



# HOME BUYER'S GUIDE

Cornwall, Ontario and SD&G

A black signpost stands in a green lawn. The top sign is white with the word "HOUSE" in black. Below it is a larger white sign with "FOR SALE" in large, bold, red letters. In the background, a white house with a blue sky and clouds is visible.

HOUSE  
FOR  
SALE

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# HOME BUYING GUIDE

## A GUIDE TO THE HOME BUYING PROCESS

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Welcome!

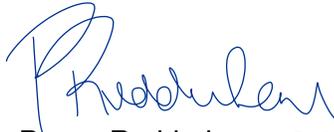
Most buyers who begin the process of looking for a home begin the journey filled with excitement and a bit of the jitters.

This is understandable when you consider that purchasing a home is one of the biggest financial decisions you will make during your lifetime.

Not only do we understand this, we believe that home ownership is something you can be proud of. We believe, it's an honour and privilege to ensure that the home buying process is the most pleasurable experience possible.

Whether this is your first home or your tenth, this guide is intended to help you navigate the home buying process.

Let's get started on the journey of getting you the home you want!



Penny Rudderham - Sales Representative, eXp Realty

# TOP 10 REASONS TO BUY A HOME

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1. **Quality of Life** - Home ownership is part of a better quality of life for most buyers. The quality of our living situation directly impacts how we feel.
2. **Spend Money to Make Money** - With you purchase the right type of real estate, home ownership and the potential for appreciation means that ultimately you have the opportunity to get a return on your investment.
3. **Equity** - One of the best things about owning a home is that you are building equity, which gives you more freedom financially as you can access a home equity loan. You may then borrow against the equity you have built in your home for a wide variety of reasons including home improvements, paying for school for your children, medical reasons, or even starting your own business. Check with your lender, as these vary from one to the next.
4. **It's The Canadian Dream** - Owning a home is THE Canadian Dream. We work with many first time home-buyers; and it truly is a dream come true for them.
5. **Community** - Owning a house gives you a feeling of belonging in that neighbourhood and gives you the sense of putting down roots and getting established. There are also many neighbourhood groups that you can become involved in, and if you have children it may be of benefit for schools and friends.
6. **Leverage** - At the current interest rates, you can put your money to work somewhere else. These days you can still purchase a home for as little as 5% down.
7. **Predictability** - Unlike rent, your fixed-rate mortgage payments don't rise over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will likely increase.
8. **Freedom** - You are free to do what you want in your own home, whether you want to paint the walls in pink and black zebra or put carpet on the ceiling (not recommended of course!) You have the freedom to express yourself and your personal tastes and change the house to suit your needs. You can hang as many pictures as you want and do renovations as you please. Just keep in mind that when you are ready to sell your home, not everyone may like what you do.
9. **Why rent when you can own?** The real cost of renting at \$850 per month with 2% rental increase per year (based on 2016 increase rates) means you will pay \$113,920.90 over 10 years. Just think, you could almost pay off a home for that amount!
10. **Because you get to work with us!**

# 5 Buying Tips

## WHEN PURCHASING A HOME

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*These 5 buying tips will save you time, money, and headaches.*

1. **Get Pre-Qualified** – before you can seriously consider purchasing a home, it's important to know exactly how much you can afford. This can be the scariest part of the buying process for some. It's perfectly natural to be nervous, but we can put you in touch with someone you can trust to help get you pre-qualified.
2. **Always Think Resale** – In Canada, due to the mobility of our economy, the length of ownership is about 5 to 7 years. This is important to keep in mind when looking for your next home. For instance, homes backing up to a busy street or railroad sell for less, and take longer to sell than other homes in the neighbourhood.
3. **Aesthetics Can Be Changed** – flooring, light fixtures, plumbing, paint colours and wallpaper can all be changed. Don't let the lime green wallpaper turn you off of your potential dream home. Think of how much fun it will be to make a home yours!
4. **Don't WAIT!** – too often, we have seen home buyers fall in love with a property, wait a few days to make a decision because they are nervous, and the home that they fell in love with SOLD! If you love the home, don't wait for someone else to live in YOUR home – be prepared to write an offer!
5. **Compare Sales** – to determine the best price to offer, or to know if the asking price is correct, look at the recent sales of similar homes, called "comparable sales." Comparable sales are recent sales of homes that compare closely to the one you are looking to purchase, usually sold in the past few months. Specifically, you want to compare prices of homes that are similar in square footage, garage spaces, number of bedrooms and baths, lot size, etc. Let us help you with a Buyer's Market Analysis.

