



EXPERT

MORTGAGES (VICTORIA) LTD.

First Time Home Buyer Guide

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Congratulations!

Buying your first home can be such a rewarding experience.

This guide has been created to help you through the steps of purchasing your first home. Whether you are buying a condo, house, a fixer-upper or a 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 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 first home.



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Your Support Team

When you purchase your home, there are a number of 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 the 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. These are some circumstances where lender fees will apply.



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Lenders

Your mortgage broker will choose the lender that best suits your requirements. The majority of your contact with the lender will be after your mortgage funds. You will receive contact information 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. The only time you will need insurance when you put down more than 20% is when you have purchased a mobile home, even if it is on your own land it has to be insured. Mortgage insurance protects your lender against any losses that may be incurred. Mortgage insurance rates go up as you put less down and if you increase the amortization of the mortgage. Your mortgage broker and lender will arrange this insurance for you and it is included in the mortgage, so you do not have to come up with the money to cover this expense. The insurance companies are CMHC, Genworth and AIG.

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 house 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 your mortgage is insured then you are not required to have an appraisal done.

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.



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Lawyer

Your lawyer (or notary) will transfer the property into 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 sale. Your mortgage broker will refer you to a lawyer, since some lenders will only use certain lawyers.



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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. There is nothing worse than looking way above your price range and falling in love with a house, only to find out you can't afford it.

Step 2: House Hunting

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

Step 3: Putting an offer in and it gets accepted

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

Step 4: Lender, Insurer and 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 as this time. You will want to collect the requested paperwork and submit it to your mortgage broker in a timely fashion.



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Step 5: Firm Sale

Once you have met all your financing conditions, your mortgage broker will instruct you to remove the subject to financing clause on your offer to purchase. 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 have a 'firm sale'. Instructions from the lender will be sent to your lawyers office at that time.

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. See the moving checklist in the back of this book for some steps you may need to take.

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 the money is given to the sellers and the property is transferred into 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 1st and you choose monthly payments, you will not have a mortgage payment until July 1st. If you chose weekly payments, the payment would come out at the end of each week. You will receive the details of the mortgage repayment from your mortgage lender.



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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 may be required.

Proof of Income

Please supply the following:

Employees:

- A job letter
 - If you are salary, confirm your salary amount and length of employment
 - if you are paid hourly, your pay per hour, number of hours per week, and length of employment
- A current pay stub
- A T4 or Notice of Assessment (NOA is the summary form Revenue Canada sends after your income tax has been files. It specifies what you claimed on your taxes last year. If you do not have a copy of your NOA you can call Revenue Canada to obtain a copy.

Commissioned or Self Employed:

- Three years financial statements
- Three years Notice of Assessments

Down Payment Verification

- If your down payment is from savings in your bank account, please provide three months bank statements. The statements must state your account number and name.
- If your down payment is from investments (RRSP, GIC, Stock or Bonds) provide a copy of a recent account statement.



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- If your down payment is a gift, provide a copy of your bank statement showing the gift money going in and you need to fill out one of our gift letters. We will provide you will a letter to use.



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Cost Checklist

The following list outlines some of the costs you can expect when you buy your home. As these prices are only estimations, you will want to confirm with the service providers.

- | | |
|---------------------------------|---|
| 1. Legal Fees | <u>\$1000</u> |
| 2. Appraisals | <u>\$350</u> |
| 3. Property Purchase Tax | *waived if purchase price is less then 375,000 |
| 4. Property Tax Adjustment | *done at lawyers, as it differs |
| 5. Interest Adjustment | *done at lawyers, as it differs |
| 6. Title Insurance | <u>\$225</u> |
| 7. Fire Insurance | <u>\$600</u> approx |
| 8. High Ratio Insurance premium | *depends on mtg amount and loan to value |
| 9. Home Inspection | <u>\$400</u> |
| 10. Survey | <u>\$300</u> *don't need if get title insurance |
| 11. Utilities Connection Fee | *hydro, shaw, water & telus, contact for fees |



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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.

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.

3. Property Purchase Tax

First time home buyers are exempt to this on their first home purchase in their life. If the house is over the maximum price of \$375,000 then you have to pay property purchase tax no matter if you have a first time home buyer or not. It is 1% on the first \$200,000 and 2% on the remainder.

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 29th, 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 to find out what your interest adjustment will be.



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6. Title Insurance

Title insurance is sometimes used instead of a survey certificate and may be requested by your mortgage broker, lender or lawyer. Your mortgage broker, lender or lawyer will discuss title insurance with you if it is applicable for your transaction.

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. Ask your mortgage broker for a referral to an insurance agent who will be able to assist you.

8. High Ratio Insurance Premium

When a borrower has less than 20% down on the purchase of their home, they must pay a mortgage insurance premium. The premium varies and you should check with your mortgage lender as to the amount. Most people will add this premium on to their mortgage. 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.

10. Survey

Most financial institutions require surveys. 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 and save the survey fee.

