

Is Homeownership Right for You?

Do you enjoy moving often?

Do you prefer using your savings for such things as vacations, retirement or starting your own business?

Do you enjoy not having to worry about regular maintenance and repairs?

If you answered yes to any of these questions, you may not be ready to own a home yet. While you probably have a lot of good reasons for wanting to buy a home, you also have to consider your reasons for not wanting to.

Remember that buying a home is one of the biggest emotional and financial decisions you'll ever make, so prepare yourself to make a knowledgeable decision.

Although buying a home almost always seems like a great idea, it is important to understand what homeownership involves. Of course, being a homeowner is something to be proud of but it also means having to invest money, time and energy and take on added responsibilities. So, before you decide to buy a home, make sure you're ready.

When most of us consider becoming homeowners, we immediately think of how wonderful it will be. It is true that there are a lot of good reasons for wanting to buy a home. Here are some of the **main advantages** of owning a home:

- **Financial Security.** If housing prices rise, your home can provide you with some financial security due to capital appreciation.
- **Flexibility.** You can decorate or renovate your home to meet your own family's personal tastes and needs.
- **Stability.** Having a place of your own.
- Although it is nice to think about the positive aspects of owning a home, it is important to consider the downsides as well. Here are some of the **main disadvantages** of owning a home:
 - **Financial Stress.** Coming up with the **down payment**, meeting regular mortgage payments and other ongoing costs will tie up a lot of your cash, and can put considerable stress on your finances.
 - **Maintenance.** Keeping your home in good shape requires time and money.
 - **Higher Costs.** You may pay more each month for housing than you did as a renter. There are also extra costs for maintenance and **property taxes**.
 - **More Responsibility.** You alone are responsible for payments, repairs and maintenance.

Down payment: The portion of the home price that is not financed by the mortgage loan. The buyer must pay the down payment from his/her own funds or other eligible sources before securing a mortgage. It generally ranges from 5% to 20% of the purchase price but can be more.

Mortgage payment: A regularly scheduled payment that is often blended to include both principal and interest.

Property taxes: Taxes charged by the municipality where the home is located based on the value of the home.

Now that you have an idea of what to expect, the worksheet below will help you determine if homeownership is right for you.

Advantages of Renting	Disadvantages of Renting
Advantages of Buying	Disadvantages of Buying

If you answer YES to the questions below, check the column to the right of the question.		YES
1	Based on your answers above, does buying a home seem to have the most compelling advantages for you?	<input type="checkbox"/>
2	Are you fairly certain you will not move to another community in the near future?	<input type="checkbox"/>
3	Do you want to stay in the community where you are currently living?	<input type="checkbox"/>
4	Do you expect your income to remain the same or increase in the future?	<input type="checkbox"/>
5	Can you handle the financial responsibility of a mortgage?	<input type="checkbox"/>
6	Do you want to take care of the repairs and improvements on a home?	<input type="checkbox"/>
7	Based on this analysis, do you think buying a home is the best choice for you?	<input type="checkbox"/>

Are you Financially Ready?

So, you've decided that homeownership is right for you. Now you need to determine if you are financially ready to buy a house.

In this Step, you will find a number of simple calculations that you can do to evaluate your current financial situation, how much house you can afford and the maximum home price that you should be considering.

Once you understand these variables, you can make the best choice for you and even save money.

Test Yourself

To avoid any future surprises, you can do some financial exercises to see where you stand. They include: calculating your net worth, your current monthly expenses and your current monthly debt payments.

Knowing your **net worth** is important because you will need this information when you discuss a [mortgage](#) with your lender. Your net worth is the amount left over once you've subtracted your total liabilities from your total assets. It will also give you a snapshot of your current financial situation and show you how much you can afford to put as a **down payment**.



Calculate your [Net Worth](#)

Next, use the tables below to determine your current expenses and debt payments. This will help you see what your actual monthly obligations are and what kind of **mortgage payment** you can comfortably fit into your budget.



