

# Home Buyer's Guide

Everything you need to know about the home buying  
and mortgage financing process!



**Karin Hoehn**  
mortgage broker

*Working for YOU, not The Banks!*

**The Mortgage Centre – TMK Team**

Phone: **(604) 328 – 3801** Fax: **(604) 676-2620**

#116 – 2540 Shaughessy St., Port Coquitlam BC V3C 3W4



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Who is **The Mortgage Centre?** We are a franchise having the longest history as a brokerage firm in Canada. Independently owned and operated, we have arranged volumn discounted rates with the major banks and lending institutions in our quest to serve you better in shopping for your mortgage. We take your mortgage application over the phone, in person or via email. Once we receive all your applicable financial information, we shop your mortgage application to the most competitive banks, credit unions and trust companies to find you the best possible rates and terms.

Purchasing a home can be a very intimidating task. For 1st time home buyers the process can seem so overwhelming. Even if you have owned a home previously, buying real estate and trying to find the “best” mortgage can be very exhausting. That’s why it is so important to surround yourselves with professionals who are ready to make the process as stress free as possible.

What’s the price for our services? If you qualify for the mortgage loan there are no costs to you! We are paid by the lender to take care of your application.

As your mortgage counsellor, I pledge:

- to show you that I care about your needs. I know that financing a home can be one of the greatest sources of stress for a family, and I will do everything that I can to make the process as easy and as pleasant as possible.
- to communicate with you about your application. I know the frustration caused by the silence when you are waiting to hear about your mortgage financing. As your mortgage counsellor, I will keep in touch with you , so you are always up-to-date on the process of financing your home.
- to display honesty and integrity in all of my dealings with you . As a mortgage counsellor, I live by a code of ethics and professional standards. These standards make a simple statement: “you have a right to nothing but fair and honest service”.
- to do everything in my power to secure for you the best mortgage available and provide satisfying results.

***I look forward to working with you!***

**Karin Hoehn, AMP**  
**Senior Mortgage Agent/Broker**  
**The Mortgage Centre – TMK Team**





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## BEFORE YOU START LOOKING FOR YOUR HOME

### PRE-QUALIFICATION

Pre-qualification allows you to determine how much mortgage financing you can qualify for based upon income and other fixed debt payments. You can be pre-qualified by phone by calling your mortgage broker. He or she can make some quick calculations and determine your maximum mortgage amount, mortgage payments and price range.

### PRE-APPROVAL

Pre-approval takes you to the next step. By being pre-approved you go through the entire mortgage qualification procedure. The lender will check your employment, verify the source of your down payment and conduct a credit check. They will also lock in a rate for you so that you are protected from market fluctuations for a period of 90 - 120 days. Once you are pre-approved you will receive a pre-approval confirmation outlining the parameters of your mortgage pre-approval so that you may feel comfortable in making your offer to purchase.

### LOCATE A BUYER'S AGENT

It is becoming more common for buyers to shop for their home on their own, without their own representation in the buying process. This is a common mistake.

Why use a '**buyer's agent**'? The listing/selling agent must stay fairly neutral during negotiations, and listing agents also tend to favour their sellers as opposed to the buyer who he/she may have just met.

Even if a listing agent gives up part of his/her commission (since he/she is getting the entire amount) a **buyer's agent** is able to provide undivided loyalty, and usually a stronger negotiating stance which can result in much more savings.

Also, a good **buyer's agent** will work tirelessly to find and secure the most suitable home, checking on new or exclusive listings, and keeping on top of the market on behalf of their buyer. They are usually familiar with attributes and amenities in the area you wish to live in and they are often times aware of problematic buildings, steering you clear of them, in the event you are looking to purchase a condo or strata type complex.

For a recommendation of a good buyer's agent in your area, please contact me, or visit my website at [www.mybcmortgage.com](http://www.mybcmortgage.com) and click on "contact information".



