

Barb & Andrea's Home Buying Guide

You have decided you are ready to buy a home.... but how does it really work and where should you start? It can be very exciting as well as very confusing. Try to approach buying your home as a journey where you will encounter many twists & turns along the way. Fortunately for you, we have created this Step-by Step Buyers Guide to help you complete your journey successfully.

We have broken down the home buying process into 10 steps that will walk you through the exciting journey towards owning your new home!! Let's get started....

STEP 1 - Select your REALTOR®

A good real estate representative should be able to save you time & money. When you are buying a home it is a good idea to enlist one REALTOR® to work on your behalf - there is no cost to you if the REALTOR® takes their commission from the Seller (which is most often the case). It is important to understand the relationship between you and your REALTOR®....at Royal LePage we have a form that helps to explain this relationship - it is called a "**Buyer Representation Agreement**". We believe in the philosophy of "committing our time and energy to you if you will commit loyalty to us"

You will discuss your needs with your REALTOR® - We will help you determine what you can afford, help you understand market conditions and put you in touch with the right mortgage specialist to get your mortgage pre-approval.

Your REALTOR® will know what is on the market. Once you have discussed the criteria for your home your REALTOR® will do a comprehensive Multiple Listings Service search - this process screens out the homes that don't meet your needs or budget - and finds the homes that best suit what you are looking for. Your REALTOR® will then make appointments for you to view these properties. That's when the real fun starts ...and eventually you will fall in love and it will be time to make an offer!!

Your REALTOR® will provide you with valuable market information to support the price and help you feel you are getting good value. They will negotiate the offer - price and terms, agreeable to a Buyer and, assist you in arranging a source for financing and will look after the details until closing and possession.

Above all - you should just be yourself and choose a REALTOR® that you feel comfortable with. Choose someone who you can communicate with, who you feel you can trust. The bottom line is working together as a team, with professional salespeople you respect, should achieve the objective you seek - the right home for you!

For more info on Barb and Andrea and what they are all about - check out www.inthehouz.com and learn what we are all about!! We guarantee you won't be disappointed. We have helped hundreds of families in the Niagara area find their dream homes and we know that we can help you too. We are committed to top-notch professional, personalized service...at least that's what are past clients have to say.

STEP #2 - Determining what you can afford

Buying a home involves many financial considerations. Some home buying costs are "one time costs" and others are "ongoing" commitments.

The Down Payment - The largest one time cost is the down payment. It usually represents between 5-25% of the total price of the property. With a minimum down payment of 5% you will be applying for a "high ratio mortgage" which means your mortgage will have to be approved and insured by Canada Mortgage and Housing. 3.5% of the total mortgage amount is added on to your mortgage.

The Mortgage - A mortgage is security of a loan on the property you own. It is repaid in blended monthly payments. This means that the payment includes the principal (the borrowed amount) plus interest (the charge for borrowing money). The payment may also include a portion of the property taxes.

So...How much can you afford???

It depends on a number of factors. The most important are your gross household income, down payment and the mortgage interest rate. Lenders also consider your assets & liabilities. Your own lifestyle and debt comfort zones also come into play.

Make sure you don't leave yourself "house poor". It is important to structure your monthly expenses so that you can still afford simple luxuries like the occasional vacation!!

The first affordability rule is that your monthly housing costs shouldn't be more than 32% of your gross monthly income. Housing costs include monthly mortgage principal, interest, taxes, and heating expenses - known as **P.I.T.H.** This figure is known as your **Gross Debt Service Ratio (GDS)**.

Gross Debt Service Ratio (GDS).

Your gross monthly salary	\$	<input type="text"/>
+		
Your spouse's gross monthly salary	\$	<input type="text"/>
+		
Other monthly income	\$	<input type="text"/>
Total	A \$	<input type="text"/>
		X 32%
Maximum monthly housing Costs you can afford	B \$	<input type="text"/>

Example: Sue's gross monthly income is \$2,500 and George's is \$2,000 for a total of \$4,500 per month. They should pay no more than \$1,440 (\$4,500 x 32%) for their monthly housing expenses.

