

Discover The Path To
Homeownership With Our
Incredible Step By Step

FREE Homebuyers Guide

Meticulously Crafted by Mortgage Experts



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Homebuyers Guide

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Congratulations!

Buying your home can be such a rewarding experience.

This guide has been created to help you through the steps of purchasing your home. Whether you are buying a condo, townhouse, house, fixer-upper or brand-new home, this guide will help you navigate the process.

It will explain who the participants are in the home buying process and what they do. It will also help you understand the mortgage approval process, and the costs involved in purchasing a home.

Use this guide to provide you with reliable answers to your questions. Your home buying team will be able to discuss any of the areas in more detail.

Again, congratulations on buying your home.

The Home Buying Process

Step 1: Pre-approval

When you first decide you want to purchase a home, it is wise to get a pre-approved mortgage. The pre-approval will tell you how much of a mortgage you qualify for, ensuring you are looking at homes in your price range. We can also reserve an interest rate for up to 120 days to protect you against changing interest rates.

Step 2: House Hunting

Once you know your price range, your realtor will begin researching the available properties and will show you homes that fit your criteria.

Step 3: Offer in and Accepted

Once you've found the home you are interested in, you will make an offer, subject to financing. Your offer may also have other subjects, such as subject to a satisfactory home inspection or subject to review of the strata minutes (if applicable). Once the offer is accepted, you will provide a copy of the purchase agreement to the mortgage broker.

Step 4: Lender, Insurer, Appraisal

Your mortgage broker will work with the lender, insurer, and appraiser to get you final approval on the financing. Your mortgage broker may ask you for further documentation at this time. You will want to collect the requested paperwork and submit it to your mortgage broker in a timely fashion.

Step 5: Firm Sale

Once you have met all your financing conditions, your mortgage broker will instruct you to remove the subject to financing. This is done with your realtor. You may remove other subjects at the same time, such as "subject to a satisfactory home inspection". Once all the conditions are off, you now have a "firm sale". You will give your deposit, and instructions from the lender will be sent to the lawyer's office shortly thereafter.

Step 6: Moving Details

The lawyer is now receiving and preparing mortgage documents. You will want to use this time to start preparing for the move.

Step 7: Lawyers

The lawyer will call you into sign, usually about 3-4 days prior to the completion date. The completion date is the day that the money is given to the sellers and the property is transferred to your name.

Step 8: Move In

Usually your possession date will be the day after the completion date. This is the day that you receive keys and can move into your new home.

Step 9: First Mortgage Payment

Unlike with rent, you pay your mortgage at the end of the month. (If the purchase of your home was completed on June 1, and you chose monthly payments, you will not have a mortgage payment until July 1. If you chose weekly payments, the payments would come out at the end of every week.) You will receive the details of the mortgage repayment from your mortgage lender.

Your Support Team

When you purchase your home, there are several key players who will help you along the process.

Your Realtor

Your Realtor is your partner in the home buying process.

Once your Realtor understands what type of home you are looking for, they will begin researching the market on your behalf. They will search all the available properties for sale and will show you the ones in your price range that meet your criteria. Once you have found the home you are interested in, your Realtor will prepare an offer and represent you in the negotiation process.

Generally, you do not pay a fee to the realtor who represents you when you are buying a home. The realtor is paid by the seller of the home. Realtors are licensed through provincial bodies and are knowledgeable about the markets they work in.

Your Mortgage Broker

Your mortgage broker is another key partner in the home buying process.

Your mortgage broker will take time to understand your financial needs and will research the market to find the best mortgage for you. Your mortgage broker will represent you to the lenders and will negotiate terms on your behalf.

Usually there are no fees to use a mortgage broker, as they are paid by the lenders.

Lender

Your mortgage broker will help you choose the lender that best suits your requirements. Most of your contact with the lender will be after your mortgage funds. You will receive contact information that you can use when you want to make any changes to your mortgage in the future.