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## PROCESS OF PURCHASING YOUR NEW HOME

- 1) PRE-APPROVE FOR A MORTGAGE**

Send application to us along with income confirmation and down payment confirmation; a conditional pre-approval from a bank is then issued to you
- 2) FIND YOURSELF A GOOD "BUYER'S AGENT" to work with.** You can find a recommended list in your area by visiting my website at [www.mybcmortgage.com](http://www.mybcmortgage.com) and going to the "contact information" section
- 3) WRITE AN OFFER TO PURCHASE ON PROPERTY**

Negotiate a price with YOUR realtor, and receive accepted offer from the vendor (seller) subject to certain conditions you determine to be important, ie: "subject to financing" and "subject to home inspection". Subject removal occurs normally within 1 week's time
- 4) RECEIPT OF ACCEPTED OFFER**
  - 1) Send a copy of contract to us
  - 2) Appraisal report ordered by mortgage broker (if applicable)
  - 3) Property inspection done
  - 4) Provide us with any outstanding documentation, ie: down payment confirmation, gift letter, etc. Lender's final approval is issued once your documentation has been approved by the bank.
- 5) REMOVE SUBJECTS ON CONTRACT**

Meet with your realtor and arrange to remove the subject clauses to your contract. Realtor will ask you to make a deposit, usually 5% of the purchase price or more. Your deposit is held in trust for you and will go towards your down payment. You now have a firm and binding contract of purchase and sale.
- 6) COMPLETION Date**

Documents will be sent to your lawyer 1-2 weeks prior to closing by the bank providing financing. Any outstanding money owed for down payment is paid to lawyer with closing costs. Documents are prepared and title is registered in your name at city hall. You effectively begin paying a mortgage from this date onwards.
- 7) POSSESSION Date**

Within several days following completion, you will be given the keys to your new home and you can move in. Congratulations! You are now a home owner!



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## PROFESSIONALS THAT CAN HELP

### MORTGAGE BROKERS

Why should you use a mortgage broker? A mortgage broker can save you considerable time and money by arranging your mortgage. Brokers are service oriented, licensed professionals that work with you closely to determine your own individual needs followed by shopping the banks/lender for the very best mortgage at the very best rate. Most people simply go into their local branch when seeking mortgage financing. **Had you gone to a broker first, you may have gotten a better rate, but because you already have an active preapproval application in place, little did you know that now your broker is prohibited from shopping and perhaps getting you a better rate from the bank(s) you have already visited. Seek the assistance from your very own mortgage professional first!!!**

Brokers only pull one credit bureau report on you which saves your precious credit rating while shopping around for your mortgage, whereas each time you apply with a different bank without your mortgage broker, you risk damaging your credit rating. The banks and lending institutions pay brokers a finder's fee and extend to the broker's client, a more competitive rate than would be obtained going direct to the bank. It's truly a Win/Win/Win for all! For more reasons why to use a broker versus going to a bank, you can visit [www.mybcmortgage.com](http://www.mybcmortgage.com).

### REAL ESTATE PROFESSIONALS

A real estate salesperson (buyer's agent) is a licensed professional that is trained to advise you of all aspects of purchasing a home. First, they will help you narrow down which types of properties are most suitable for you and give you a list of available properties. Then they will assist you with the offer and counter-offer process of an Agreement of Purchase and Sale between you and the vendor/seller.

### REAL ESTATE LAWYERS/NOTARIES

You will need to find a lawyer/Notary to draw up the mortgage documents and transfer title from the vendor to yourself. Any lawyer can handle the transaction for you but it is best to choose a lawyer who specializes in real estate transactions, so that you can be ensured of receiving the most up to date advice. The lawyer will go over the mortgage document thoroughly with you and ensure that the terms are as you requested. The lawyer will do a title search to ensure there are no extra charges against the property, such as unpaid utilities and taxes, review the city's building and zoning requirements and do a survey to ensure that the subject property does not have any encroachments on the property line. On your closing date your lawyer/notary will go to land titles to register the mortgage and remove any charges from the vendor and transfer the title into your name. You will usually get the keys to your new home the next day or so, this is called "possession".



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## HOME INSPECTORS

When you make an offer to purchase it is advisable to get an inspection of the building in order to determine if the property is in sound condition. The inspector will go over any repairs that need to be made and walk you through the major systems in your home followed by a detailed written report of the inspection. The cost for the inspection is generally \$350- \$550. This will probably be the best money spent as it can save you thousands of dollars in the long run. Peace of mind is worth every cent!