The second affordability rule is that your entire monthly debt load shouldn't be more than 40% of your gross monthly income. This included housing costs and other debts such as car loans and credit card payments. This figure is your **Total Debt Service Ratio (TDS)**

Keep in mind that most homebuyers today keep their debt ratios comfortably below the maximums. The lower your debt load, the more affordable your home and lifestyle will be.

Total Debt Service Ratio (TDS)

Total	A	\$ <input type="text"/>
		X 40%
Maximum monthly debt Service load you can afford	C	\$ <input type="text"/>
Minus the following:		
Monthly auto payment		\$ <input type="text"/>
Monthly loan payment		\$ <input type="text"/>
Monthly credit card/line of credit		\$ <input type="text"/>
Other monthly payments		\$ <input type="text"/>
Monthly income left for housing	D	\$ <input type="text"/>

Example: Sue & George have a gross monthly income of \$4,500. Their total debt load should not exceed \$1,800 (40% x \$4,500). They have a monthly car payment of \$400, a student loan of \$200 and a credit card payment of \$150, for a total of \$750 in non-housing debt payments. That means they would have no more than \$1050 (\$1,800-\$750) available for monthly housing payments.

To determine the maximum home price you can afford depends on the amount of down payment and how much you can carry in a monthly debt service. This also depends on the mortgage rate and your personal preference for amortization.

Example: Sue & George have a down payment of \$30,000 and they want a conventional mortgage (25%) down so they have estimated their max. home price at \$120,000. They would have a mortgage of \$90,000. At 10% interest, amortized over 25 years that means a monthly mortgage payment of \$805. Add property tax installments of \$160 and heating costs of \$60. Their total monthly housing cost will be \$1,025 - just below their maximum \$1050 allowed according to their TDS ratio calculations.

Don't forget that Barb and Andrea can keep you informed of current rates and refer you to a Mortgage Specialist who will help you to decide the financing terms and options that are right for you.

And finally there are other costs that you should be aware of when you buy - some of these are one time costs and others will be ongoing monthly expenses.

Don't forget the tax - 13% HST applies to new housing, however there is a rebate to a max. of 2.5% - many builders will negotiate. There is no HST on resale housing.

Survey Fee - your lender may require an up-to-date survey. Ask the current owner to provide one if in his possession otherwise you may have to pay for one which could be between \$800-\$1000. There is also the option of title insurance which is more reasonable at \$300-\$400.

Home Inspection Fee - recommended but not required - most home inspectors do a thorough 3 hour inspection of the property at a cost of between \$300-\$350.

Land Transfer Tax - is calculated as a percentage of the purchase price and is calculated as follows:

.5% on first \$55,000

1.0% on portion between \$55,000 & \$250,000

1.5% on balance over \$250,000

Lawyer Fees - you will require a lawyer to review the offer to purchase, search title, draw up mortgage documents and tend to closing details - their fees in our area usually range between \$600-\$1000.

Moving Costs - fees for a professional mover can range from \$50-100 per hour for a van & 3 movers and these costs may be higher at the end of the month or in the summer.

Service charges - you will be charged a fee to hook up new services and utilities at your new home.

Renovations & repairs - a home inspection may have revealed some areas that need immediate attention. Don't forget to factor in these costs to the price of the home.

Status Certificate - if you are purchasing a condominium - you will be required to purchase a status certificate for your lawyer to review regarding the condominium corporation's financial and legal state - cost \$150

And a few ongoing expenses to remember...

Property taxes - if you have a high ratio mortgage, your lender may require that you have your property tax installments added to your mortgage payments.

Property insurance - this insurance covers the replacement value of your home and its contents. This is a must and will be required by your lender.

Condo fees - condominiums charge monthly fees for common area maintenance and some utilities. These charges will vary from condo to condo but are generally a few hundred dollars.

The good news is not all of these costs will apply in all circumstances but it is important to be aware and informed at the onset so that there are no surprises later...that is the way we like to do business!

STEP 3 - Obtain a Pre-approval

Having a pre-approved mortgage will give you the confidence of knowing exactly what you can spend on a home before you start looking. Step #2 - Determining what you can afford - gives you a good idea but a mortgage specialist will do a more in depth pre-approval including a credit check so you will know exactly where you stand.

