

G U I D E T O

BUYING



A H O M E

- DETERMINE WHAT YOU CAN AFFORD • UNDERSTANDING MARKET CONDITIONS • OBTAIN A PRE-APPROVED MORTGAGE
- THE MAJOR ELEMENTS OF AN OFFER • HOW TO MAKE AN OFFER • HIRE A LEGAL PROFESSIONAL • HAVE THE HOME INSPECTED
- SOME MOVING TIPS • THE HOME BUYER'S GLOSSARY OF TERMS



How you find a great real estate agent.

www.royallepage.ca

GUIDE TO BUYING A HOME

"Guide to Buying a Home" has been prepared by Royal LePage Real Estate Professionals to offer you practical information about the buying process. It outlines steps that you and your Real Estate Professional will follow during your search for the ideal home.

DETERMINE WHAT YOU CAN AFFORD

- Purchasing a home involves one-time costs and monthly expenses.
- The largest one-time cost is the down payment. It usually represents between 5-25% of the total price of the property.
- In addition to the actual purchase price, there are a number of other expenses that you might be expected to pay for. These are listed in the following table:

Typical One-Time Expenses

EXPENSE	PAID
Mortgage Application and Appraisal Fee	At time of application
Property Inspection (optional)	At inspection
Legal Fees	Closing
Legal Disbursements	Closing
Property Survey (sometimes provided by seller)	Closing

Land Transfer, Deed Tax or Property Purchase Tax (in Quebec within 3 months following signing)	Closing
Mortgage Interest Adjustment and Take Over Fee (if applicable)	Closing
Adjustments for Fuel, Taxes, etc.	Closing
Mortgage Insurance (and application fee if applicable)	Closing
Home and Property Insurance	Closing and On-going
Moving Expenses	Date of move

- Typical monthly costs incurred with home ownership are mortgage payments, maintenance, insurance, condo fees, property taxes and utilities. See the "What You Can Afford" Worksheet to help you estimate the approximate purchase price of a home you can afford.

UNDERSTANDING MARKET CONDITIONS

- The real estate market is always changing. It helps to understand how market conditions can affect your position as a buyer.
- Your Royal LePage Real Estate Professional can provide you with current real estate market conditions and explain their impact.

"What You Can Afford" Worksheet

STEP I

Calculate Your Gross Debt Service Ratio (GDS).

"Most lenders say that your monthly housing expenses (principal, interest, and taxes) should not exceed 30% of your family income (before personal income taxes)."

To calculate your Gross Debt Service Ratio (GDS):
 Take your total monthly gross (before tax) income. \$-----
 Multiply it by the maximum GDS Ratio (30%). x .30 \$-----

This is the maximum amount available for your mortgage payment (principal and interest), property taxes, and 50% of condo fees (if applicable). = \$-----

Example: John and Sue have a gross family income of \$66,000 per year, or \$5,500 per month. No more than \$1,650 (\$5,500 x 30%) can be applied to housing expenses.

STEP II

Calculate Your Total Debt Service Ratio (TDS).

"Your TDS takes into account monthly housing expenses plus other debts and loans you may have."

To calculate your Total Debt Service Ratio (TDS):
 Take your monthly gross (before tax) income. \$-----
 Multiply it by the maximum TDS Ratio (40%). x.40 \$-----

Subtract your regular monthly expenses (e.g. credit cards, car payments, personal loans). - \$-----

This is the maximum amount available for your mortgage payment, property taxes, and 50% of condo fees (if applicable). = \$-----

Example: John and Sue have a gross family income of \$66,000 per year or \$5,500 per month. They also have two car payments totalling \$575 per month, a student loan of \$150 per month, and credit card payments of \$175 per month. They can apply no more than \$1,300 of their monthly income to housing costs (\$5,500 x 40% = \$2,200 - \$900 = \$1,300).

THE MAJOR ELEMENTS OF AN OFFER

- 1 Price**
 - Depending on local market conditions, your opinion of value and market information provided by your Royal LePage Real Estate Professional, the price you offer may be different from the seller's asking price.
- 2 Deposit**
 - The deposit shows your good faith and will be applied against the purchase of the home when the sale closes. Your Royal LePage Real Estate Professional can advise you on an appropriate amount.
- 3 Terms**
 - Includes the total price offered and the financing details. You may arrange your own financing or ask to assume the seller's mortgage, especially if it has an attractive interest rate.
- 4 Conditions**
 - These might include "subject to home inspection," "subject to you obtaining financing" or "subject to you selling your property."
- 5 Inclusions and Exclusions**
 - These might include appliances and certain fixtures or decorative items, such as window coverings or mirrors.
- 6 Closing or Possession Date**
 - Generally, the day the title of the property is legally transferred and the transaction of funds finalized unless otherwise specified (except in Manitoba and Quebec). Note: In B.C. the Possession Date is legally 1 to 3 days after the closing.

HOW TO MAKE AN OFFER

- When it comes time to make an offer, your Royal LePage Real Estate Professional can provide current market information and will assist you in drafting your offer.
 - Your Royal LePage Real Estate Professional will communicate your offer, sometimes known as an **Offer To Purchase***, to the seller, or the seller's representative, on your behalf. Sometimes there may be more than one offer on a property coming in at the same time. Your Royal LePage Real Estate Professional can guide you through this process.
- *Offer To Purchase:** a legal document which specifies the terms and conditions of your offer to purchase the home.
- The offer can be **Firm** or **Conditional**.