11. Utilities Connection Charges

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



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Moving Checklist

- ✓ Phone company – Telus phone #250-310-2255
- ✓ Cable/Internet company – Shaw phone #250-475-5655
- ✓ Power company - BC Hydro phone #1-800-224-9376
- ✓ Gas company – Terasen Gas phone #1-877-877-0776
- ✓ Movers (local)– Bekins phone #250-544-2245
- ✓ Movers – 2 small men with big hearts phone #1-800-727-6255
- ✓ Canada Post – toll free#1-800-267-1177
- ✓ Home Insurance – GNK insurance phone #250-360-1168



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Suggested Websites

Our website

www.expertmortgages.ca

The three mortgage insurers

www.genworth.ca

www.cmhc.ca

www.aigug.ca

Insurance Agent (house)

www.gnkinsurance.ca

Don McCormick 360-1168

Investments

www.investorsgroup.com

Jason Heflin 727-9191

Life Insurance

www.investorsgroup.com

Barb Sutherland 388-4234

Realtor

www.karenlove.com

Karen Love 744-3301

Interior Designer/Kitchen & Bath remodels

www.kitchencraft.com

Amy McGeachy 475-1159

Lawyer

www.browneassociates.ca

Kelly Orr 598-1888

Carpet Cleaners

Dan Saunders 477-6867



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Mortgage Glossary

Agreement of Purchase and Sale

A written agreement between vendor and purchaser in which the purchaser agrees to buy certain real property and the vendor agrees to sell upon terms and conditions as set forth in that agreement.

Amortization

Term used to describe the time over which the mortgage is to be paid, assuming equal payments. The life of a loan, e.g. a mortgage with a 25 year amortization period means that if all regular payments were made on time and the terms (payment, interest rate) remained the same, it would take 25 years to reduce the balance to zero.

Amortization Schedule

A table showing the amounts of principal and interest comprising each level payment due at regular intervals and the outstanding principal balance of the loan after each level payment is made.

Appraiser

An appraiser determines the market value of a house based on its condition and the selling price of comparable houses recently sold in the area.

Assumption of Mortgage

The act of assuming liability for an existing mortgage on a property by the purchaser of that property. With builders' loans, the assumption is usually evidenced by written agreement.

Closing Dates

The date on which the sale becomes final, the new owner takes possession of the property and funds are transferred from the purchaser to the vendor.

Commitment

A letter/document issued by a lender reciting the basic terms of a loan which when accepted by the borrower forms a binding contract.

Conveyance

The transfer of an interest in a property from one person to another.



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Gross Debt Service Ratio or GDSR

The percentage of the borrower's income used for monthly payments of principal, interest, taxes, heating costs and condo/strata fees (if applicable).

Home Inspection

A visual inspection of the major components of a home, by a qualified individual, giving the homebuyer a true and unbiased picture of the home's condition.

Interest Adjustment Date

The date one month prior to commencement of amortization when accrued interest computed on the monies advanced becomes due.

Interest Rate

Interest Rate is the percentage charged on outstanding loan balance.

Interim Financing (Construction Financing)

Interim loans are used to provide construction financing until the permanent loan can be funded.

Maturity Date

The final day of the term of the mortgage.

Mortgage

Any charge on real property as security for a loan

Mortgagee

The lender.

Mortgage Insurance

Required if you are contributing between 0% to 20% of the value of the property as the down payment.

Mortgage Term

The length of time the interest rate is guaranteed for a mortgage. Mortgage terms normally range from 6 months to 5 years, but can be higher. After the term ends you can repay the balance of the principal owing or re-negotiate the mortgage at current rates.



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Mortgagor

Mortgagor is the borrower.

Pre-Authorized Debit (PAD)

Direct withdrawals of mortgage payments out of borrower's bank account.

Prepayment Clause

A clause inserted in a mortgage that gives the mortgagor the privilege of paying all or part of the mortgage debt in advance of the maturity date.

Prepayment Penalty

The sum of money (usually equal to an amount of interest, typically 3 months interest payment) a mortgagee may require from a mortgagor to repay all or part of any outstanding principal.

Prime Rate

The rate at which financial institutions lend to their best customers.

Second Mortgage

A mortgage placed on real property which is already encumbered with one mortgage. Determination of first, second and third mortgages are by priority or registration (time and date).

Survey

A property survey is a process by which land boundaries and areas are determined, defined and improvements may be plotted thereon. Surveys are also used for locating and identifying property lines, improvements on the land and easements on the land.

Surveyor's Certificate

A formal statement signed, certified and dated by a surveyor giving the pertinent facts about a particular property and any easements or encroachments affecting it.

Term

In a mortgage, term is the actual length of time for which the money is loaned.

Title

The means of evidence by which the owner of land has lawful ownership thereof.



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Title Insurance Policy

A contract by which the insurer, usually a title insurance company, agrees to apy the insured a specific amount for any loss caused by defects of title to real estate, wherein the insured has an interest as purchaser, mortgagee or otherwise.

Total Debt Service Ratio (TDSR)

The ratio of an amount equal to the annual mortgage charges and acceptable installment (loans and credit cards) account payments to an amount equal to the effective gross annual income of the borrower.



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Gift Letter

This letter is to confirm that _____ is making a gift of

\$ _____ to _____

For the purchase of the property located at:

The undersigned confirm

-that the gift is genuine and does not need to be repaid

-that no part of the gift is being supplied by a third party who has any interest in the sale of the subject party.

Gift given by:

Name(s) _____

Signature(s) _____

Address: _____

Telephone: _____

Date: _____

Gift Received by:

Name(s) _____

Signature(s) _____

Relationship to Gift Grantor

Date: _____



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Notes