# 12 Critical Questions

## TO ASK AN AGENT BEFORE YOU BUY

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Now that you have a background regarding the *Reasons to Buy a Home* and *5 Buying Tips*, the question is how will you be able to make sure that you not only find your dream home but that you ensure that the real estate agent you choose to represent you has the knowledge and expertise to help you with the biggest financial decision you will make in the next 5 years?

Unfortunately, many people choose a real estate professional based on the idea that all real estate agents are basically the same. They sign with the first agent to come along, only to realize too late that they should have "shopped around."

The following questions are designed to help you avoid that mistake by equipping you with what to look for when selecting an agent to represent you.

First, start by asking friends, acquaintances and/or family for the names of real estate agents they know. A personal referral is the absolute BEST manner in which to select your professional real estate agent. Once you have compiled a list of names referred to you based upon a great experience, use this guide to help you determine which agent is the best for YOU. We recommend interviewing at least 2-3 real estate agents.

Here are the questions you should ask each agent:

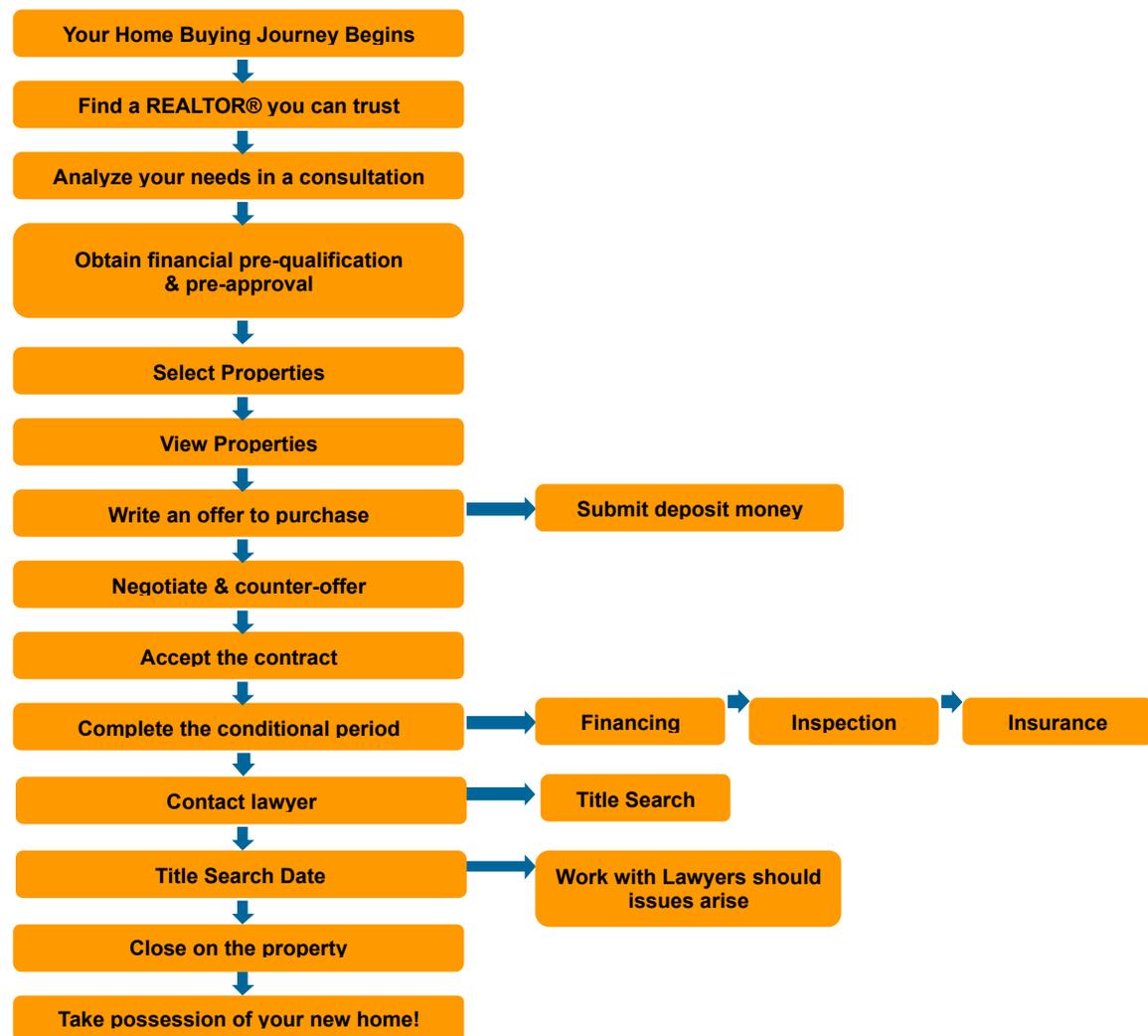
1. ***Can you send me some information about yourself?***  
Look for professionalism and consistency. What are their professional accomplishments?
2. ***How do you approach your work?***  
Look for a businessperson that has a strategy and a team to work with.
3. ***How many homes have you closed in the past year?***  
Look for an agent who is active in your area and at the top of their industry. Part-time agents are simply unable to keep up with the ever-changing demands of the market. A good rule of thumb is a minimum of 10-15 transactions. Why settle for less?
4. ***What is the dollar volume of homes you have sold in the last year?***  
Beware of agents who use their company status vs. their own.
5. ***How long have you been in business?***  
Longevity in the industry does not always mean success. However, look for an agent that has been in the business for a minimum of three years. The fall-out ratio for agents in the business less than 3 years is over 80%. While experience is important, accomplishments are more important. How many homes have they sold in the area you are looking?

