



## Buying a home? Here are ten things you need to know

For most Canadians, buying a home is the single largest financial transaction they will ever encounter and it's critical to be well informed *before* starting your house hunt.

Homebuyers can avoid a number of headaches by simply doing their homework. The following tips are a 'must know' for those navigating the home buying process:

- 1) **Know what you can afford.** A mortgage pre-approval offers peace of mind by helping you determine the price range of homes you can shop for and the maximum mortgage you can afford, but it is not a financing guarantee. Final mortgage approval is based on your information *and* the property that is to be mortgaged. Mortgage calculators – like those at [www.invis.ca](http://www.invis.ca) – can help you determine the maximum mortgage amount you qualify for based on your income.
- 2) **Lock-in a mortgage rate before you begin shopping for a home.** Most financial institutions will lock-in a rate for 120 days when pre-approving potential borrowers for a mortgage. Remember to renew the 120-day period if mortgage rates fall during this time, or better yet let a mortgage consultant do this for you.
- 3) **Be specific about your lifestyle needs.** Remember to consider not just the home itself but the property as a whole, including the neighbourhood and its proximity to work, shopping, restaurants, and other important places where you spend your time.
- 4) **Place conditions on your offer.** Conditions provide you with the flexibility of withdrawing your offer if you are unable to obtain the necessary financing, or if the inspection reveals structural problems with the home. Even with pre-approval, homebuyers who make an offer without conditions do so at their own peril.
- 5) **Don't confuse an appraisal with a home inspection – you need both!** An appraisal determines the worth of the property by estimating the market value of the land and building. A home inspection inspects the adequacy and condition of the building and all major systems.
- 6) **Have a firm strategy for a bidding war.** In today's competitive market, it is not uncommon for vendors to not accept offers until a particular date. This means you could be bidding for a home along with several other parties. It's easy to get caught up in the emotion of the bidding war, so know your maximum price *before* you bid and stick to it!
- 7) **Understand closing costs.** When buying a home, it pays to be informed about closing costs, which can represent up to 3 - 5 % of the purchase price, including: land transfer tax, lawyer's fees, appraisal fees, title insurance and home inspection fees.
- 8) **Borrow up to \$20,000 for your down payment from your RRSP – tax-free!** If you are a first-time buyer, the Home Buyers' Plan (HBP) allows you to withdraw up to \$20,000 from your RRSP to buy or build your home.
- 9) **Know your financing options.** Many lenders offer mortgages that feature a 5% down payment, or in some cases 100% financing. If you borrow more than 80% of the purchase

price, your mortgage must be insured by the Canadian Mortgage and Housing Corporation (CMHC) or Genworth Financial.

**10) Don't do it alone – explore the benefits offered by mortgage brokers.** Mortgage brokers act as a one-stop shop for planning advice and the best rates.