

Information for Home Buyers

When purchasing your home, build a solid team around you with a number of key professionals to help you along the way.

Your Realtor

Your Realtor is your partner in the home buying process. Once your Realtor understands what type of home you are looking for, they will begin researching the market on your behalf. They will search all the available properties for sale and will show you the ones in your price range that meet your criteria. Once you have found the home you are interested in, your Realtor will prepare an offer and represent you in the negotiation process. Generally you do not pay a fee to the realtor who represents you when you are buying a home. The realtor is paid by the seller of the home. Realtors are licensed through provincial bodies and are knowledgeable about the markets they work in.

Your Mortgage Broker

Your mortgage broker is another key partner in the home buying process. Your mortgage broker will take the time to understand your financial needs and will research the market to find the best mortgage for you. Your mortgage broker will represent you to the lenders, and will negotiate terms on your behalf. Usually there are no fees to use a mortgage broker, as they are paid by the lenders.

Lender

Your mortgage broker will assist you in choosing the lender that best suits your requirements. The majority of your contact with the lender will be after your mortgage gets funded. You will receive contact information you can use when you want to make any changes to your mortgage in the future.

Insurer

In Canada, if you have less than 20% of the value of the property as a down payment, you will be required to have mortgage loan insurance. Mortgage loan insurance protects your lender against any losses incurred. Your mortgage broker and lender will arrange this insurance for you. The insurance companies in Canada are CMHC, Genworth and Canada Guaranty. The amount of the premium is based on the percentage of the purchase price you are looking to finance and varies depending on the type of proof you can provide in support of your income, the source of your down payment, and the amortization of your mortgage. The premium is typically added to your mortgage but you may choose to pay it up front.

Appraiser

The appraiser's role is to provide the lender with a market value of the home. The market value is the price that the home would sell at with reasonable exposure on the market to a large number of buyers. If required, your mortgage broker will arrange the appraisal for you. This may or may not cost you money to get done. If so, it is typically under \$400.

Home Inspector

A home inspector provides you with information on the construction, structural and mechanical integrity of your home. They will make you aware of any repairs that need to be done now, and will let you know what types of repairs you can expect in the next few years. Your Realtor can provide you with some names of quality home inspectors.

Lawyer

Your lawyer (or notary) will transfer the property into your name, and will draw up and register mortgage documents. Your lawyer liaises with your lender and realtor to ensure they have all the required paperwork to process the sale. Your mortgage broker or realtor can provide you with some names of lawyers or notaries.

So, on to the Home Buying Process.....

Step 1: Pre-approval

When you first decide you want to buy, it is wise to get a pre-approved mortgage. The pre-approval will tell you how much of a mortgage you qualify for, ensuring you are shopping within your price range. During the pre-approval process, your mortgage broker will check your credit and also talk to you about your down payment, closing costs, income and current debt.

Your Credit

Your credit situation will narrow the field of lenders that your mortgage broker will consider approaching to obtain the necessary funding for your home. Each lender has different clients that they specialize in working with. Your credit may also impact the amount of money you will be requested to provide for your down payment. You will be asked to sign a Customer Agreement giving permission for your mortgage broker to access your credit information.

Down Payment

If you are buying a property as your principal residence, you will typically need to have a minimum of 5% of the purchase price for your down payment. The down payment may come from your own bank accounts or investments, be a gift, withdrawn from an RRSP under the Home Buyer's Plan in Canada, or, in some cases, even borrowed.

If your down payment is from:

- Savings or in your bank account - anticipate being asked at some point to provide three months bank statements. The statements must state your account number and name.
- Investments (RSP, GIC, Stock, Bonds) - locate and provide a copy of a recent account statement.
- An RRSP - you can withdraw up to \$25,000 from an RRSP towards your down payment under the Home Buyers' Plan in Canada. The money must have been in the RRSP for a minimum of 90 days before you withdraw it. Follow this link for more particulars: www.cra-arc.gc.ca/tx/ndvdl/tpcs/rrsp-reer/hbp-rap/menueng.html

Ali Khan - www.AliKhanHomes.com

alikhan@dccnet.com

604.741.8442

1.888.466.2277



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- A gift - your mortgage broker can provide you with a blank gift letter from the particular lender you will be using. Typically, gifts must be from an immediate relative.

