

# home buyers guide.

## 1. Make an Affordability Budget

Buying a home is a huge investment, but the cost of the property is not the only expense you'll encounter.

- Map out all the expected (and unexpected) expenses when buying a home such as utilities, property taxes, insurance, and the "just in case" expenses.
- As a rule of thumb, have at least 1.5% of the purchase price saved aside for closing costs.
- Saving up that little more past the down payment amount will make your transition into your new home that much more stress-free and enjoyable!

## 2. Get Some Advice

You'll need to assess the strength of your credit score, the size of your down payment, whether Canada Mortgage and Housing Corporation (CMHC) or Genworth insurance is required, or if you can take advantage of the Home Buyers' Plan (HBP) or First Time Home Buyers Incentive (FTHBI), which can help make your dream of purchasing a first home more affordable.

- Review your monthly budget and know that sometimes what you qualify for and what you can comfortably afford with your lifestyle can sometimes be two different numbers.
- Book a free session with a personal banker. They can help you navigate the entire home buying process as well as help you build a savings plan for the next big dream.

## 3. Know Your True Mortgage Rate

Know what the true cost of your mortgage rate is. This includes payout penalties, porting, bona-fide sales clauses, and additional fine print that could have a significant long-term impact. Often locally owned credit unions have great rates and features that are among the best in the industry that are worth exploring.

## 4. Save for the Future

Saving doesn't stop once you've made your down payment.

- Factor your monthly savings needs into your budget.
- Cut unnecessary costs, look for low insurance rates, and make your money work harder for you by starting up an investment portfolio.
- Earn investment income tax-free through a Tax-Free Savings Account or explore how a Retirement Savings Plan can fit into your savings future. Your new home shouldn't stop you from saving for your next "big dream."

# Items to consider.

## Initial Deposit:

As part of the down payment, this is paid when you make an Offer to Purchase. Initial deposits are usually around \$5k - 10k for a \$350k home to assure the seller that you're serious.

## Down Payment:

Own your home with as little as a 5% down payment with mortgage loan insurance from CMHC/Genworth. Some smaller communities and acreages may need more than a 20% down payment- speak to your local credit union about your ideal property.

## Mortgage Loan Insurance Premium:

If you have a high-ratio mortgage (less than 20% down payment), you may need mortgage loan insurance. This premium can be added to your mortgage or paid in full upon closing. Visit [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca) for current insurance premiums.

## Appraisal Fee:

Your mortgage lender may require a property appraisal with a down payment of 20% or more. The appraisal is an estimate of the value of the home and can cost anywhere from \$300-500.

## Home Inspection Fee:

A home inspection is a highly recommended report on the condition of the home and may cost \$500+. The peace of mind alone is worth every penny.

## Prepaid Property Taxes:

If property taxes are prepaid by the previous owner, they must be paid back. See if your community offers Tax Instalment Pre-payment Plans (TIPPS). The TIPPS program allows you to pay your property taxes over a specified number of months instead of making one lump sum payment.

## Property Insurance:

The lender requires active property insurance by closing day as security for the mortgage. This insurance specifically covers the cost of replacing the structure of your home.

## Mortgage Life Insurance:

Special insurance coverage to cover the cost of discharging your mortgage in the event of death or severe illness. It may sometimes be a condition of your mortgage. Premiums will vary based on factors including mortgage amount, age of insured, etc.

## Legal Fees and Disbursements:

Must be paid upon closing and cost around \$1500, depending on the price of your property. Your lawyer or notary may bill you direct costs to check on the property's legal status. While Alberta does not levy a land transfer tax, there are nominal registration fees.

## Title Insurance:

Your lender or lawyer/notary may suggest title insurance to cover loss caused by any unknown defects of title to the property. Title Insurance premiums can range from \$350-\$400.

## Utilities:

If you don't have previous history with a utility or phone company, they may require a deposit to activate your account. This is credited later on providing your payments are up-to-date.

## Condo or Strata Fees:

If you are buying a townhouse, condominium, or gated community, you may be charged a monthly fee to cover the costs of common area maintenance.

## Interest Adjustment:

The interest adjustment date is calculated from the closing date to the date the first mortgage payment. Let's say you close on July 17, the interest adjustment date would be from July 17 to August 1, the day when your first full mortgage payment is due.

## Water Quality Inspection:

If you're moving to a property with well water, you need to know if it's potable by having it tested. These tests will cost around \$250.

## Maintenance:

It's recommended that you set aside between 3% and 5% of the value of your home for maintenance every year to save for a new furnace, roof or other upkeep fees.

## Moving Costs:

This cost is to cover the pizza for your helpful friends, and/or moving truck rental.

