

A young man and woman are smiling and pointing towards the camera. The man is wearing a light blue button-down shirt and has a set of keys hanging from his belt. The woman is wearing a patterned sleeveless top. They are standing in front of a light blue house with white trim and a yellow door. The scene is bright and sunny, suggesting a happy home-buying experience.

First Time Home Buyer

What you need to know about buying your first home in BC



A Message to You from Geoff Lee, President of GLM Mortgage Group | Dominion Lending Centres

Purchasing your first home is an exciting time. It can also be overwhelming. This eBook is designed to help guide you through the process of the financing of your first property. You can understand what you need to do and help explain some of the terminology you will hear and prepare you for some questions to ask.

Geoff Lee
geoff@GLMmortgage.com
604-259-1486

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First Thing To Do – Find a Mortgage Broker

- Find a mortgage broker to work with
 - They work for you and not the bank/lender
 - They have access to multiple lenders and not limited to a single product
 - They are an expert in their field focusing solely on mortgages
- Find out how much you are pre-approved for and determine what price point of home you can realistically afford

How Much Can I Afford

39%

Housing Costs

- A maximum of 39% of your total income can go towards your housing costs
- Includes your mortgage payment
- Includes your property tax payments
- Includes your heating costs
- Includes strata fees

44%

Total Debt Costs

- A maximum of 44% of your total income can go towards your housing costs AND total debt payments
- Includes all housing costs
- Includes all debt payments (credit cards, vehicle loans, student loans)

Percentages are based on current lending guidelines and are subject to change.

Quick Mortgage Number Facts

These numbers are approximations based on current interest rates/lending guidelines and are subject to change.

\$20,000

Annual Income

- Every \$20,000 of income will service a mortgage amount of \$100,000
- This is assuming you have no other debt

\$400

Monthly Vehicle Payment

- Every \$400 monthly payment you have in debt payments cancels out \$100,000 of mortgage money

\$14,000

Credit Card Debt

- Every \$14,000 you have in credit card debt will cancel out \$100,000 of mortgage money

\$100,000

Mortgage Amount

- For every \$100,000 mortgage amount your payment will be approximately \$425/month
- This is assuming a down payment of less than 20%
- For every \$10,000 that you increase your mortgage the payment increases by approximately \$42/month

Down Payment – How Much Do I Need

If you have less than 20% down payment your mortgage will be insured and have insurance premiums added to your mortgage.

Minimum Down Payment Amount

- 5% down payment is the minimum required if the property is worth \$500,000 or less
- 10% down payment is required for any amount over \$500,000
- Example – Purchase Price is \$600,000
 - 5% of \$500,000 \$25,000
 - 10% of \$100,000 \$10,000
 - **TOTAL DOWN PAYMENT** **\$35,000**

Insurance Premiums

Down Payment	Insurance Premium
5%	4-4.50%
5 – 10%	3.10%
10-15%	2.80%
15 – 20%	2.40%

RRSP HOME BUYERS PLAN

The Canadian government's Home Buyers' Plan (HBP) allows first time home buyers to borrow up to \$25,000 from your RRSP for a down payment, tax-free. If you're purchasing with someone who is also a first time homebuyer, you can both access \$25,000 from your RRSP for a combined total of \$50,000. However, since the HBP is considered a loan, it must be repaid within 15 years.

In order to be eligible as a first-time homebuyer you must meet the following criteria:

- RRSP funds you borrow must be in your account for at least 90 days prior to withdrawal
- You cannot have owned a home within the previous four years
- If you're buying with a spouse (or common law partner) who is not a first time homebuyer, you cannot have lived in a house they owned for 4 years
- You have entered into a written agreement to buy or build a qualifying home
- You must intend to live in the home within one year of purchase as your primary residence
- If you have used the Home Buyers' Plan before, you cannot have any outstanding balance due
- You must make the withdrawal from your RRSP within 30 days of taking title of the home
- You must be a Canadian resident



Closing Costs

In addition to your down payment how much funds will you need

- Legal Costs \$1,000
- Title Insurance \$200
- Appraisal (if more than 20% down payment) \$350
- Property Transfer Tax pending on purchase price



Property Transfer Tax

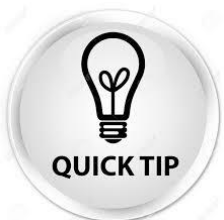
Property Transfer Tax (sometimes called PPT) is a sales **tax** charged by the **BC** Government on all **transfers** of real estate in **BC**.