Calculate your [Current Household Budget](#)



Monthly Debt Payments

Net worth: Your financial worth, calculated by subtracting your total liabilities from your total assets.

Mortgage: A mortgage is a security for a loan on the property you own. It is repaid in regular mortgage payments, which are usually blended payments. This means that the payment includes the principal (amount borrowed) plus the interest (the charge for borrowing money). The payment may also include a portion of the property taxes.

How Much Can You Afford?

Now that you have a clear picture of your current financial situation, it's time to find out what you can afford in monthly housing costs. Lenders follow two simple affordability rules to determine how much you can pay.

The **first affordability rule** is that your monthly housing costs shouldn't be more than 32% of your gross household monthly income. Housing costs include monthly mortgage principal and interest, taxes and heating expenses — known as P.I.T.H. for short. If applicable, this sum also includes half of monthly condominium fees and the entire annual site lease (in the case of leasehold tenure).

Principal: The amount that you borrow for a loan. Each monthly mortgage payment consists of a portion of the principal that must be repaid plus the interest that the lender is charging you on the outstanding loan balance. During the early years of your mortgage, the interest portion is usually larger than the principal portion.

Lenders add up these housing costs to determine what percentage they are of your gross monthly income. This figure is known as your Gross Debt Service (GDS) ratio. Remember, it must be 32% or less.

The **second affordability rule** is that your entire monthly debt load shouldn't be more than 40% of your gross monthly income. This includes housing costs and other debts, such as car loans and credit card payments. Lenders add up these debts to determine what percentage they are of your gross household monthly income. This figure is your Total Debt Service (TDS) ratio.

Use the table below to calculate your TDS ratio and to determine the monthly housing costs you can afford after making other monthly debt payments

Use the table below to calculate your GDS ratio.

Your Maximum Home Price

The maximum home price that you can afford depends on a number of factors but the most important are your gross household income, your down payment and the mortgage interest rate.

This table gives you an idea of the maximum home price you can afford.

Income, Home Price and Down Payment Guide

Household Income	5% Down Payment	Maximum Home Price	10% Down Payment	Maximum Home Price	25% Down Payment	Maximum Home Price
\$25,000	\$3,000	\$60,000	\$6,300	\$63,000	\$18,900	\$75,600
\$30,000	\$3,900	\$78,000	\$8,200	\$82,000	\$24,700	\$98,800
\$35,000	\$4,800	\$96,000	\$10,100	\$101,000	\$30,300	\$121,200
\$40,000	\$5,700	\$114,000	\$12,000	\$120,000	\$36,000	\$144,000
\$45,000	\$6,600	\$132,000	\$13,900	\$139,000	\$41,700	\$166,800
\$50,000	\$7,500	\$150,000	\$15,800	\$158,000	\$47,400	\$189,600
\$60,000	\$9,300	\$186,000	\$19,600	\$196,000	\$58,800	\$235,200
\$70,000	\$11,050	\$221,000	\$23,400	\$234,000	\$70,100	\$280,400
\$80,000	\$12,500	\$250,000	\$27,200	\$272,000	\$81,500	\$326,000
\$90,000	\$14,400	\$288,000	\$31,000	\$310,000	\$92,800	\$371,200
\$100,000	\$16,275	\$325,500	\$34,800	\$348,000	\$104,300	\$417,200

Figures are rounded to the nearest \$100.

This table assumes a mortgage interest rate of 8%, average tax and heating costs in Canada, and the mortgage an average Canadian would qualify for based on a 32% debt service ratio.

For most people the hardest part of buying a home – especially the first one – is saving the necessary **down payment**. Many people will not have 20% of the purchase price to put down. With **mortgage loan insurance**, you can purchase a home with little or no down payment. Mortgage loan insurance protects the lender and, by law, most Canadian lending institutions require it. The way it works is if the borrower defaults (fails to pay) on the mortgage, the lender is paid back by the insurer. The cost for this type of insurance is in the form of a premium and can be paid in a single lump sum or it can be added to your mortgage and included in your monthly payments.