## 12 Critical Questions to Ask an Agent Before You Buy (continued from previous page)

6. ***Do you have a personal assistant or other support staff working for you?***  
Most top agents employ (out of their own pocket) an assistant or staff. It is imperative that the agent has support in order to take care of the details of the transaction. How can your agent be actively showing homes to clients and working on the details of your closing at the same time? Things will fall through the cracks and that could cause critical problems for you.
7. ***What will you do keep me informed?***  
Do you want daily or weekly reports from your agent? Will the agent be able to meet these expectations? Determine how much communication you want, and then find an agent who will give you the attention and time you want and deserve.
8. ***Can you provide me with further resources I may need?***  
The best agents have built strong relationships with their “Teams” and can often get expedient service or be able to “cash in a favour” for you should a crunch or problem arise.
9. ***Can you give me some references from other clients you have worked with?***  
Don’t be afraid to ask for references. An agent who provides raving fan service and is proud of their work will be happy to provide references. Look at their ratings and reviews on sites like Google, Facebook and Yelp.
10. ***What is the best way for me to get in touch with you?***  
You should know exactly how to get through to your agent or assistant.
11. ***What awards or accolades have you received in the past couple of years?***  
Make sure that your agent is a professional, well regarded and at the top of the industry. They will be more knowledgeable and will be able to best represent your interests based on experience and reputation.
12. ***Are you a fiduciary? And how will you represent my best interests?***  
Absolutely do not hire someone that you don’t believe will represent YOUR best interests at all times. Have your agent give you examples of how they represent their client. Remember that finding the home is the easy part, true representation begins when you sign a contract and continues through negotiation and closing. Ask around for horror stories and you will find that they don’t involve the home search BUT after the contract was signed!

