

**F T B**

**FIRST TIME BUYERS**



## Is homeownership right for you?



*Are you aware of all the costs?*



*Are you financially stable?*



*Are you aware of all the responsibilities?*



*How are your financial management skills?*



*Do you have the time for home maintenance?*

### First Time Buyer Loans & Programs

#### First-Time Home Buyers' (FTHB) Tax Credit

To assist first time buyers involved with purchasing their first home are eligible for a \$5,000 non-refundable income tax credit amount on qualifying home.

#### Home Buyers' Expansion Plan

The government of Canada increased the withdrawal for purchasing or building a new home from your RRSP from \$20,000.00 to \$25,000.00 per person.

# Financing Your Home

## Mortgage Affordability

Lenders will require information to conduct two calculations in helping determine your eligibility.

### *Gross Debt Service (GDS) Ratio*

This is a percentage of your gross monthly income that is used for mortgage payments, heating costs, taxes (condominiums - half of the monthly maintenance fees.). For reference, your GDS ratio should not be more than 32% of your gross monthly income.

### *Total Debt Service (TDS) Ratio*

This is a percentage of gross monthly income required to cover monthly housing costs, plus all your other debt such as: credit card payments, car loans and/or leases, credit lines, and any other debt. The TDS ratio should not be more than 40% of your gross monthly income.

## Mortgage Pre-approval

It is recommended that you get pre-approved for a mortgage before you begin to look for homes. This will give you a realistic expectation of what you will be able to afford. Getting a mortgage pre-approved does not guarantee that you will secure a mortgage, it could change due to market conditions, interest rates, and personal circumstances. This can be done at a bank or credit union, or working with a mortgage broker, who work on your behalf to get you a great mortgage.



**Credit Rating**

This is a summation of your financial history, and shows if you've had issues in the past paying off any debts. Prior to getting a mortgage pre-approved, Buyers should order a copy of your credit report, because lenders will check it before.

## Credit Score Ratings

<b>NEEDS WORK</b>	<b>FAIR</b>	<b>GOOD</b>	<b>VERY GOOD</b>	<b>EXCELLENT</b>
300-599	600-649	650-719	720-799	800-900

## **Mortgage Fundamentals**

It is important to familiarize yourself with the essentials of a mortgage so you know what suites you best.

### **Amortization Period**

Length of time you take to pay off your mortgage (usually 25 years)

### **Term**

This is the length of time that the options and interest rate you chose are in effect for. It can be as little as 6 months to 10 years. When this term is up you can renegotiate new/same options.

### **Types of Interest Rates**

*Fixed Rate* - The rate that you have picked does not change for the term of your mortgage

*Variable Rate* - The rate fluctuates with the market.

*Protected Variable Rate* - The rate fluctuates with the market, but will not go over a preset max.

### **Payment Schedule**

Frequency you pay your mortgage payments, for example weekly, bi-weekly, or monthly.

### **Open and Closed Mortgage**

*Open* - An option where you can pay off your mortgage in full or in part at any time without penalties.

*Closed* - An option where you are limited or might not be able to pay off your mortgage early, in full or in part.

### **Conventional and High-Ratio**

*Conventional* - A loan that is 80% or less of the lending value of your home. You will need at least 20% for a down payment.

*High-ratio* - A lone this is over 80% of the lending value, meaning you put down less than 20% for a down payment. This will likely involve mortgage default insurance.

### **Mortgage Default Insurance**

If you're searching for properties that you will only be able to put less than 20% for the down payment, you will be required to get mortgage default insurance. This lets you purchase a home with as little a 5% down.



## List of Essentials

Here is a list of essential information that your lender or mortgage broker will need to help qualify you for a mortgage.

-  Employer Information
-  Address History
-  Government IDs
-  Proof of Income
-  Proof of Downpayment
-  Proof of Investments & Savings
-  Any Current or Past Debts and the Details

## Next Steps

Once you have reviewed all your finances, and met with a lender or mortgage broker and find yourself in a position where right now might not be the best time to purchase a home, here are some recommendations for moving forward.

-  Meet with your lender more frequently
-  Pay off some of your debts
-  Set a timeline and save for more years
-  Lower your initial price range
-  Review your current spending. Cut Backs?
-  Lower some expectations for your 1st home

## Cost Awareness

### Upfront Costs

#### **Deposit & Down Payment**

When purchasing a home you will need to provide the listing brokerage within 24 hours of Offer Acceptance a deposit for purchase. The remaining money will be your down payment that is due on closing of the transaction.

#### **Land Transfer Tax**

Buyers are responsible for a one-time land transfer tax, levied by the government. This is based upon a percentage of the purchase price.

#### **Legal Cost**

Allocation of this cost will cover your lawyer fees for the closing of your property. This could include: conducting a title search on your property, obtaining surveys, liens, checking the statement of adjustments for taxes, utilities, and fuel bills.

#### **Home Inspection**

If you make your offer conditional on a home inspection, this is an extra cost to assess the property's condition to make sure everything is in good working order and that there is no substantial damage to the roof, foundation, beams, windows, etc.

#### **Title Insurance**

For potential issues involving title fraud, survey issues, problems with the ownership of your home, you can purchase title insurance to provide coverage, should they arise.

#### **GST/HST**

If purchasing a new build or a home that has been extensively renovated you will need to pay GST/HST.

#### **Moving/Storage Costs**

If the timing between transitioning from your one residence to your new property you may need to store your furniture in storage. Movers will need to be there on the day to help move you in.



#### **Ongoing Costs**

Here are some items that will continually be expenses when owning a home. Mortgage Payments, Insurance, Utility Bills, Property Taxes, Repairs and Maintenance, Condominium Fees (if applicable)

## House Hunting

There are many factors that affect and ultimately make your decision for what home you want to purchase. We recommend to make a list of your needs first, and then your wants. Here are some things to think about when deciding.

### Location

What are the main factors for choosing the location of your first home. Proximity to your job? Do you need to live by public transit, schools, shopping etc. Do you want to be close to your relatives? Ability to walk downtown?



### Size

What size of home best suits your needs. Do you need a big kitchen or dining room for entertaining? How many bathrooms do you need? How many bedrooms would you need? Do you need a big backyard for a pet? How much square footage? Would you want extra storage?



### Lifestyle

Where do you see yourself in the near future. Do you need to purchase a home because you plan on having kids. Will you change jobs in the next couple years? Do you wish to walk or bike on trails, the waterfront?



### Special Features

These are things you want to think of that are not evident in every home. What about the house would be on your dream list? Items such as: master bedroom ensuite, upper or main level laundry, swimming pool, kitchen island, walk-in closet, covered porch, etc.



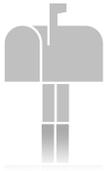
### Home Ownership

Do you want freehold or condominium ownership. Typically a condominium is a more maintenance free lifestyle, however you do pay monthly for this luxury. Do you enjoy doing your own gardening? Mowing of the lawn?



## Building or Buying

Which type of home are you looking to purchase, there are many options such as: new home that was just built, a resale home, or a home where you work with the developer to build and customize your own home.



### **New Home**

You will need to pay GST/HST on a new build. Will it be completed by the time you need to move in? Do you need to provide a method to store all your belongings?



### **Resale**

When purchasing a resale home, Buyers should make sure to check the condition of the home. How old is it? What are the age of the major items such as: roof, a/c, furnace, windows, etc. Are there any major repairs that need to be done, if so what is the timeline to fix the issues. Are there renovations you would like to do?



### **Build your Own**

When working with a developer in a new subdivision you have the options to get exactly what you envision in your home. You choose the model, size, custom finished and features.