

FIRST TIME HOME BUYERS

There's nothing more exciting than buying your first home.

For couples, it represents an important step toward building a life together. For others, it's the most enjoyable investment you'll ever make. But it can also be a little scary. So I have spent some time answering some of your most common questions. And I will spend even more time sitting with you, discussing your needs, explaining all the options, making you feel completely at home about the whole process.

Costs Involved in Purchasing a New Home

Please keep in mind that these costs are only estimates and may vary from province to province.

Purchase Price, this is the thirist thing to figure out. Try my mortgage calculator to give you an idea of what you make as a mortgage commitment.

1. Lawyer's Fees

- These may vary widely so shop around before deciding on a lawyer. Be prepared for the worst- case scenario. Make sure to ask your lawyer what that might be. I can refer you to legal services.

2. Land Transfer Tax

- This is a tax payable to the Provincial Government by the purchaser upon the transfer of title. Not all provinces have a Land Transfer Tax. Please check with your Realtor or Lawyer for your province's fees.

4. Registration Fee

- These are fees that are paid to the provincial government for recording the transfer of title, mortgage registration with the local authorities.

5. Mortgage Default Insurance

- This allows many people in Canada to purchase their first homes with less than 25% down payment. CMHC and GE charge a sliding scale of fees depending on the amount

of down payment being put towards the purchase. This fee can be paid up front or added to the mortgage.

6. Property Taxes

- At the time of the sale your lawyer will determine if the taxes have been paid up to date or in advance. If the seller has paid their property taxes in advance your lawyer will determine how much the buyer must compensate the seller. If they are not up to date the seller is required to pay them off the proceeds of the sale. If there are insufficient proceeds, the buyer may be forced to pay them.

7. Miscellaneous Municipal Levies

- There are some special levies that can be charged by municipalities to recover the cost of special services, if the money cannot be funded out of general revenues, or apply primarily to homebuyers. Some examples of these are road and sewer improvements.

8. Mortgage Appraisal Fees

- If the lender requests an appraisal of your property, it is your responsibility to cover the cost. The fees usually range between \$200 - \$300 unless your property is exceptional. If your mortgage is high ratio and insured by CMHC or GE then they will cover this cost for you. In some cases the new lender can pay this fee.

9. Home Inspection

- This is a very wise choice when buying a new property. It is a report that will state the condition of the property prior to firming up the deal. The majority of reports will indicate any problems and provide a cost to repair them. Qualifications for home inspectors may vary as well as the cost associated with this. Please verify their experience before making your selection, as a person does not have to be licensed to say they are a home inspector.

What Can I Use as a Down Payment?

The down payment can be the most difficult and challenging part of buying a new home. If you are having trouble raising money for a large down payment you can still qualify with as little as 5% down.

In this instance, your mortgage will have to be insured by CMHC (Canada Mortgage and Housing Corporation) or by GE Capital. If you have less than 25% to put down than your mortgage is considered to be high ratio. High ratio mortgages insured by CMHC or GE are charged a one time insurance premium of between 1.5% and 2.75% of the total mortgage amount, depending on the size of your down payment. This amount can be paid in full at the time or added to the total cost of your mortgage.

Home Buyer's Plan

You may be able to withdraw up to \$20,000 tax-free from your Registered Retirement Savings Plan (RRSP) under Canada Customs and Revenue Agency's Home Buyer's Plan to add to your down payment or to cover other purchasing costs. Your spouse or partner can do the same for a combined total of \$40,000. To avoid paying tax on your withdrawal, you must repay the funds to your RRSP within 15 years. You must meet the following conditions in order to qualify for this program:

1. You have to make your withdrawal request in the same year you wish to participate in the Home Buyer's Plan.
2. You have not participated or owned a home within the last 5 years.
3. You are a resident of Canada
4. You have to enter into a valid written agreement to purchase or build a qualifying home.