



# Buying your first home

Buying a home is an important and exciting step in one's life. For most people, this will be the largest financial decision they'll make. Before you get the keys to your new place, there are some steps you need to take to make sure that you're committing to a home that is right for you and your family.

## Determine your price point

When considering how much you are willing to spend on purchasing a new home, take into account more than just the price of the house itself. Here are four areas that will help determine what your price point should be:

- 1. Down payment.** The amount you have available for a down payment will determine if you will need a high ratio or conventional mortgage. The minimum required down payment is 5% of the purchase price. By putting in less than 20% down, you will receive a high ratio mortgage. A high ratio mortgage was designed to help Canadians with a steady income and good credit to purchase a home when they do not have a large down payment saved up. This type of mortgage comes with a premium (as insurance for the mortgage lender), but that cost can be rolled into the overall mortgage amount. By putting 20% or more in as a down payment, you will receive a conventional mortgage. Your down payment can come from a number of sources, if you do not have those funds immediately at your disposal such as personal loans, lines of credit and RRSP savings (if you're a first time homebuyer).
- 2. Monthly mortgage payment (and frequency).** The amount of money and when you make those payments towards your mortgage is dependent on a few variables, including the amount borrowed, your interest rate, taxes and the life of the mortgage (amortization). As a general rule, you should budget no more than 35% of your household gross monthly income towards your mortgage payment.
- 3. Other debts.** A good rule of thumb is to consider your total monthly debts, including your mortgage payment, and allow approximately 42% of your gross monthly income to cover this. This is known as the Total Debt Service (TDS) ratio and can help keep you financially on track as a home owner.
- 4. Price range.** By knowing and taking into consideration your mortgage pre-approval amount, down payment and TDS ratio, you have the information you need to determine a price range that works for you for house hunting.

## What to consider before you begin your house hunt

Once you have your mortgage pre-approval, be sure to take the following into consideration:

- 1. Location, location, location.** Where do you want to be? What neighbourhoods appeal to you and do they have the amenities that you and your family require (e.g. schools, recreational facilities, etc.). What will your commute to work look like if you move to this area?
- 2. Type of home.** Do you want a detached home with a yard? A townhouse? Or does a condo with all the amenities suit your needs? Think about the pros and cons of each type of home.
- 3. Wish list.** Put together a list of must haves/needs and wants. What do you absolutely need (e.g. number of bedrooms) and what are some wants where you are willing to compromise (e.g. detached garage). Think about your future needs too – plan for where your family might be in five years' time and set your requirements accordingly.
- 4. Renovations and repairs.** Keep future repairs and renovations in mind. An older house might have charm and character, but it might also come with a costly list of items that need fixing. Once you've

**Know your price point before you house hunt**



narrowed down your house hunt to one or two options, it makes sense to pay for a professional home inspection, which can bring any structural issues to your attention.

## Home buying costs

Buying a house involves a number of stages and steps, and also comes with some costs that you should be prepared for. By educating yourself on what to expect, there will be no financial surprises.

1. **Down payment** – This is a minimum of 5% of the purchase price of the home.
2. **Inspection fee** – A fee paid to a professional who will inspect your home prior to the completion of the purchase.
3. **Appraisal fee** – This fee is sometimes required to ensure that the property is sufficient security against the mortgage.
4. **Legal fees** – These include lawyer fees and fees required to transfer the property.
5. **Property transfer tax** – The property transfer tax is 1% of the first \$200,000 of the home price and 2% on the remaining value.
6. **GST for new homes** – If you're buying a new home, you will need to factor in the GST, which is 5% of the cost of the home.
7. **Strata fees for condos and townhouses** – These are monthly fees charged to all owners to cover common costs such as lawn care, roof maintenance, etc. These fees can vary, depending on what amenities are included.
8. **Tax adjustments** – You will be responsible for paying the taxes for the portion of the year in which you own the property.
9. **Mortgage insurance** – If your down payment is less than 20% of the purchase price, and insurance premium on the mortgage payment is required. This fee may be added to the overall mortgage amount.

**10. Home or property insurance** – This will help protect your property in the event of a flood, fire, theft or other damage. Property insurance must be in place on closing day.

**11. Moving costs** – These may apply, depending on how far you are moving and the type of help that you require.

## Make a sound decision

When you find a home that you and your family fall in love with, it's easy to want to rush into a purchase to make that home your own. The best thing you can do when you've found the house of your dreams is be objective and go through the following steps to make sure the home is truly right for you:

1. **Re-visit.** Ask to visit the home a second time and really pay attention to your surroundings.
2. **Take a closer look.** Keep an eye out for any surface deficiencies or issues that you might have missed at the first visit. These could include signs of mold, signs of water leakage, etc.
3. **Go for a walk.** Take a stroll around your soon-to-be neighbourhood if you are unfamiliar with it to get a sense for the area. Consider going at different times of the day and different days (weekend vs. weekday).
4. **Bring a friend.** Bring someone else along who can bring an objective and neutral perspective.

## The offer process

If you're 100% committed to purchasing the house, then you're ready to write an offer! There are a few steps involved in the offer stage:

1. You submit an offer to purchase in writing and this is accompanied by a deposit for a portion of the down payment. Your real estate agent will assist you in the completion of this form and will help you negotiate for any items that you'd like included with the purchase of the house (e.g. appliance, furniture, etc.).
2. If your offer is subject to mortgage approval, appraisal results or any other conditions, make sure that information is clearly outlined in the offer to purchase document.



3. The offer for purchase will include your preferred possession date, which is typically at least 30 days from the date of acceptance.
4. Once the offer to purchase has been submitted, the sellers are given time to consider and respond.
5. The seller will either accept your initial offer or will present a counter offer and submit changes to the price or other factors.
6. During the negotiation phase, it is important to stay firm on your upper price limit. Even if there are multiple offers, you want to avoid getting caught up in the frenzy!
7. Once the offer has been accepted by the seller and the terms have been agreed upon, the home purchase is complete and you're one step closer to getting the keys to your new place.

## Making the move

Before you get settled into your new home, there are a few last steps that you need to take in the home buying process:

1. **Settle on a closing date.** Confirm a date that works for you and the seller and communicate this date to all necessary parties. If you're renting, try to align your move-out date with your closing date to avoid paying extra rent.
2. **Make a connection.** If possible, reach out to the home seller and ask any questions you might have about how elements in your new house work (e.g. the heating/cooling system, the appliances, etc.)

3. **One final review.** Once you get the keys, it makes sense to do one final inspection of the home and property to make sure that the condition is satisfactory and that anything you negotiated for, like furniture or appliance, have been left for you.
4. **Address update.** Now that you're moved in, make sure that you take care of updating your address. For added peace of mind, and to make sure that you haven't missed any updates, subscribe to a mail forwarding service which gives you a grace period of several months to update your contact information.

## Discuss your options

Before you dive into your house hunt, discuss your entire financial situation and determine how much house you can realistically afford. Connect with us to set up a plan that's right for you. Visit us in-branch, call our Member Hub (604-419-8888) or book an appointment with an advisor online. (<https://www.gffg.com/Personal/AboutUs/ContactUs/Financial/>)