Insurer

If you have less than 20% of the value of the property as a down payment, you will be required to have mortgage insurance. Mortgage insurance protects your lender against any losses incurred. Your mortgage broker and lender will arrange this insurance for you. The insurance companies in Canada are CMHC (Canadian Mortgage & Home Corporation), Genworth Financial, and Canada Guarantee. This insurance fee gets added to your mortgage, so it is not a cost on top of the down payment.

Appraiser

The appraiser's role is to provide the lender with a market value of the home. The market value is the price that the home would sell at with reasonable exposure on the market to a large number of buyers. Your mortgage broker will arrange the appraisal for you. If the mortgage is insured (less than 20% down), then the appraisal is ordered and paid for by the insurer. For an owner occupied property, it is becoming more common where a lender can use an electronic appraisal.

Home Inspector

A home inspector provides you with information on the construction of your new home. They will make you aware of any repairs that need to be done in the near future and will let you know what types of repairs you can expect in the next few years. Your Realtor can provide you with some names of quality home inspectors.

Lawyer

Your lawyer (or notary) will transfer the property to your name and will draw up and register mortgage documents. Your lawyer liaises with your lender and realtor to ensure they have all the required paperwork to process the purchase. Your mortgage broker or realtor can refer you to a lawyer (notary).

Documentation Required

In order to process your mortgage application, we will require documentation to support your mortgage application. Please note that there may be other conditions not listed here that we might require.

Proof of Income

Employees:

- A job letter
 - If you are salary; confirm your salary amount and length of employment
 - If you are paid hourly; confirm your pay per hour, number of hours guaranteed per week, and length of employment
- A current paystub
- Two years of T4's to show income trend and to account for bonuses and/or commission

Commissioned or self employed:

- Two years' financial statements
- Two years' Notice of Assessments* and 2 Years' T1 Generals

Down Payment Verification

- If your down payment is from savings in your bank account, provide three months of bank statements. The statements must state your account number and name.
- If your down payment is from investments (RSP, GIC, Stocks, Bonds), provide a 3 month history via a recent account statement (showing the original investment/purchase date).
- If your down payment is a gift, provide a copy of a gift letter (lender template will be provided) and proof that the gift has been deposited into your account.

Additional Documentation

- Offer to Purchase and MLS feature sheet for the new property
- Property Disclosure Statement, Form B and 2 years Annual General Meeting Minutes from Strata Corporation
- Void cheque where mortgage payment will be withdrawn
- Name of lawyer (notary) you will use for this transaction

*Notice of Assessment is the summary form Revenue Canada sends, after your income tax has been filed. It specifies what you claimed on your taxes last year. If you do not have a copy of your Notice of Assessment, you can call Revenue Canada at 1 800 959-8281 to obtain a copy.

Descriptions of Closing Costs

1. Legal Fees

A lawyer or notary will be necessary in the home buying process. Your lawyer will prepare the mortgage documents, have you sign the documents, and will transfer the property into your name. (Estimated Cost - \$1200 - \$1500)

2. Appraisal Fees

An accredited appraiser will look at your home and determine if the price you have offered is what the home is worth. They will compare recent sales of similar properties to determine the estimated value of your home. They will provide a report to your lender that confirms the value. (Estimated Cost - \$375 - \$600 plus tax)

3. Property Transfer Tax

The Property Transfer Tax (P.T.T.) is calculated as follows;

1% on the first \$200,000, 2% on any amount between \$200,000 and \$2,000,000, 3% on any amount between \$2,000,000 and \$3,000,000 and 5% on the remaining fair market value.

The P.T.T. on a home purchased for \$375,000 amounts to \$5,500.