CMHC enables lenders to offer financing of up to 100% of a home's value to homebuyers who have not yet saved up a down payment and have a proven track record of managing their debt.

For homebuyers who have saved up a down payment, most mortgage loan insurance products require homebuyers to provide the down payment from their own resources, such as savings and RRSPs. Gift down payments from immediate relatives are also acceptable.

For down payments of 10% or less, CMHC enables lenders to offer homebuyers the flexibility to use additional sources of down payment such as borrowed funds or lender incentives.

Financing Required	Premium % of Loan Amount
Up to and including 65%	0.50

Up to and including 75%	0.65
Up to and including 80%	1.00
Up to and including 85%	1.75
Up to and including 90%	2.00
Up to and including 95%	2.75
Traditional Down Payment	2.90
Flex Down	2.90
Up to and including 97%	2.90
Traditional Down Payment	3.00
Non-Traditional Down Payment	3.00
Up to and including 100%	3.10
Extended Amortization Surcharges	
Greater than 25 years, up to and including 30 years	0.20
Greater than 30 years, up to and including 35 years	0.40
Greater than 35 years, up to and including 40 years	0.60
*Premiums in Ontario and Quebec are subject to provincial sales tax — the sales tax cannot be added to the loan amount.	

Get a Mortgage Pre-Approval

Once you've made the necessary calculations and feel that you are ready to obtain a mortgage, it's a good idea to select a lender to get pre-approved. This means that the lender will look at your finances to establish the amount of mortgage you can afford. At that time, the lender will give you a written confirmation or certificate for a fixed interest rate good for a specific period of time.

Some buyers may not wish to pursue a mortgage pre-approval until they have found the home they want to buy. However, the idea of having a pre-approved mortgage amount makes the search for your new home much easier and less time-consuming because you have a good price range in mind.

Some of the things you will need to have with you the first time you meet with a lender are:

- Your personal information, including identification such as your driver's license

- Details on your job, including confirmation of salary in the form of a letter from your employer

- Your sources of income

- Information and details on all bank accounts, loans and other debts

- Proof of financial assets

- Source and amount of down payment and deposit

- Proof of source of funds for the closing costs (these are usually between 1.5% and 4% of the

Amortization: The period of time required to reduce the mortgage debt to zero when all regular blended payments are made on time and provided the terms (payment and interest rate) remain the same.

Mortgage payment: A regularly scheduled payment that is often blended to include both principal and interest.

Interest: The cost of borrowing money. Interest is usually paid to the lender in regular payments along with the repayment of the principal (loan amount).

urchase price)

Will You Have Trouble Qualifying for a Mortgage?

Your calculations may show that you will have trouble meeting monthly debt payment and that you will likely have trouble getting approved for a mortgage. Here are some things you can do:

- Pay off some loans first
- Save for a larger down payment
- Revise your target house price

Other Helpful Strategies

Meet with a credit counselor who can help you minimize your debts.

Buy your home through a rent-to-own program provided by the builder, a non-profit sponsor or a government sponsor.

Find out about programs through which you can help build your own home.

Ask the housing department of your municipality about any special programs available.

The Importance of Your Credit Rating

Before approving you for a mortgage, lenders will want to see how well you have paid your debts and bills in the past. To do this, they simply get a copy of your credit history (**credit report**) from a credit bureau. This provides them with information on your financial past and use of credit. Before your lender sees your credit history, you should get a copy for yourself to make sure the information is complete and accurate. Simply contact one of the two main credit-reporting agencies (Equifax Canada Inc. or TransUnion of Canada) to get a copy of your credit report. There is often a fee for this service.

Lack of Credit History

If you have no credit history, it is important to start building one by, for example, applying for a standard credit card with good interest rates and terms, making small purchases and paying them as soon as the bill comes in.