## APPRAISERS

Your mortgage lender will require that an appraisal be completed to assess the market value of your purchase. The appraiser will look at the recent sales in the area where the property is located to arrive at an average price. Unless you order the appraisal yourself it becomes the property of the lending institution and you are still responsible to pay the fee (unless it is covered under the lender's application fee) which is between \$225-\$375 depending on the property and the location.

## INSURANCE PROFESSIONALS

As a home owner, your property and life insurance needs will change. An insurance broker can evaluate your financial situation to determine the amount of life insurance that you require. It is mandatory that you insure your home against fire when you have a mortgage, so that should you have a fire, the home may be replaced.

Each lending institution can offer you mortgage life insurance but it is advisable that you consult an insurance broker to get a quote, you can save yourself a lot of money. In addition, lenders sell insurance with a declining balance, you are better off to buy separate term insurance.

## TITLE INSURANCE COMPANIES

To ensure that a lender has a clear and valid title to the property being mortgaged, you can now go to a lawyer who will insure that the property is owned by the vendor and that title will be delivered cleared of all charges. This service can also omit the requirement of a survey certificate at a price of approximately \$150.00. The cost of this service is roughly \$395.00. Not every lender will use the Title Insurance Program so ask your mortgage broker whether or not it is possible in your case.

## ***IMPORTANT: PLEASE READ:***

*As part of my service as your mortgage broker, I have a team of professionals that are carefully selected to aid you in this process. I highly recommend using the buyer's agent, home inspector, lawyer, and insurance agent that I refer.*

*These professionals I know and trust, and they extend to each and every client, their very best service, at their very best price. For contact information, please call or visit my website at [www.mybcmortgage.com](http://www.mybcmortgage.com) and click on " contact information".*



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## MORTGAGE QUALIFICATION

### General Information

Lenders consider a few factors prior to granting any mortgage approval. The deciding factors are the applicant's income and job stability, credit history, net worth, source of the down payment, and the loan to value (mortgage divided by the price of the property).

You will have to fill out an application which will cover basic personal information, an asset and liability statement and the lender will run a credit check on you. You will have to supply written confirmation verifying your income, and the source of the down payment to show that the funds have not been "borrowed". A family member may grant you a gift, however. If you are putting less than 20% down against the purchase, you will be asked to show that you have an additional 1.5% of the purchase price available in cash to cover any potential closing costs. This 1.5% can be covered through credit lines if need be, however, the carrying cost will be added to your Total Debt Service Ratio (TDS) for qualification.

Although there are general guidelines that all lenders follow, each lender may look at the application differently. It is important to note that each underwriter uses his or her judgment when considering a deal. What one underwriter considers risky another underwriter may not. Your mortgage broker can submit your deal to the lender that fits best with your application.

The following is a description of general policies in the mortgage lending industry.

### Job Stability

Lenders will want to know your employment history for the past 5 years. If you have not been on the job that long, it is important to show that your employment does not have any probationary period attached to it. As mentioned above, every application is looked at on a case by case basis. Please contact your mortgage broker to discuss its implication to your application if you can answer 'yes' to any of the below:

- salary + commission income
- self employed income
- part-time or on-call income
- tips/bonus income
- contractual income
- pensioned or disability income



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### **Income Confirmation**

You will have to provide written confirmation to the lender of your income. If you are salaried you will have to provide a job letter indicating your position, length of time on the job and salary earned. If you are a commissioned employee or self employed or on contract, you will have to show a 2 year average to the lender. This can be shown through the last 2 years NOA's (Notice of Assessments from CRA).

### **Credit History**

Your credit history tells the lenders a story of how you pay your bills. Any information stays on your credit bureau for a period of 6 years. This may be one of the most important areas considered when looking at a mortgage approval. Each piece of credit is given a rating of 0-9. Zero refers to the fact that the account is inactive and 9 refers to an item that has gone to collection or has been written off. The best rating is a "1". If you have questions about what is on your bureau you can go to the Vancouver Credit Bureau and request a complementary copy of your bureau when Photo Identification is presented. Should you have a discrepancy on your bureau you may request that the credit bureau prove that the information reported is correct or you may present written verification of the debt being paid and they will correct the bureau. Should you have any past slowness in credit it is advisable to discuss this matter with your mortgage broker.