This tax is waived for a first-time buyer who meets the following qualifications:

- You are buying your first home
- You are a Canadian Citizen or Permanent Resident
- You have been a British Columbia resident for 12 months or more
- Purchase price is no greater than **\$500,000** (Partial Exemption between \$500,000 - \$525,000)
- Buyer will occupy the property within 92 days of purchase
- Buyer will live in the residence for a minimum of 12 months

4. Property Tax Adjustment

You may have to pay some of your annual property taxes at the time of closing. This would be done when you sign at the lawyer's office. Because every situation is different, you are best to confirm with your lawyer what you will owe.

5. Interest Adjustment

If you have chosen monthly mortgage payments, and your payment comes out on the first day of the month, you may have an interest adjustment. If the purchase of the home closes on May 29, for example, you will have to pay for three days of interest on your mortgage. (May 29-31). If the purchase closes earlier in the month, you may have a larger interest adjustment. It is best to talk with your lawyer and mortgage broker to find out if there will be an interest adjustment, and what that amount will be. Not every lender has an interest adjustment as they may start the first payment based on the completion date.

6. Title Insurance

Title insurance is used instead of a property survey, and most of the time is a requirement of your lender. This insurance will be handled by your Notary/Lawyer and will be a part of the closing costs on your new purchase. The cost of title insurance depends on your purchase price. The Estimated Cost is \$250 for purchases under \$1,000,000, and increases from there.

7. Fire Insurance

Fire insurance ensures you have adequate coverage to pay off your mortgage in the case of fire. The lawyer will want proof that there is fire insurance in place when you go in to sign the papers at their office. The lawyer will get the policy information from your insurance agent. Ask your mortgage broker for a referral to an insurance agent if needed. If you are purchasing a condominium or townhome strata, fire insurance will be covered in the strata's insurance. Additional insurance should be purchased to cover you for your personal belongings and liability.

8. High Ratio Insurance Premium (Default Insurance)

When a borrower has less than 20% down payment on the purchase of their home, they must pay a mortgage insurance premium. The premium varies based on your down payment percentage, with premiums reducing if you can get to a 10 or 15% down payment. The premium gets added to the mortgage and will be incorporated into the mortgage payment. You do have the option of paying this amount up front.

9. Home Inspection

Many people choose to have home inspections, although most of the time it is optional. A home inspector will look through your home and provide you with their professional opinion on the construction of the home. They will advise of any maintenance needing done and will help you understand what you can expect for maintenance expenses in the next few years. (Estimated Cost \$450 - \$750)

10. Mortgage Broker / Lender Fees

Depending on your application you may have a lender/mortgage broker fee. This is a fee charged by the lender and/or mortgage broker at time of the closing. These fees are usually associated with Private or Alternative Lending Mortgages. These fees will be disclosed to you prior to you proceeding with a mortgage approval/commitment.

11. Survey

It is becoming less common for a lender to require a survey. Most financial institutions will accept Title Insurance in lieu. Surveys confirm where the home is sitting on the lot and make the lender aware of anything unusual about the property. You may be able to get an acceptable copy of the survey from the previous owners. Typical cost of a survey will be between \$500 - \$2000.

12. Utilities Connection Charges

Some utilities charge a move or connection fee. You will need to contact each utility provider to find out their charge.

Other Important Resources

First Time Homebuyers Plan – RRSP withdraw

This program allows you to withdraw up to \$35,000 of your RRSP's to use for your purchase down payment. 1/15th of the amount you withdraw will need to be repaid yearly.

Details and eligibility of the program can be found here:

<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/what-home-buyers-plan.html>

First Time Homebuyers: BC Property Transfer Tax Exemption

This exemption eliminates or reduces the property transfer tax payable at time of closing. If you have never owned before in the world, you may not have to pay the property transfer tax if you buy @ \$500,000 or lower. There is a partial exemption between \$500,000 and \$525,000. Any purchase price over \$525,000 will result in the full property transfer tax being payable. The property transfer tax is 1% on the first \$200,000 and 2% on the remaining purchase price.

Details and eligibility of the program can be found here:

<https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/exemptions/first-time-home-buyers>