Credit report: The main report a lender uses to determine your credit worthiness. It includes information about your ability to handle your debt obligations and your current outstanding obligations.

Fixing a Credit Record

If you have bad credit, lenders might not want to give you a mortgage loan until you can re-establish a good credit history by making debt payments regularly and on time. Most unfavourable credit information, including bankruptcy, is dropped from your credit file after seven years. If you have bad credit, you may want to consider credit counselling.

Despite your poor credit history, you might still be able to get a mortgage loan if you have a relative such as a family member willing to be a guarantor or co-signer on the loan. This person must meet the lender's borrowing criteria, including good credit history, and is legally obligated to make the mortgage payments if you do not.

Related Information

- [Mortgage Calculator](#)
- [Energy-efficient Mortgage Loan Insurance Premium Refund](#)

How Much will it Really Cost?

Once you have figured out the home price range you can afford and the type of mortgage you qualify for, you will need to calculate all of the associated costs of the transaction to make sure you are financially ready.

Up-Front Costs

You will need to plan ahead to cover the many up-front costs of buying a home. Timing is important to help make sure things go smoothly.

- **Mortgage Loan Insurance Premium.** If yours is a high-ratio mortgage (less than 20% down payment), your lender may need mortgage loan insurance. Your lender may add the mortgage insurance premium to your mortgage or ask you to pay it in full upon closing. ([Refer to Step 2 for details](#))
- **Appraisal Fee.** Your mortgage lender may require that the property be appraised at your expense. An appraisal is an estimate of the value of the home. The cost is usually **between \$250 and \$350** and must be paid when you contract for those services. ([Refer to Step 5 for details.](#))
- **Deposit.** This is part of your down payment and must be paid when you make an Offer to Purchase. The cost varies depending on the area, but it may be **up to 5% of the purchase price**. If you wish to make a down payment of 5% and you give a deposit of 5%, then your down payment is considered to be made.
- **Down Payment.** With mortgage loan insurance from CMHC you can own your home with little or no down payment. At least 20% of the purchase price is usually required for a **conventional mortgage**.
- **Estoppel Certificate Fee (not applicable in Quebec).** This applies if you are buying a condominium or strata unit and could cost **up to \$100**.
- **Home Inspection Fee.** Remember that this may be a condition of your Offer to Purchase. A home inspection is a report on the condition of the home and generally ranges around **\$500**, depending on the complexities of the inspection. For example, it may be more costly to inspect a home that has large square footage, one that is expensive or one where contaminants such as pyrite, radon gas or urea-formaldehyde are suspected. ([Refer to Step 5 for details.](#))
- **Land Registration Fees (sometimes called a Land Transfer Tax, Deed Registration Fee, Tariff or Property Purchases Tax).** You may have to pay this provincial or municipal charge upon closing in some provinces. The cost is a percentage of the property's purchase price and may vary. Check with your lawyer/notary to see what the current rates are.
- **Prepaid Property Taxes and/or Utility Bills.** To reimburse the vendor for pre-paid costs such as property taxes, filling the oil tank, etc.
- **Property Insurance.** The mortgage lender requires this because the home is security for the mortgage. This insurance covers the cost of replacing the structure of your home and its contents. Property insurance must be in place on closing day. ([Refer to Step 5 for details.](#))
- **Survey or Certificate of Location Cost.** The mortgage lender may ask for an up-to-date survey or certificate of location prior to finalizing the mortgage loan. If the seller does not have one or does not agree to get one, you will have to pay for it yourself. It can cost in the **\$1,000 to \$2,000** range.
- **Water Quality Inspection.** If the home has a well, you will want to have the quality of the water tested to ensure that the water supply is adequate and the water is potable. You can negotiate these costs with the vendor and list them in your Offer to Purchase.
- **Legal Fees and Disbursements.** Must be paid upon closing and cost a minimum of **\$500 (plus GST/HST)**. Your lawyer/notary will also bill you direct costs to check on the legal status of your property. ([Refer to Step 5 for details.](#))
- **Title Insurance.** Your lender or lawyer/notary may suggest title insurance to cover loss caused by defects of title to the property.