The other benefit to getting a pre-approval is that you will also be protected against interest rate increases while you look for your new home. You will often get "locked in" at the best rate available for a 3 month period so that if the rate goes up - you will still be eligible for the better rate that you were quoted at your pre-approval.

As of January 2018, first time home buyers will need to qualify not only for the rate negotiated as part of their mortgage contract, but also at their current rate +2% or the average bank 5 year posted rate (whichever is higher)

By "stressing" the mortgage this way, banks will ensure that the borrower would be able to service their loan under pressure, should the interest rates climb higher than the current average.

Your Mortgage Specialist will answer your questions and help you to determine which financing terms and options are right for you. Your mortgage Specialist and Real Estate Professional work as a team to help you find the right home and select the best financing.

We have an excellent line up of top Mortgage Specialist in our area - each and every one an individual with their own personality and style. We can help you choose the right individual to match your personality.

Here are just a few names you might wish to consider:

Scotiabank MDM Scott Wark scott.wark@scotiabank.com

Dominion Lending Ryan O'Connor ryan@oconnorfinancial.ca

Step #4 - Housing Needs

Save time, disappointment and money. Work out exactly what your needs are before you start home hunting. Typically buyers will consider three major factors "Location", "Style" and "Cost".

Location, location, location - Choice of location often depends on where you work, whether you commute and also your family lifestyle. Proximity to schools, recreation and shopping may also be a concern. If you are considering moving to an unfamiliar area, take time to drive or walk around - get a good feel for the neighbourhood and see if you like it.

Remember - location is an investment too. You will find this out fairly quickly as the better neighbourhoods tend to carry higher values. When considering the future resale value of your home it is wiser to buy a modest home in the best neighbourhood you can afford rather than the most expensive home in a modest neighbourhood.

Style - When trying to decide what style of home to buy it is a good idea to draw up a master list of all the features you would like your new home to have. Be realistic - not your dream home list if you won the lottery but rather the home that you and your family can afford now and that will meet your needs for the next few years. Consider such things as: will you be starting a family or having more children, how many bedrooms will you need or will you need a home office.

Consider compiling this list with the help of your REALTOR® who can help you decide which features are important and which ones are perhaps unavailable in your price range & preferred locations. Your REALTOR® can then keep a copy of this list to help prescreen the houses you'll look at.

Cost - You will become aware fairly quickly of what you can afford to purchase and how flexible you may have to become with your wish list. We will do our best to find you a suitable home within your price range with as many goodies as possible!

STEP #5 - Understanding Market Conditions

The real estate market is always changing. It helps to understand how market conditions can affect your position as a Buyer. You want to buy at the best price possible. You want your monthly payments to be as affordable as possible & you want your home to increase in value as much as possible.

To make sure all that happens, it is important to look beyond your individual purchase before you buy. You need to look at larger market conditions. What's happening around you, house price trends, mortgage rate movements & new home construction will all have an influence on your purchase. The more you know the more control you will have!

Market Conditions	Characteristics	Implications
Buyers Market: The supply of homes on the market exceeds demand	High inventory of homes. Few buyers compared to availability. homes on the market longer. Prices tend to drop.	More time to look for home. More negotiating leverage.
Seller's Market: The number of buyers wanting homes exceeds the supply or number of homes on the market.	Smaller inventory of homes. Many buyers. Homes sell quickly. Prices usually increase.	May have to pay more. Make decisions quickly. Conditional offers may be rejected.
Balanced Market: The number of homes on the market is equal to the demand or number of buyers.	Demand equals supply. Sellers accept reasonable offers. Homes sell within an acceptable time period Prices generally stable.	More relaxed atmosphere Reasonable number of homes to choose from.

We would be happy to explain to you the market conditions in our area. Once you have found a property you like, we will do a comprehensive market analysis of sales on that street as well as in the area for the last 5-10 years. By the time we are finished with you...you'll know so much about the real estate market that you'll want to become a REALTOR®!!

STEP #6 - Finding a Home

Now that we have done a bit of ground work it is time to start looking for that special place that you will call home.