### **Net Worth**

Your net worth is your value of your assets less any debts that you have. Lenders look at your net worth to determine your spending habits. Those applicants with a low or negative net worth may be turned down for mortgage financing even though their debt service ratios are in line.

### **Sources of Down Payment**

The lender will want to know where your down payment is coming from. Are they saved funds, RRSP, family gift or proceeds from a real estate sale? How much you are putting down does affect the approval process. Applications where the applicants are putting 0% down are scrutinized more than those applicants with 20% or greater down. Applicants who have a down payment of 35% or greater may not have to qualify for the mortgage based upon their income.



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## Lending Ratios

**Your mortgage application will be subject to the Gross Debt Service Ratio or GDS and the Total Debt Service Ratio or TDS.** The GDS ratio takes into account the mortgage payments of the potential purchase, net monthly property taxes, half of any maintenance payments applicable for condos and town homes - and monthly heating costs. The maximum GDS ratio is 32% of your gross income. The TDS ratio accounts for the above as well as any other fixed payments that you have ie: loan payments, minimum payment for credit card debt, etc. Traditionally the maximum TDS ratio was 40%, however some lenders allow for a 44% TDS ratio today.

## Property Details

The last detail that the lender looks at when considering a mortgage approval is the subject property itself. The lender will want to know the location, price, square footage, type of construction, and how the title is held. Is the property freehold, leasehold, co-op, or a mobile home. You will have to provide the following documentation to the lender prior to a formal approval of your mortgage:

- Copy of the contract of purchase and sale that has been signed by all parties.
- Property Condition Disclosure Statement (2 page checklist seller fills out for the buyer on the condition of their home)
- copy of the MLS listing.
- Strata Form B – if you are purchasing a condo/townhouse
- copy of an appraisal report no older than 30 days if you are receiving high ratio financing and 60 days if you are putting 20% down or greater. The cost of the appraisal is the responsibility of the purchaser. The cost generally runs between \$225 – \$300 depending on the location and size of the property.



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## SOURCES OF DOWN PAYMENT

For CMHC insured mortgages you must also demonstrate to the bank, at the time of application your ability to cover closing costs equal to 1.5% of the purchase price. You may deduct the cost of the property purchase taxes in the event you are exempt from paying it. This will result in a much lower amount. You will be required to show the source of the down payment so that the lender can show that the funds were not borrowed unless accounted for beforehand.

### **SOURCES OF DOWN PAYMENT:**

### **DOCUMENTATION REQUIRED:**

#### **Savings that you have**

Bank statements showing the history on the account for the past 3 months. You will be asked to show the source of any large sum deposits within that time period.

#### **RRSP's**

First time home buyers are allowed to up to \$25,000 per person to purchase principal residence. You will have to show a recent RRSP Statement.

#### **Family Gift**

Gift money from family is acceptable (a gift letter is available from your mortgage broker) and a bank statement showing the funds deposited into your account

#### **Sale of Real Estate**

You will have to provide a copy of the agreement for sale, and a recent statement on your mortgage if applicable to show your equity.

#### **Sale of Personal Property**

Monies from the sale of your car, boat etc. can be used as down payment. You must provide a bill of sale, cheque received and show it deposited into your account.

#### **Borrowed or 0% down**

You may be eligible to purchase with nothing down, however, closing costs are not included and you must have the deposit money readily available for your realtor in advance.

#### **Cashback Mortgage**

Normally at a higher rate, some lenders will allow the use of the cashback for the down payment



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## MORTGAGE OPTIONS

### Closed Mortgages

Most mortgages are “closed” meaning that you have a guaranteed interest rate for a specified period of time and you have an “agreement” with the lender to keep the mortgage for that period of time. If you should choose to pay out the mortgage early you will be subject to paying a penalty for breaking that contract. Most closed mortgages do have prepayment options attached to the mortgage that allow you to pay down the mortgage faster.

In some cases the mortgage rate may fluctuate but the mortgage is still closed for a specified period of time such as most “variable” rate mortgages. Closed mortgages are available in 6 months, 1,2,3,4,5,7, and 10year terms.