# Home Buying Process

## 10 Steps to Buying a Home



# Home Buying Process

## 10 Steps to Buying a Home

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1. Get pre-qualified with a lending specialist
2. Shop for your dream home with an accomplished real estate professional
3. Choose a top 2 list
4. Place an offer on #1
5. Be prepared for a counter offer
6. Sign and date the accepted agreement of purchase and sale
7. Begin the conditional period (typically financing, inspection(s), insurance)
8. Order inspections and negotiate repairs
9. Terminate or proceed with the agreement
10. After title search date and a call from your lawyer, go to closing to sign and own your new home

In addition to the 10 steps to buying a home you will need to consider the following up-front costs in order to determine if you have the appropriate cash reserves to get started:

- Deposit – typically 1% of sales price - the amount of the deposit money is negotiable and varies with the value of the property. It is also held in trust, typically by the Selling Brokerage and applied to your purchase price, on closing.
- Inspection fee(s) - In City; \$400 - \$650 Out of Town; \$400-\$900 (depending on if there is a septic system)
- Appraisal - \$325-\$425 \*If applicable

Now that you know the upfront costs, let's explore what you will need in order to determine your buying power and how to get pre-qualified for financing.

# The Pre-Qualification & Pre-Approval Processes

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Now that you know you want to buy a house, how do you know how much you can afford and if you can qualify for a loan? The way to get started is to go through the pre-qualification and pre-approval process with a lending specialist.

## Pre-Qualification versus Pre-Approval

1. Pre-Qualification is how much money a bank will lend you based on your income, assets, and debts. Pre-Qualification is typically done over the phone with a lending specialist. This is the first step to get started in the buying process. The lending specialist will do a minimal credit review over the phone which means discussing your credit background. When you begin the Pre-Approval process the lending specialist will actually check your credit but during Pre-Qualification they will simply gather basic information regarding your financial and credit situation.
2. Pre-Approval is a more formal process and includes completing a loan application online and providing documentation regarding income and assets. During the Pre-Approval process the lending specialist will ask for authorization to check credit in order to analyze debt ratios. Pre-Approval is typically done when you start looking for houses with a real estate agent or prior to writing an offer.

## What Factors Affect What I Can Afford?

There are three factors that affect how much you can afford when you decide you would like to buy a home.

1. The down payment - do you have enough liquid cash to make a down payment?
2. Your ability to qualify for a loan - as mentioned earlier this is determined during the Pre-Qualification & Pre-Approval Process
3. The associated closing costs on your home.

## How Much is My Down Payment?

Most loans today require a down payment between 5% to 20%. Keep in mind, if you are able to come up with 20-25% down you will eliminate mortgage insurance.

## The Pre-Qualification & Pre-Approval Processes (continued from previous page)

### How Much are Closing Costs?

You will be required to pay fees for acquiring the loan and other closing costs. These fees must be paid in full at the closing unless you are able to include them in your financing. Typically, closing costs will range between 1.5-3% of your mortgage loan and depending on if you are a first time homebuyer.

### What Does my Monthly Mortgage Payment Include?

Most lenders require that your monthly payment range between 32-40% of your gross monthly income. Your mortgage payment to the lender includes the following:

- The principal on the loan (**P**)
- The interest on the loan (**I**)
- Property taxes (**T**)
- Heating Costs (**H**)

This is what we call **PITH** and your total monthly PITI and all debt (from instalments to revolving charge accounts) should be no more than 32% of your gross monthly income. These key factors determine your ability to secure a home loan: Credit, Assets, Income and Debt Ratios.

