\_\_\_  
3. \_\_\_\_\_  
4. \_\_\_\_\_  
5. \_\_\_\_\_  
6. \_\_\_\_\_

7. \_\_\_\_\_  
8. \_\_\_\_\_  
9. \_\_\_\_\_  
10. \_\_\_\_\_  
11. \_\_\_\_\_  
12. \_\_\_\_\_

When buying a home, preparation and planning are the keys to success.

## 5. Who Do I Need on Board

### Lawyers - Not Just Anyone will Do

Buying and selling real estate has become very specialized the last few years. So when looking for a lawyer make sure it's a real estate lawyer - one who spends most of the time closing real estate deals.

Never choose a real estate lawyer just because their fees are the lowest. As with any other professional, quality and experience are key not just the price.

Ask your real estate agent for referrals.

### Home Inspectors - What Every Buyer Needs to Know

If you're buying a resale home and don't want to inherit the seller's headaches, a home inspection is a must.

Usually the offer to purchase is conditional on the buyer being satisfied with the inspection- so if the house fails the grade there's no deal.

Home inspectors examine the major systems in the house - plumbing, electrical, heating plus the roof, foundation and insulation - and they will give you a written report.

**The Cost.** Several hundred dollars, a small price to pay for the potentially costly information provided.

But if there's one problem with the home inspection industry it is unlicensed, ungoverned, and unregulated. Anyone can establish a home inspection business with absolutely no training or credentials.

So before hiring a home inspector, check out his or her background and expertise as carefully as a good inspector will check out your house. Or ask your real estate agent for a referral.

## **6. The Offer**

Some of the most integral parts of the offer are;

### **The Deposits - a Vital Part of Every Deal.**

Deposits serve two purposes - part payment of the purchase price, plus an assurance the buyer won't lose the deal.

Usually a cheque accompanies the offer when a deal is finally struck. The cheque is held by the listing agent in a trust account until closing. The deposit forms part of your down payment.

#### **How large should the deposit be?**

Buyers like to pay the smallest amount possible, to avoid tying up too much money; but sellers want a large deposit as a sign of the buyers good faith

While there is no "legal answer" as to what's a proper deposit is, 1-3% of the purchase price is not uncommon today.

### **Chattels and fixture - What's the Difference?**

Chattels are items of personal property in a home "by their own weight alone" though they may be connected by pipes and wires. i.e.) fridge, stove, washer and dryer.

Fixtures are items that have been attached to the property becoming part of the home itself. i.e.) built-in dishwasher, shelving, light fixtures, etc.

In the offer buyers must list which chattels the seller will leave behind while sellers must state which fixtures they are removing.

But there is a vast grey area between chattels and fixtures. Whether you are a buyer or seller leave nothing to chance.

**If in doubt spell it out in the offer!**

### **Making your Offer To Purchase "Conditional".**

When buyers and sellers strike a deal, loose ends often need tidying up before the buyer will proceed. Typical examples are; financing, a home inspection and selling the buyers home...

When this is the case a "conditional offer" should be signed and made "subject to" these conditions.

If the buyer satisfies them within the allotted time, the offer becomes "Firm" - the property is considered **SOLD**.

If not the deal is "off" or has fallen and the buyer gets their deposit back.

Buyers remember: conditional offers give you flexibility but unconditional offers always get a better reception with sellers.

## **7. Hidden Closing costs When Buying a Home**

" How much money is needed to close?" a question high on every buyer's list!

**Additional Costs are as follows;**

### **APPROXIMATE COST TO THE HOME BUYER**

#### **1.APPLICATION FEE**

It costs lenders money to process your application, and some will pass these costs on to you. Application or mortgage initiation fees vary, and some lenders will waive this fee entirely, if you have other accounts with them.

#### **2.MORTGAGE BROKER'S FEE**

Some mortgage brokers charge an application fee, some do not charge at all. Be sure to ask.

#### **3.APPRAISAL**

**\$325 Plus GST**

Some banks require an appraisal be done to make sure the property is worth what you're paying for it, before they'll give you a mortgage. The only time you don't have to pay this is when you are assuming the mortgage already on the house, and paying the balance of the cost cash. If you need a high ratio mortgage (more than 75% financing) you are required to obtain mortgage insurance through Canada Mortgage and Housing Corporation. CMHC Application Fee is \$75 for a single residential mortgage.

#### **4.REAL PROPERTY REPORT WITH COMPLIANCE** **\$650 Plus GST**

Your bank requires you to obtain a valid survey Certificate or Real Property Report to ensure there are no illegal additions (e.g. a garage added later that has been built too close to the property line). In many cases there is an existing survey certificate that will be acceptable to the financial institute. Your Realtor or your lawyer will confirm whether a new one is required or if the existing survey certificate is acceptable.

#### **5.LEGAL FEES AND DISBURSEMENTS**

**\$800 - \$1,400**

The Lawyer's fees and the costs he pays out on your behalf for a title search, land title transfer, and mortgage registration can vary, but they generally are in this range.

#### **6.TAX ADJUSTMENT**

There is also a TAX ADJUSTMENT made between the vendor and the purchaser. The vendor may need to be reimbursed for taxes that he has already paid on his property prior to selling. The purchaser may also require a prepayment to the mortgage tax account if taxes are collected along with the mortgage payment. This tax adjustment usually equal to 7 months taxes.

### **7.HOME INSPECTION**

**\$280 - \$450**

Some lenders may require a professional inspection of your home before issuing a mortgage. You may want an inspection anyway for peace of mind - the costs involved are well worth it.

### **8.MORTGAGE INSURANCE**

If you're applying for a high-ratio mortgage, you'll have to pay for *mortgage insurance*, which protects the lender against default. You should also consider purchasing *mortgage life insurance*, a form of term life insurance that pays off the balance owing on your mortgage if you or your co-borrower dies. Ask your lender (bank) for details.

### **9.UTILITY AND MAINTENANCE**

We've added this category to remind you that your mortgage payment and property taxes are not the only ongoing costs associated with owning a home. Be sure to budget for heating, electricity, cable, telus, any renovations you have planned and the initial costs of making your new home livable. Also put aside your spare cash and contribute regularly to a separate fund for maintenance costs - plumbing repairs, painting, gardening supplies, etc.