Looking to Buy your First Home?

Planning ahead is the key! Here are some important details to consider!

Robertson *FIRST* Real Estate Team
Doris Wyatt Newsletter | Issue #100

One of the biggest financial decisions and lifestyle decisions you'll ever make is buying a home. It's a great way to start your road to financial success! Stop paying rent and start gaining equity!

Step 1: Assess your Financial Readiness

Lenders use two calculations to help determine your eligibility for mortgage: your Gross Debt Service ratio (GDS) and your Total Debt Service ratio (TDS). Your GDS ratio includes the % of your gross monthly income is used for mortgage payments, taxes and heating costs *(condo buyers and half of your condo fees)*. Your GDS should not be more than 32% of your gross monthly income. Your TDS is the % of gross monthly income required to cover your GDS AND all other debt payments such as car loans etc. Your TDS should not be more than 40% of your gross monthly income.

Get Pre-approved! This will provide you with a realistic expectation of what you can afford. It is not a guarantee, but does give you the knowledge your need to move forward with your search.

Ask Doris for a mortgage lender referral, she works with several and can recommend one that would be best suited for your needs.

Know your credit score, to find this information out, please visit the Financial Consumer Agency of Canada website at: www.itpaystoknow.gc.ca

Down Payment

- In Canada the minimum down payment is 5% for properties up to $500,000.
- For properties priced between 500,000 and 1 million, you can put a minimum of 5% down on the first $500,000 and 10% down on the remaining portion up to $999,999.00.
- Your down payment influences the type of home you can afford.
- Your down payment shapes the size of your mortgage and your monthly payment.
- Your down payment determines the amount of default insurance you pay.
- The following are acceptable sources of funds for down payments: Savings funds, Gifts from family members *(gift letters are usually required)*, Stocks, Bonds, Mutual Funds, Tax Free Savings Account, RRSP, and if not a first time buyer, the equity in a property being sold.

Closing Costs:

These are important things to consider, especially for the first time buyer!

Additional expenses to budget for are: legal fees ($1500), home inspection ($550), moving costs (even that pizza and beer for friends), service charges and/or deposits for utility companies to establish your services and any additional items you may require or want for your new property such as: new appliances, fencing, new furniture, etc.

Step 2: Consider your Mortgage Options

A mortgage is a loan used to buy a property. How much you pay depends on how much you borrow *(the principal)*, the loan's interest rate and how long you take to pay it back *(the amortization period).*

Do not be afraid to negotiate interest rates and mortgage terms with different lenders. Talk to different lenders to make an informed decision. You can use a mortgage broker or visit your bank.

Other information to consider: The type of mortgage that is best for you *(Fixed Rate Mortgage, Variable Rate Mortgage, Closed or Open Mortgages)* Ask about portable mortgages if you sell your home, can you port or transfer your existing mortgage and keep the rate and terms and without any penalties and your prepayment options.

Mortgage Default Insurance. If you are planning to purchase a property with less than 20% down, you will be required to have mortgage default insurance, which can add 1 - 4% to the cost, depending on the total amount borrowed. There are 3 major mortgage default insurance providers in Canada: CMHC *(Canada Mortgage & Housing Corporation)*, Genworth Canada and Canada Guaranty Mortgage Insurance Company.

Step 3: Research Government Programs

First-Time Home Buyers Tax Credit is a $5000 non-refundable income tax credit on a qualifying home. Check out the CRA website at: www.cra-arc.gc.ca

Home Buyers Plan which is a one-time withdrawal from your RRSP for first time buyers of up to $25,000. Again, check out the CRA website at: www.servicecanada.gc.ca

Step 4: Finding a REALTOR® that works smart and hard for you.

What you should expect from your REALTOR®: They communicate, often! The real estate market is time sensitive so you need an agent that is IN the game, they are up on new listings, and are always ready to provide you with information on the newest properties. They listen, well! 2 ears and 1 mouth for a reason … a great agent listens to their client's needs and asks great questions. They assess their client's needs and find a home that serves them best, whether that is a condo, townhome, single family home, rural property or anything in between. They are proactive! The key to being proactive is keeping your clients informed, the market is always changing and you never know when that perfect home comes on the market, but when it does, a proactive REALTOR® will be sure to let you know! A good agent is client motivated, they look for what the client needs and do their best to serve the needs and wishes of their buyer. A great agent asks questions and adapts to their client's needs. They know their clients time frame. By understanding the timeframe and working within that timeline an agent can help their clients find that perfect home and ensure their move fits with their schedule. A great agent is not afraid to send you the names of their past clients, hearing a testimonial and how others were treated is the BEST way to determine how you will be treated … remember past performance is usually and a great indication of how you will be treated! Call Doris directly …

a great agent working hard to serve you!! **780.982.2325**

Wyatt Real Estate

Your Home … Your Way

Doris Wyatt