Canada Mortgage and Housing Insurance has a great calculator to help you determine your debt ratio. [http://www.cmhc-schl.gc.ca/en/co/buho/hostst/hostst\\_002.cfm](http://www.cmhc-schl.gc.ca/en/co/buho/hostst/hostst_002.cfm)

# How Much Home

## You Can You Afford

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Use an online calculator, like Genworth Canada's [What Can I Afford Calculator](#) to figure out how much mortgage you can afford.

As an example, the average Canadian homeowner might consider a surprisingly modest mortgage: \$196,776, with monthly payments of \$1,003.

Your real-world affordability may be lower if you have above-average debt, significant household expenses (daycare is a huge one for many young families), or if you're self-employed and have unpredictable income.

Be honest about how much mortgage you can comfortably carry – an amount that leaves room for other expenses and potential lifestyle changes (i.e., children, education costs, caring for an aging parent, going back to school, buying another car and so on). Consider those factors to avoid overextending yourself on a barely affordable property.

Add your monthly insurance premium, heat and hydro expenses, rentals and your property tax to your principal and interest to determine your total monthly payment.

\*The above information is provided as a guide. We strongly recommend that you contact a lending specialist to determine exactly home much you can afford.

# Loan Application

## CHECKLIST

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Most lenders will have you go online to apply in order to gain pre-approval. Following is the information you need to provide during the loan application process (these documents are usually uploaded to the lending specialist through a secured link):

### General

- Non-expired Government ID and Social Insurance Number
- Name and complete address for past 2 years of residence

### Income

- Employment Letter on company letter head
- Copies of your most recent pay stubs
- Verification of other income (social security, child support, retirement).
- Copies of the previous year Notice of Assessment from Revenue Canada
- If you have rental property income: Copies of all signed lease agreements.

### Assets

- Copies of all bank statements from checking/savings accounts
- CD certificates and statements for retirement accounts
- Gift funds will need gift letter of proof of gift.

### Creditors

- Credit cards (current balances and monthly payments).
- Instalment loans (car, student, etc.).
- Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold). Bring proof of sale for properties sold..

### Other

- Bankruptcy – bring discharge and schedule of creditors.
- Consumer Proposal – bring letters of explanation.
- Divorce – bring your Separation Agreement, property settlements, etc.
- Retires – bring RRSP information and savings account information

# HASSLE-FREE

## LOAN PROCESS

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Our preferred lending specialist provides the following 4-step process:

### STEP 1 - Determine Buying Power

- Provide info regarding income, employment, money for down payment & current debts.
- Authorize Credit Check.
- Pre-Qualification letter issued.

### STEP 2 - Get Pre-Approved for Your Loan

- Complete online, phone or paper application.
- Return application.
- Provide income, asset & other supporting documents.

### STEP 3 - Apply for Your Loan

- Sign application. Application sent to underwriting.
- Conditional loan approval issued. Appraisal then ordered.
- Final approval issued. Closing Scheduled.

### STEP 4 - Close the Deal & Move-in

- Closing package prepared.
- HUD Settlement statement approved by you.
- Go to Closing, Sign Paperwork & Celebrate!

# 10 COMMANDMENTS

## WHEN APPLYING FOR A REAL ESTATE LOAN

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Last but not least, these are important rules to follow to ensure a smooth loan process.

1. Thou shalt not change jobs, become self-employed or quit your job.
2. Thou shalt not buy a car, truck or van (or you may be living in it)!
3. Thou shalt not use charge cards excessively or let your accounts fall behind.
4. Thou shalt not spend money you have set aside for closing.
5. Thou shalt not omit debts or liabilities from your loan application.
6. Thou shalt not buy furniture.
7. Thou shalt not originate any inquiries into your credit.
8. Thou shalt not make large deposits without first checking with your financial advisor.
9. Thou shalt not change bank accounts.
10. Thou shalt not co-sign a loan for anyone.

We hope you have found this guide valuable. When you are ready, give us a call!