If you feel you cannot cover all of the up-front costs, you can ask your lender for a loan. Remember that payment for this loan amount, based on a 12-month repayment period, will have to be included in your [Total Debt Service ratio calculation](#).

Other Costs

Besides up-front costs, there are other expenses to consider:

1. **Appliances.** Check to see what comes with the house, if anything.
2. **Gardening equipment.**
3. **Snow-clearing equipment.**
4. **Window treatments.** Check to see what comes with the house.
5. **Decorating materials.** Paint, wallpaper, flooring and tools for redecorating.
6. **Hand tools.** You will need some basic hand tools for your new home.
7. **Dehumidifier.** May be required to control moisture levels, especially in older homes.
8. **Moving Expenses.**
9. **Renovations or Repairs.**
10. **Service Hook-Up Fees.** Charged for utilities. You may be required to pay a deposit for utilities such as telephone and heating services.
11. **Condominium Fees.** You may have to make the initial payment for these monthly fees.





Use the [Home Purchase Cost Estimate](#) table to estimate your homebuying costs.

What Should You Buy?

Your Current and Future Needs

Before you start searching for a home, you need to think about your needs both now and in the future. Here are some things to consider:

- **Size requirements.** Do you need several bedrooms, more than one bathroom, space for a home office, a two-car garage?
- **Special features.** Do you want air conditioning, storage or hobby space, a fireplace, a swimming pool? Do you have family members with special needs?
- **Lifestyles and stages.** Do you plan to have children? Do you have teenagers who will be moving away soon? Are you close to retirement?

Try to buy a home that meets most of your needs for the next 5 to 10 years, or find a home that can grow and change with your needs. Use the  [Home Features Checklist](#) to see what you want, need and may potentially need in the future. Use the  [Home Hunting Comparison Worksheet](#) to note and compare features of up to 3 different homes to help you decide on the right home for you.

Choosing a Location That Is Right for You

Even if the home you choose has everything you need, the location might not be appropriate. When deciding where to live, you should take the following things into consideration:

- Whether you want to live in a city, a town or even in an out-of-town location
- Where you work and how easy it is to commute
- Where your children will attend school and how they will get there
- Whether you need a safe walking area or recreational facilities such as a park nearby
- How close you would like to be to family and friends

Ask for CMHC's free publication called [Your Next Move: Choosing a Neighbourhood with Sustainable Features](#). Simply visit www.cmhc.ca or call 1-800-668-2642.

New Home, Previously Owned or Build Your Own?

When thinking about the kind of home you want, the first thing you should consider is whether you want a previously owned home (often called a resale) or a new home. Here are some characteristics that may help you decide:

Diane and Wayne's dream home was a home with four bedrooms, a large family room, a big yard and situated in a preferred location. When they did their calculations, they realized that they couldn't balance that home and that location with their budget. Instead of putting aside their dream, they continued to look and they found a smaller house they could afford in a nice neighbourhood. After all, those extra rooms could come later!

New Home

- **Personalized choices.** You may be able to upgrade or choose certain items such as siding, flooring, cabinets, plumbing and electrical fixtures.
- **Up-to-date with the latest codes/standards.** The latest building codes, electrical and energy-efficiency standards will be applied.
- **Maintenance costs.** Lower maintenance costs because everything is new and many items are covered by a warranty.
- **Builder warranty.** A homebuilder's warranty is usually available in all provinces (except Nunavut and the Northwest Territories). This can be important if a major system such as plumbing or heating breaks down. This warranty does not apply if you build the home yourself.
- **Neighbourhood amenities** like schools, shopping malls and other services may not be complete for years.
- **Taxes** such as the Goods and Services Tax (GST) (or, in certain provinces, the Harmonized Sales Tax (HST)) will apply. However, you may qualify for a rebate of part of the GST or HST on homes that cost less than \$450,000. For more information about the GST New Housing Rebate program, visit the Canada Revenue Agency website at, <http://www.cra-arc.gc.ca>.
- **Extra costs.** You may have to pay extra if you want to add a fireplace, plant trees and sod, or pave your driveway. Make sure you know exactly what's included in the price of your home.