### Open Mortgages

Open mortgages are open to any prepayment at any time without penalty. They are usually stated as a 6 month or 1 year term, where the interest rate is guaranteed for that time period. Open mortgages will generally have a higher interest rate attached to it because of this added flexibility. Unless you plan to pay your mortgage off in that specified period of time it is usually more cost effective to take a closed mortgage.

### Construction Mortgages

When self-building these mortgages provide money in stages of construction in the form of “draws”. Interest only is charged on the total of the draws until the property is complete at which time a formal mortgage rolls over with regular principal and interest payments.

### Variable Rate Mortgages

These mortgages typically fluctuate with the bond markets such as the 90 day T-Bill or the bank prime. Some variable rate mortgages are open while others are closed. They are typically 3 or 5 year terms and early payout penalties may differ. Almost all of them are “open to convertibility” at any time into a fixed term mortgage, with some lenders charging a fee to convert. Your mortgage payments will fluctuate whenever prime changes.

It is recommended that your payments be set at a higher level to provide stability and accelerate mortgage paydown with the difference between the actual interest rate and that of the regular payment going towards principal reduction.

Financial analysts have always attested that variable rate mortgages do out-perform fixed rate mortgages over the life of one’s mortgage. Depending on your “risk tolerance” ask your mortgage professional if you are a good candidate for this type of mortgage.



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### **Payment Options**

Most mortgages allow you to make payments monthly, semi-monthly, bi-weekly and weekly. Bi-weekly payments allow you to pay your mortgages faster. with accelerated bi-weekly adding 2 additional payments to a calendar year. Accelerated bi-weekly payments are calculated by dividing the monthly mortgage payment by 2.

### **Amortization**

Most mortgages have a standard 25 year amortization attached to it unless specified otherwise. The amortization is the period of time that is required to pay the debt off completely. Recently some lenders have added 30, 35 and 40 year amortization options. Some have additional CMHC charges.

### **Portability**

Most closed mortgages are portable, meaning that you can transfer the loan to property with approval from the lender. This option allows the borrower to avoid paying any penalty when selling the subject property. The property that the mortgage is to be ported to must be of similar construction and value (or greater). Some lenders allow 1 day between a sale and a purchase to port, while other lenders allow up to 90 days. Your broker can assist with this.

### **Assumability**

Assumability means that someone purchasing your home from you may take over the mortgage if they qualify. This also allows you to avoid any payout penalties when selling your property. This can be a very attractive feature when selling your home especially if interest rates have gone up since you bought. The buyer to your home can take advantage of potentially lower payments and a lower interest rate when assuming your mortgage.



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## CMHC & GENWORTH CANADA INSURANCE AND THEIR GUIDLINES

CMHC insures the mortgage on behalf of the mortgage lender so that if you default on your mortgage the lender's loan will be paid out. The Borrower pays for the insurance premium, and typically the insurance premium is added to the mortgage. However, borrowers have the option of paying this premium in cash at the time of closing. The insurance premium depends on your loan to value:

### LTV RATIO

Up to and including 80% (20% down)  
Up to and including 85% (15% down)  
Up to and including 90% (10% down)  
Up to and including 95% (5% down)  
Up to and including 100% (0% down)

### INSURANCE PREMIUM

No Premium!  
1.75% of mortgage  
2.00% of mortgage  
2.75% of mortgage  
2.90% of mortgage

### MAXIMUM LOAN TO VALUES

CMHC will finance up to 100% of the purchase price, this simply means that you can put down nothing provided that you can demonstrate that you can debt service the mortgage, prove your income, your credit is excellent, and you have the necessary closing cost money.

### SELF EMPLOYED

CMHC or Genworth Canada will insure high ratio mortgages for those that cannot prove their income such as self employed or commissioned sales people. Certain conditions do apply to qualify under these programs, and the premiums are considerably higher:

### LTV RATIO

Up to and including 95% ( 5% down minimum)  
Up to and including 90% (10% down minimum)  
Up to and including 85% (15% down payment)  
Up to and including 80% (20% down payment)

### INSURANCE PREMIUM

6.00% of mortgage  
4.75% of mortgage  
2.90% of mortgage  
1.64% of mortgage

### USING YOUR RRSP'S AS DOWN PAYMENT

If you have not owned your principle residence for the past 5 years, you may use your RRSP's as down payment. You have up to 30 days following the completion of your mortgage to redeem these funds under the plan. Each person is eligible to redeem up to \$20,000. The funds must be paid back within 15 years in equal portions. If you do not pay this back they will become taxable income for that taxation year. You have up to 2 years following your completion date to begin repayment. Please refer to the enclosed RRSP program booklet for more detailed information.