We will take your wish list, your preferences and concerns and do a full search on the **Multiple Listings Service** in our area to find all of the homes that meet your criteria. The MLS printout will show which homes are available for sale in your price range. The listings will usually include a photo of the home, room sizes, square footage, lot size and general information about the home including extras or improvements that may have been done to the property.

You will then go through the listings and select the properties that you would like to view. We will set up appointments and make arrangements to either pick you up or you can drive separately - which ever you prefer. After viewing a few properties we like to either return to the office or grab a coffee and discuss with you what we saw. It is good to discuss what you liked and didn't like and discard the properties that you are definitely not interested in. This helps to narrow down the search and help us to really zone into what you are looking for.

We also get a "Hot Sheet" daily. At 4pm everyday all the new activity for the day is posted so that we can check on a regular basis to see if any new listings have come up for sale that match your criteria. We also have an auto email program called a Profiler that automatically creates a profile for you based on your criteria and sends you any new listings daily. Keep in mind the good, well priced listings go quickly - for these listings we should try to make appointments to view as soon as possible.

You may decide to go look at open houses on a Sunday. This is a great way to get familiar with what is available on the market. We will give some of our business cards to give to other agents when you go through. Just tell them you are working with Barb and Andrea from Royal LePage and that you have a buyer's agency agreement with us and you won't have to worry about the listing agents trying to solicit your business and you can feel comfortable attending open houses.

If you see a for sale sign on the lawn of a property that looks interesting, just give us a call and we can find out the details for you. You don't have to do a thing - let us take care of all that for you.

One of the most popular ways of searching for a home is visiting www.realtor.ca. Here you can see interior photos, room sizes and lot sizes of the homes you are interested in.

One caution though, sometimes these listings are not as up to date as they should be and may have been sold or taken off the market. Print them off and let us know and we will make sure they are still available for you to view.

Most of all we would encourage you to take your time. We want you to find the home that suits you best. We want you to be happy and satisfied with your home purchase so that the next time you decide to make a move you will think to call us for help again.

Nothing is as rewarding for us - to know that your home buying experience has been good, that you feel you have gotten good value and received great service.

That is our goal!!

STEP #7 - Build your Team

The first part of your team has been built- that is us- your realtors. It is also important to start to think about who you will choose to represent your interests now that you have found a home you would like to make an offer on.

You may wish to hire the services of a **Home Inspector**. It is always a good idea to have a home inspected. An inspector will perform a home inspection on the property and it usually takes between 2-3 hours. They often like the buyer to be present - at least towards the end so that they can go over their findings with the buyer. The inspector will provide you with a detailed written report on well the home is built, whether there are any repairs necessary, approximately how much they will cost and the priority in which they should get fixed.

You will also require the services of a **Lawyer** to help you close the real estate transaction. Your lawyer will review the Agreement of Purchase and Sale, he will order a survey if you require one & he will draft and finalize your mortgage documents. He will check into taxes and liens, he will search to make sure the title to the property is clear & arrange some of your utilities. Lastly, he will prepare a statement of adjustments confirming the selling price, the amount you have to pay the Seller, the balance of the down payment and adjustments. A certified cheque for this total should be made payable to your lawyer in trust. You will also owe your lawyer for legal fees, which include closing costs and disbursements.

When your Offer to Purchase is accepted you will have to make a decision about where you will go to get your **financing**. You will have already obtained a pre-approval from a **lender** but it is a good idea to shop around for the best rate once it comes down to actually applying for the mortgage. Please refer back to **Step #3 - Obtaining a pre-approval** for our referral list of qualified and reputable Mortgage Specialists.

STEP #8 - Preparing an Offer to Purchase

You have found your dream home and you decide that you would like to make an offer. The first thing that we do is check comparable sales in the area to make sure the home is priced fairly. We will look at how long it has been on the market, if it has been reduced and from the listing agent we can inquire as to whether there have been any other offers and the seller's motivation.

Once we are comfortable with what we will be offering we will get together and draft an Ontario Real Estate Association - Agreement of Purchase and Sale.

The offer can be either Firm or Conditional. A "Firm" offer meaning that you are prepared to purchase the home without any conditions. The offer is accepted - the home is yours. More common is the "Conditional" offer which means you have placed one or more conditions on the purchase. The home is not sold until all the conditions have been met.