Closing Costs

Lenders also require you to have access to funds for the closing costs on your new home. Closing costs include appraisal and home inspection costs, legal fees, property tax adjustment charges, Property Transfer Tax, house insurance, utility connection charges, etc. Closing costs (not including the BC Property Transfer Tax) are typically from 1 – 1.5% of the purchase price of the property. As a First Time Home Buyer, you may or may not need to pay BC Property Transfer Tax. Follow this link for more particulars:

www.sbr.gov.bc.ca/business/property_taxes/property_transfer_tax/first_time_home_buyer.htm

Documentation to prove you have sufficient funds to cover your closing costs will be similar to that requested for your down payment.

Income and Debt

Throughout the pre-approval process, your mortgage broker will request information on your income and monthly debt costs to assist in determining the additional debt you will be allowed to take on for your home purchase. Depending on how you are paid or earn your money, the documentation to prove your income will vary. Your mortgage broker may ask you to provide these documents during the pre-approval process. You may also be requested to provide documentation to prove your monthly debt charges at the same time.

Pre-Approval Letter

Once the pre-approval process is complete, your mortgage broker can provide you with a pre-approval letter to take to your realtor or builder.

Step 2: Shopping Around

It's now time to consider where you want to live and what type of home you want to purchase. Your realtor will assist you in determining that and then will show you properties that fit your criteria.

Step 3: Offer in and Accepted

Once you've found the home you are interested in, you will make an offer, subject to financing. Your offer may also have other subjects and your realtor will advise you as to what those could be. Your offer may or may not need to be accompanied by a deposit at this time. The deposit amount varies depending on the value of the property. Again, your realtor can advise you on what is required and when it is to be available. Once the offer is accepted, you or your realtor will provide a copy of the purchase agreement and property listing to your mortgage broker.

Step 4: Lender, Insurer, Appraiser

Your mortgage broker will work with the lender, insurer and appraiser to get you final approval on the financing. Your mortgage broker may ask you for further documentation at this time. You will want to collect the requested paperwork and submit it to your mortgage broker in a timely fashion.

Step 5: Firm Sale

Once you have met the lender's financing conditions, your mortgage broker will advise you that you can remove the "subject to financing" clause. This is done with your realtor. You may remove other subjects at the same time if they have been satisfied. Once all the conditions have been waived, you have a 'firm sale'. As soon as all the requested documentation has been approved by the lender, instructions from the lender for closing will be sent to the lawyer's office. At this time, if you have not already paid your deposit, you will be asked provide it. Your deposit is typically 5% of the value of the property.

Step 6: Mortgage Insurance

In Canada, by law, all professionals who arrange for or provide mortgage financing are required to also provide you with the opportunity to purchase Mortgage Insurance. Whether you choose to accept this or not is up to you. However, given you are taking on an additional amount of substantial debt, this is a good time to revisit your insurance needs with your insurance agent or financial planner.

Step 7: Lawyer or Notary

The lawyer or notary will call you into his or her office to sign the documents, usually about 3-4 days prior to the completion date. The completion date is the day that the money is given to the sellers and the property is transferred into your name. They will ask you to bring at least one form of government ID with your picture on it to the appointment as well as a certified cheque or bank draft for the closing costs that they have pre-calculated for you. If you are buying a single family property (not a condo), you will also be asked to provide an insurance binder letter to your lawyer to confirm you have house insurance in place.

Step 8: First Mortgage Payment

Unlike with rent, you pay your mortgage at the end of the month. (If the purchase of your property was completed on June 1, and you chose monthly payments, you will not have a mortgage payment until July 1. If you chose weekly payments, the payments would come out at the end of every week.) You will receive the details of the mortgage repayment from your mortgage lender. Throughout the Home Buying process, take advantage of your access to the professionals who are assisting you to ask any questions that come up so that, in the end, you are confident and comfortable with your choices. Then you can sit back and enjoy your new home for years to come! Please call me with **any** questions! It's free!

Ali Khan - www.AliKhanHomes.com

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