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## THE HOME BUYER'S PLAN – Using RRSP Money for a Down Payment

### QUICK FACTS

- The maximum any one person can withdraw is \$20,000. Both spouses can withdraw up to \$20,000 for a grand total of \$40,000.
- You must have a written agreement to buy a home before making withdrawals under the plan.
- You have to be considered a first-time buyer, not having owned a home or been on title to a home to which you also occupied, for more than 5 years.
- You have to be a resident of Canada and plan to use the house as your main residence.
- The funds have to stay in your RRSP for at least 90 days before they can be withdrawn. Within 30 days of buying the house you have to make all withdrawals.
- Starting two years after the withdrawal, you have 15 years of equal installments to pay back the money into your RRSP. Any year when you don't pay your required installment, you have to include it as income and pay tax. No penalty for paying RRSP sooner.
- If you pay back more in one year than required, the overall home buyers' plan balance is reduced as is the amount of the coming annual payments.

### SOME TIPS ABOUT USING THE HOME BUYER'S PLAN

- Pay back the money borrowed from the RRSP faster than the 15 years allowed by the government to make sure you don't lose out on years of compound growth in your RRSP.
- There's no penalty for repaying the RRSP money faster, but if you don't make a repayment in one year you have to include that money as income and pay tax on it.
- Remember that the investments in your RRSP have to be converted to cash to be withdrawn as cash, so keep in mind any fees you may have to pay to cash out stocks, mutual funds or bonds held in an RRSP.
- Remember you have to pay back the funds borrowed from the RRSP over time, so those repayments need to be factored into household budgets.



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## POTENTIAL CLOSING COSTS

- **PROPERTY PURCHASE TAX** -The property transfer tax is payable on any purchase of all real property in British Columbia. It is calculated based upon 1% of the first \$200,000 in the purchase price and 2% of the balance. (the amount above \$200,000). Currently, in BC we have an exemption program for 1st time buyers. Please refer to Property Transfer Tax Exemption in the appendix of this booklet.
- **GOODS AND SERVICES TAX** -GST of 5% is payable on the purchase of any new home or any home that has been substantially renovated. In most cases the purchaser is entitled to a rebate. The purchaser often has two options. 1) pay the gst @5% up front at the time of closing and apply for the rebate at the lawyers; or 2) have the "net" gst added to the purchase price (the amount that would be owing after the rebate) which allows you to finance the GST portion that you owe.
- **LEGAL FEES** -Your lawyer or notary will charge you a fee for drawing up and registering the mortgage. The amount of these fees vary depending on who you use. It is advisable to call a couple of lawyers and ask for a quote, or simply ask your mortgage broker for a referral. The legal fee quoted includes: drawing up of mortgage documents, conveyance (transferring the title between seller to purchaser) but does not include: disbursements (land title searches, tax searches, courier costs, photocopies, postage, filing agent fees, long distance telephone calls, etc) or adjustments (reimbursement to vendor for prepaaid utilities, taxes, etc).
- **SURVEY CERTIFICATE** -Most lenders require a survey certificate to confirm that the property being purchased is in fact on the correct lot and isn't partially on that of their neighbors (encroaching). Often the Vendor will already have a survey, in most cases the lender will accept a photocopy of the vendor's copy. Otherwise a new survey will need to be ordered at a cost of approximately \$300.00. Surveys are not necessary if the purchaser is buying a strata title property or a condominium.
- **ADJUSTMENTS** -These are prepaid expenses which will need to be pro-rated between the vendor and the purchaser. For instance, a typical adjustment deals with the property taxes paid to the city or municipality. The amount paid will be adjusted as of the adjustment date and one party will be required to reimburse the other. Other typical adjustments include strata maintenance fees and utility expenses.