We will then proceed to go through the major elements of the offer in detail with you:

- Price: Depending on local market conditions, your opinion of the value and market information we have provided to you, the price you offer will generally be less than the Seller's asking price
- Deposit: The deposit shows your good faith and will be applied against the purchase of the home when the sale closes. In our area this amount is usually between \$5,000-\$10,000.
- Terms: Includes the total price offered and the financing details. You may arrange your own financing or assume the Seller's mortgage if it has an attractive interest rate.
- Conditions: These might include making your offer conditional upon financing, a home inspection or selling your current property. You will ask the Seller for a certain amount of days to fulfill your conditions.
- Inclusions/
Exclusions: These might include appliances, certain fixtures or decorative items such as window coverings & blinds
- Closing/
Possession Date: This is the day the title of the property is legally transferred and the transaction of funds is finalized. Your lawyer will typically close the transaction in the afternoon and you will receive the keys to your new home that day.

At the time of drafting and signing the offer we will also be explaining to you and you will be signing a form called "**Confirmation of Co-operation and Representation.**" This form explains **Agency** - in essence, who is working for whom. Typically when you sign a listing agreement you have developed **Sellers Representation** which means you are working on the Seller's behalf. A **Buyer Representation** agreement, signed by yourself, establishes Buyer Representation which means we work on your behalf. Confidences shared with us about you are kept confidential. Occasionally a real estate company (especially one as large as Royal LePage) will be the agent of both the Buyer and the seller. This "**Multiple Representation**" arrangement must be consented to by both parties and the company must do what is best for both the Buyer and the seller. All pertinent information regarding the sale must be disclosed to both parties.

Acceptance of the Offer

Once drafted and signed, your offer will be presented as soon as possible. The Seller will do one of three things. 1) Accept the offer 2) Reject the offer 3) submit a counter-offer (most common).

The counter-offer may be in reference to the price, the closing date or any number of variables.

The offers can go back and forth many times until both parties have agreed or until one of you ends the negotiations.

STEP#9 - Arrange your Mortgage

Hurray!! Your offer has been accepted!!

You've shopped around and have chosen a lender who has offered you the best financing options and terms available for your situation.

Once you have found the home you want to purchase, there are some documents you will be asked for by your lender in order to finalize your financing.

- A copy of the real estate listing of the property. If the home is being built the mortgage lender will need to see the builder's plans and details on the lot size and location.
- A copy of the Agreement of Purchase and Sale or Building contract.
- Documents to confirm employment, income and source of pre-approval.

Once your lender has received all the above information an approval will be made - this usually take only a few days. If you are putting less than 25% down payment your mortgage has to be insured and approved by Canada Mortgage and Housing (CMHC). This usually takes a little longer for approval.

When the lender informs you that your financing has been approved we draw up a document called a "Waiver". This waives your condition from the offer and makes it become a Firm Offer to Purchase.

All you do now is wait for the closing date and start packing!!

STEP#10 - Closing and Moving

Closing is the day you get the keys and legally take possession of your new home. There are a few things that happen on closing day.

As discussed earlier,

- Your lender will provide the mortgage money to your lawyer
- You must provide the balance of the purchase price to your lawyer - usually by certified cheque
- You will also be responsible for paying legal fees, disbursements and land transfer taxes
- Your lawyer pays the Seller, registers the home in your name and provides you with the keys.

To help make your move a smooth transition for everyone, plan ahead! If you are moving yourself make sure you have the proper material for packing and give yourself enough time. Make sure friends and family are available to help.

If you are hiring a mover, ask for references. Also ask for an estimate and find out if it is a flat rate or by the hour. Shop around for the best price and book early so that you won't be disappointed.

Arrange to have your utilities read on the day you leave and your bills forwarded to your new address. Make arrangements for the gas and electrical utilities, telephone and cable to be connected at your new home.

Have the post office forward your mail to your new address. Change the address on your Driver's license, your cheques, social or athletic memberships, credit cards etc.

Make special arrangements for moving plants, pets and disposing of paints, toxic or flammable materials.

You should be all set. Good luck in your new home!!