



## “Home Cents®” Help Tips

### Learn Before You Leap

The worst mistake you can make as a new homeowner is to buy a house that ends up over-extending you financially. The key is to make sure that you can comfortably afford the mortgage payment (if applicable), and other monthly expenses that come with homeownership.

### How much can you afford?

The first thing you need to do is figure out your net worth. Your net worth is the amount left over once you have subtracted your total debts from your total assets. This can work as a guide to show you how much you can afford as a down payment.

### Prepare a budget

Next, prepare a budget. Detail all of your current monthly expenses and debt payments. Be as accurate as possible. Add everything up and then subtract the amount from your monthly take home amount. This will then give you a clear idea of how much you can afford for a mortgage payment each month.

### Monthly mortgage payments

Just like when you rent, as a new homeowner, you will have a monthly payment to make on your mortgage. The size of your mortgage payments will depend on your downpayment, the amortization period (25, 30 or 35 years), the term (fixed rate variable rate) and your payment schedule (biweekly, bi-weekly accelerated or monthly).

### The down payment

In order to buy a home, the first thing you will need is a down payment. The more money you put down, the less interest you will pay over the life of your mortgage. The minimum mortgage downpayment in Canada is typically 5%. In order to put down less than 20%, mortgage default insurance is needed. Mortgage insurance premiums are paid only once but can be added to the principle amount of your mortgage.

Before you start looking at homes, visit your lender for a pre-approved mortgage. Better yet shop around and visit more than one lender to ensure you get the best rate. This is especially true in a market like today where interest rates have been rising. The lender will look at your finances and determine the amount of mortgage that you qualify for and what they are willing to extend to you. The maximum amount you can qualify for depends on a number of factors, the most important are your household income, your down payment and the mortgage interest rate.

Quite often you will qualify for more than perhaps you expected. This is where preparing your budget beforehand is such an important part of the process. Remember, your goal is not to over-extend yourself financially. Let your budget be your guide in determining the amount of a mortgage you should take on.

You now know how much you have available to spend, but not all of it can go towards the purchase price of your new home. Some of it will have to be used to cover costs associated with buying a home.

### **Upfront costs**

- Deposit: Up to 5% of the purchase price and made when you make an Offer to Purchase.
- Down Payment, 20% of the purchase price is required for a “conventional mortgage.”
- Home Inspection Fee: Typically, this will cost \$400 to \$500 depending on the size of the home and the amount of inspection needed.
- Prepaid Property Taxes and or Utility Bills. These are included in the Statement of Adjustments on closing and will reimburse the Seller(s) for prepaid costs such as the property taxes, filling the furnace oil tank if applicable etc.
- Property Insurance: covers the cost of replacing your home and its contents. Property insurance must be in place on the day of the closing.
- Survey or Certificate of Location Cost: \$1,000 to \$2,000 range.
- Legal Fees & Disbursements. Minimum legal fees start around \$750 plus title other costs paid by your lawyer.
- Land Requisition Fee: a percentage of your property’s purchase price. Your lawyer will verify and advise you of the actual amount .
- Property Appraisal Fee: between \$250 to \$250, check with your mortgage lender.
- Moving Expenses.

### **Other costs**

- Appliances if needed.
- Service connection fees: Charges for utilities, telephone, gas electricity, cable or satellite TV, Internet etc.
- Renovation or repairs.
- Window treatments.
- Decorating materials and costs ie: paint, carpet etc.
- Landscaping equipment ie: lawnmower, snowblower etc. if required.

### **Condo costs**

If purchasing a condominium, there will be some fees in addition to those mentioned above. They are:

- Condominium documents such as requesting a Status Certificate for which there is a fee of \$100 to \$120.
- Initial payment of the monthly condominium fees

## Source of your down payment

First time homebuyers have a variety of options for funding their down payment.

- Accumulated savings
- Money gifted from immediate family
- Money from your RRSP

## Using your RRSP as your down payment

With the Home Buyers Plan provided by the Canadian government, you can withdraw up to \$25,000 for your Registered Retirement Saving Plan (RRSP) and use the money for a down payment. To learn more visit: [www.servicecanada.gc.ca](http://www.servicecanada.gc.ca)

## Compliments of

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