**Example: on the following page:**



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**Example:**

If your completion date is April 30 and the property taxes have not yet been paid to the municipality. The vendor will have to pay you 4/12's of the property taxes due. A credit will be made to your account at the lawyers. If your completion date was August 1, chances are the vendor has paid the property taxes for the full year. In this case the purchaser would credit the vendor 5/12's of the taxes.

- an interest adjustment will also be made at the lawyers office. Generally speaking they will collect interest that will accrue between the closing date and the last day of that month; ie: period of 17-30th of that month. If the monthly payment was \$1,000/month the interest adjustment would be \$433.34.

This information is being provided to assist in the planning of a home purchase. It is not intended to be legal advice and the information set out may not be applicable in all cases. In some situations, a purchaser may be required to pay for all additional expenses such as a second mortgage, assignment of rents, power of attorney, or independent legal advice for one of the parties involved. Each transaction will be different and it is recommended that the purchaser consult with their lawyer as early as possible to confirm the actual cash required to complete the transaction.



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## CLOSING COST WORKSHEET

**Deposit with realtor** \$ \_\_\_\_\_  
(held in trust used towards down payment)

**Legal fees & Disbursements** \$ 1,000 \_\_\_\_\_  
Property Tax Adjustment \$ \_\_\_\_\_  
Interest Adjustment \$ \_\_\_\_\_

**Property Purchase Tax\*** \$ \_\_\_\_\_  
\*See exemptions in this booklet  
(1% of first 200,000 purchase price and  
2% of the balance)

**GST** -applicable on new homes/condos \$ \_\_\_\_\_

**Appraisal Fee** \$ \_\_\_\_\_  
(required on conventional mortgages with  
20% or more down)

**Survey Certificate or Title Insurance** \$ \_\_\_\_\_  
(required if a copy is not available from  
previous owner)

**Home Inspection** \$350 – 550.00 \_\_\_\_\_

**CMHC Premiums** \$ \_\_\_\_\_  
applicable on high ratio financing but  
normally rolled into the mortgage and  
financed at your option

**APPROXIMATE CLOSING COSTS** \$ \_\_\_\_\_

It will be necessary to demonstrate the ability to pay 1.5% of the purchase price in potential closing costs, no later than 2 weeks prior to funding your mortgage. Deduct the property purchase tax amount if you are exempt.



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## PROPERTY PURCHASE TAX

Every time a property is bought, a land transfer tax is payable. The tax is based upon 1% of the first \$200,000 of the purchase price and 2% of the balance. The BC Government has allowed 1st time buyers to be exempt from paying this tax if they meet the following criteria:

- Purchasers must not have previously held title, and occupied a principal residence, at any time, anywhere in the world. Purchaser may hold title to a property and upon signing a self declaration, can be exempt from paying the property purchase tax, if they have never occupied the property to which they hold title.
- Purchasers must be Canadian Citizens or permanent residents of Canada at the time of transfer and must have been a permanent or landed immigrant/resident of British Columbia for at least one year prior to the application to the register of the purchase.
- Where two or more purchasers are involved, each eligible purchaser may claim the exemption on the percentage interest they are acquiring the property
- Up to and including a purchase price of \$425,000 within Greater Vancouver, Capital Regional District, Central Fraser Valley, Dewdney-Allouette and Fraser-Cheam Regional Districts. A partial exemption is available for purchases between \$425,000 and \$450,000.
- The amount borrowed must have a term of at least 1 year following the date of the transfer. Where the mortgage does not have a term of one year, or the mortgage is a demand mortgage which does not state the term on the face of the document, the purchaser must pay the transfer tax at the time of the purchase and then apply for the refund after one year.
- Purchasers must commence residing in the subject property 92 days after registration.



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## YOUR INSURANCE NEEDS

### HIGH RATIO MORTGAGE INSURANCE

When you have less than 20% down towards the purchase price, the bank requires default insurance which is based by sliding scale. This insurance is available from either Canada Mortgage and Housing Corp. or G.E. Capital. The premium is either absorbed and included in your mortgage payment, or you can opt to pay if outright at the time of funding your mortgage. This insurance **protects only the bank** in the event of defaulting on your mortgage causing the lender to enact foreclosure on the property.