Firm Offer To Purchase: usually preferable to the seller, because it means that you are prepared to purchase the home without any conditions. If the offer is accepted, the home is yours.

Conditional Offer To Purchase: means that you have placed one or more conditions on the purchase, such as "subject to home inspection," "subject to financing" or "subject to sale of buyer's existing home." The home is not sold until all the conditions have been met.

*In the province of Quebec, this is referred to as a "Promise To Purchase."

A MONTHLY PAYMENT (cost includes principal and interest payment per month based on interest rate of 10% and 25 year amortization)	B ELIGIBLE AMOUNT OF MORTGAGE
\$269	\$30,000
\$358	\$40,000
\$448	\$50,000
\$537	\$60,000
\$626	\$70,000
\$716	\$80,000
\$805	\$90,000
\$895	\$100,000
\$984	\$110,000
\$1,074	\$120,000
\$1,163	\$130,000
\$1,253	\$140,000
\$1,342	\$150,000
\$1,432	\$160,000
\$1,521	\$170,000
\$1,610	\$180,000
\$1,700	\$190,000
\$1,789	\$200,000

C DOWN PAYMENT AVAILABLE	D HOUSE PRICE YOU CAN AFFORD
+ _____	= _____

Don't forget that the down payment must be at least 10% of the purchase price of the home, unless you qualify for Canadian Mortgage and Housing Corporation's (CMHC) 5% down program for first-time buyers.

Please note that all amounts are approximate. Columns A & B are based on an interest rate of 10%. Rates do vary. If rates are higher, you would be eligible for a smaller mortgage. If rates are lower, your mortgage could be higher.

These calculations do not take into account mortgage insurance premiums for high-ratio mortgages.

Your Royal LePage Real Estate Professional can keep you informed of current rates and refer you to a Mortgage Specialist who will help you decide the financing terms and options that are right for you.

AMORTIZATION PERIOD:

The actual number of years it will take to pay back your mortgage loan.

APPRAISED VALUE:

An estimate of the value of the property. Conducted for the purpose of mortgage lending by a certified appraiser. This appraisal is not to be confused with a building inspection.

ASSUMABILITY:

Allows the buyer to take over the seller's mortgage on the property.

CLOSED MORTGAGE:

A mortgage that locks you into a specific payment schedule. A penalty usually applies if you repay the loan in full before the end of a closed term.

CONDOMINIUM:

The owner has title to a single unit, as well as a share in the common elements such as elevators or surrounding land.

CONDOMINIUM FEE:

A common payment among owners which is allocated to pay expenses.

CONVENTIONAL MORTGAGE:

A mortgage loan issued for up to 75% of the property's appraised value or purchase price, whichever is less.

DOWN PAYMENT:

The buyer's cash payment toward the property. The difference between the purchase price and the amount of the mortgage loan.

EQUITY:

The difference between the home's selling value and the debts against it.

HIGH-RATIO MORTGAGE:

A mortgage that exceeds 75% of the home's appraised value. These mortgages must be insured for payment.

INTEREST RATE:

The value charged by the lender for the use of the lender's money. Expressed as a percentage.

LAND TRANSFER TAX, DEED TAX OR PROPERTY PURCHASE TAX:

A fee paid to the municipal and/or provincial government for the transferring of property from seller to buyer.

MATURITY DATE:

The end of the term, at which time you can pay off the mortgage or renew it.

MORTGAGEE:

The person or financial institution that lends the money.

MORTGAGOR:

The borrower.

MORTGAGE INSURANCE:

Applies to high-ratio mortgages. It protects the lender against loss if the borrower is unable to repay the mortgage.

MORTGAGE LIFE INSURANCE:

Pays off the mortgage if the borrower dies.

OPEN MORTGAGE:

Allows partial or full payment of the principal at any time, without penalty.

PORTABILITY:

A mortgage option that enables borrowers to take their current mortgage with them to another property, without penalty.

PRE-APPROVED MORTGAGE:

Qualifies you for a mortgage before you start shopping. You know exactly how much you can spend and are free to make a "firm" offer when you find the right home.

PREPAYMENT PRIVILEGES:

Voluntary payments in addition to regular mortgage payments.

PRINCIPAL:

The amount borrowed or still owing on a mortgage loan. Interest is paid on the principal amount.

REFINANCING:

Paying off the existing mortgage and arranging a new one or re-negotiating the terms and conditions of an existing mortgage.

RENEWAL:

Re-negotiation of a mortgage loan at the end of a term for a new term.

SECOND MORTGAGE:

Additional financing. Usually has a shorter term and higher interest rate than the first mortgage.

TERM:

The length of time the interest rate is fixed. It also indicates when the principal balance becomes due and payable to the lender.

TITLE:

Legal ownership in a property.

VARIABLE-RATE MORTGAGE:

A mortgage with fixed payments, but fluctuates with interest rates. The changing interest rate determines how much of the payment goes towards the principal.

VENDOR TAKE-BACK MORTGAGE:

When the seller provides some or all of the mortgage financing in order to sell their property.