Property Transfer Tax Rates

- 1% on the first \$200,000
- 2% on the portion of the fair market value greater than \$200,000 and up to and including \$2,000,000,
- 3% on the portion of the fair market value greater than \$2,000,000, and
- If the property is residential, a further 2% on the portion of the fair market value greater than \$3,000,000

First Time Home Buyer – exempt from PPT

- Must be a Canadian citizen or permanent residence
- Have never owned an interest in a principal residence anywhere in the world at any time
- Property must be located in BC
- Property must be used as your principal residence
- Property must have a fair market value of \$500,000 or less



TIP: If you are purchasing a property with your spouse and you are both first time home buyers have one of you as the guarantor. This means that they will not be on title of the property and therefore they have legally not owned an interest in a principal residence. This will preserve their first time home buyers status for the Property Transfer Tax. Pending on the purchase price of your next purchase this can potentially save you thousands of dollars in Property Transfer Tax.

What Documents Will I Be Required to Provide



This will vary pending on your employment situation and where your down payment is coming from. Below is a list of the documents that you can expect to provide

- Most recent paystub
- Letter of employment
- NOA's (2 years)
- T4's (2 years)
- Down Payment verification – up to 3 months of bank statements
- Contract of Purchase & Sale (realtor will provide)
- Property Disclosure Statement (realtor will provide)
- If you are self employed be prepared to provide
 - T1 Generals
 - Articles of Incorporation
 - Financial Statements

Items to Discuss & Understand With Your Mortgage Broker



Amortization & Length of Term

- Amortization is the length of time that your entire mortgage will be paid in full. If you have an insured mortgage (less than 20% down payment) the maximum amortization you can have is 25 years.
- The length of the term (generally 1-5 years) is how long the term is and you have your interest rate for. At the end of the term your mortgage will come up for renewal.



Payment & Pre Payment Options

- You will want to have a conversation about choosing monthly, bi weekly, weekly or accelerated payments with your Mortgage Broker.
 - Make sure you find out what the pre payment options on your mortgage are. Typically they are 15-20% per year.
- 12 Find out how frequently you can make pre payments. Some lenders will only allow it on the mortgage anniversary date or once per year. Other lenders will allow you to do it once per month.



Fixed or Variable Rate

- A fixed rate will not fluctuate throughout the term of your mortgage.
- A variable rate will fluctuate as the Prime Lending Rate changes.
- This is a conversation you should have with your Mortgage Broker as there are several factors to consider and they can help determine the best option for you.



Penalty to Break Your Mortgage

- 7 out of 10 people will break their mortgage before it come up for renewal.
- 60% of mortgages will be paid out or restructured within 3 years.
- When you break your mortgage early (before the term is up) you will have to pay a penalty to the lender.
- Not all lenders calculate this penalty the same way. ENSURE you have a conversation with your Mortgage Broker about the details regarding the penalty if you need to break it early.

Credit Score – Does it Impact Getting a Mortgage

Your credit score will impact whether you can qualify for a mortgage and potentially what rate and terms a lender will offer you.

What Impacts My Credit Score

- If you have late payments reporting on your credit bureau this will lower your credit score
- If you have collections, judgements, consumer proposals or bankruptcy reporting on your credit bureau this will lower your credit score
- If you have exceeded the limit on a credit card this will lower your credit score. Ideally you should aim to be at 70% of your limit
- Lenders like to see a minimum of 2 active and current trade lines (loans/credit cards)
- The longer you have a trade line it will increase your score. Tip – don't cancel that credit card you have had forever
- Lenders like to see a minimum of \$2,000 limit on your credit cards

Credit Scores

Score	Details
300-559	Poor
560 - 659	Fair
660 - 724	Good
725 - 759	Very Good
760 - 900	Excellent
600	Minimum score to have an insured mortgage

I've Been Pre-Approved – Now What



House Hunting

- If you haven't already now is the time to get a realtor
- Start looking at houses and find the perfect place for you
- Ensure that you get input from your Mortgage Broker and ensure you have enough time with your subject removal dates

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Accepted Offer

- As soon as you have an accepted offer notify your Mortgage Broker



Mortgage Process

- Your Mortgage Broker will submit your file to a lender
- A lender will issue you a conditional commitment outlining the terms they will offer you
- Your Mortgage Broker will communicate and walk you through this whole process
- Updating and collection of documents at lenders request
- There will be documents to sign with the Mortgage Broker
- You will have an appointment with a solicitor to sign mortgage documents



Move In

- Your mortgage is fully approved
- You have signed all the documents
- It is possession date and time to move in
- Congratulations!



In Conclusion

- Always work with a Mortgage Broker
- Make sure you take the time to get pre-approved
- Make sure you understand what you can afford
- Make sure you know the costs you will need to have to close



We Would Love to Help You Purchase Your First Property

GLM Mortgage Group

Email:

info@GLMmortgage.com

Phone:

604-259-1486

Website:

www.GLMmortgage.com