### Personal Mortgage Insurance

In the event of a spouse/mortgagee's inability to contribute to the mortgage payment from either a death, disability or critical illness, and depending on the amount of coverage, this insurance will cover the mortgage payment or pay out the mortgage in full.

### Household contents Insurance

Contents insurance is optional and protects you from loss due to unforeseen circumstances such as robbery. Your premium will depend on the replacement value of the items you choose to insure. This insurance can be obtained at any time.

### Fire Insurance

The bank arranged to provide you with your mortgage will require that you take out fire insurance coverage before funding the mortgage, directing their institution to become "loss payee". This insurance will indemnify them in the event your property (and their security) is damaged or destroyed due to fire. If you are not already covered under umbrella insurance with the strata corporation, and you are financing a single detached home, this insurance is mandatory. For a nominal one time charge, the bank will provide this coverage.

### Title Insurance

When purchasing a detached home, the lender/bank usually requires a property survey which is a legal description of the lot, its boundaries and dimensions, in addition to the structure or home on the property. When a copy is not available from the seller, or city hall, this form of insurance will satisfy the lender in lieu of a property survey. Your lawyer arranges it for you.



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## **USING RENTAL INCOME: To Help You Get More Bank For Your Buck!!!**

For purchasers who desire a house, but are limited to the mortgage amount that they qualify for because of their income, we may have a solution for you so that you can buy your "dream home". By purchasing a property with a basement suite you may be able to qualify for a higher mortgage, and therefore you may be able to purchase that property that is outside your current "mortgage budget".

The suite does not necessarily have to be "legal", however it does have to be "conforming". This means that it must be a separate suite and self contained. It must also have it's own separate entrance. In order to use this rental income to help you qualify for a larger mortgage, the lender will want either a tenancy agreement showing rents to commence at the time of occupancy, or "economic rental profile" by means of an independent appraisal on the property.

### **Example:**

Purchase of a 500,000.00 house **WITHOUT** a "mortgage helper"

Mortgage with 20% down (100,000)	400,000.00
Monthly mortgage payment	2,526.00
<u>Income required to qualify</u>	<u>85,000.00/year</u>

Purchase of a 500,000.00 house **WITH** \$1,000/month rental suite "mortgage helper"

<u>Income required to qualify (<b>15,000 less income</b>)</u>	<u>70,000.00/year</u>
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**Question:** How much more can you borrow if you have a 70,000 income and 1,000/month rental income?

**Answer:** If the lender we place your mortgage with allows for a 75% rental off-set against the mortgage payment and you expect 1,000/month rental income, you could qualify for up to a 360,000 mortgage. Without rental income: 250,000.00 (110,000 more mortgage!)

\*\* Rental off-sets will vary with the bank's policies and is generally between 50 – 100% on a conventional mortgage basis.

\*\* Mortgage amounts may actually be higher if a longer than 25 year amortization is taken



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## **Less down payment to avoid High Ratio loan insurance! New Longer Amortizations – More Home, Lower Payments!**

In 2007, the banks have reconsidered the minimum down payment needed to avoid mortgage default insurance. Traditionally this was 25% down, however now, to avoid the insurance premium, you need only 20% down.

Some lenders have also introduced new longer amortizations. If you opt for this and you have 20% or more down payment, you might avoid any surcharge for this. However, if you are purchasing with less than 20% down, CMHC and the mortgage insurers do charge additional premiums for taking longer amortizations.

Available now you can choose between amortizations from 25 years to 30, 35 or 40 years. This can do several things... it can increase the amount of mortgage that you can potentially qualify for, and/or it can lower your payments. Not all banks offer the longer amortizations at this time.

These longer amortizations are a great way to get into the market, when it might be otherwise impossible, or to keep your payments at a minimum until you expect your household income(s) to increase.

- *Your costs of borrowing over the life of your mortgage can be considerably higher as a result so be sure to discuss with your broker the best strategy for your needs.*

*After reading my booklet I trust that I have helped to familiarize you with the process you are about to go through. It can be overwhelming and there are many options available >  
As you can see! You will be pleasantly surprised how I can make your home purchase and financing all come together to make it  
A great experience!*