Resale Home

- **Easy access to services.** Probably established in a neighbourhood with schools, shopping malls and other services.
- **Landscaping is usually done and fencing installed.** Previously owned homes may have extras like fireplaces or finished basements or swimming pools.

- **No GST/HST.** You don't have to pay the GST/HST unless the house has been renovated substantially, and then the taxes are applied as if it were a new house.
- **Possible redecorating and renovations.** You may need to redecorate, renovate or do major repairs such as replacing the roof, windows and doors.

Building Your Own Home

Some people prefer the challenge and flexibility of building their own home. On one hand you can get exactly what you want in terms of size, design, location, quality of material, level of energy-efficiency, etc. However, you should expect to invest lots of time and energy.

Deciding on the Type of Home to Buy

There are many types of homes to choose from and each has its advantages and disadvantages. Think about your needs before making a decision. Don't forget to look beyond the walls. The environment surrounding your home can be almost as important as the environment inside of it.



Susan, after looking at several suburban homes, decided that buying an urban condominium would give her more of what she wanted for less money. She found one with a full fitness centre in a downtown area she liked, for less than a home in the suburbs, and with no worry about exterior maintenance, yard work or commuting.

Single-family Detached

The most popular style and the most solid investment. It is a free-standing home which sits on its own lot thereby offering a greater degree of privacy.

Semi-detached

A single-family home that is joined to another one by a common wall. It can offer many of the advantages of a single-family detached home and is usually less expensive to buy and maintain.

Duplex

Two units — one above the other or side by side. The owner usually lives in one unit and rents the other.

Row House or Townhouse

One of several types of single-family homes joined by common walls. It offers less privacy than a single-family detached home but still provides a separate outdoor space. These homes can cost less to buy and maintain.

Link or Carriage Home

Houses joined by garages or carports which provide access to the front and back yards. Builders sometimes join basement walls so that link houses appear to be single-family homes on small lots. These houses can be less expensive than single-family detached homes.

Manufactured Home

A factory-built single-family home that is transported to your chosen location and placed on a surface-mounted foundation. The term manufactured home has replaced the term "mobile home".

Modular Home

Also a factory-built home constructed in compliance with local building codes. The home is typically shipped to your location in two or more sections. It may or may not have a longitudinal sub-frame.

Condominium

Refers to a form of legal ownership as opposed to a style of construction. Condominiums can be high-rise residential buildings, townhouse complexes, individual houses and low-rise residential buildings. Condominiums are also known as stratas in British Columbia or syndicates of co-ownership in Quebec.

Related CMHC Information

- [Selecting a New Home Builder](#)
- [Buying a House with a Well and Septic System](#)
- [Your Next Move: Choosing a Neighbourhood with Sustainable Features](#)
- [Condominium Buyer's Guide](#)


What Professionals Should You Call On?

Because purchasing a home is probably the biggest investment you will ever make, you'll definitely want a team of professionals working with you throughout the process.

The Real Estate Agent

No one will play a more important role in helping you find a home than your real estate agent. Your real estate agent's job is to:

- Help you find the ideal home.
- Write an [Offer of Purchase](#).
- Negotiate on your behalf to help you get the best possible deal.
- Provide you with important information about the community, arrange and coordinate the home inspection and essentially save you time, trouble and money.

When the time comes to select a real estate agent, don't be afraid to ask questions — especially about any possible service charges. Vendors normally pay a commission to the agent but some agents charge buyers a fee for their services. Use the  [Checklist for Evaluating Real Estate Agents](#) to help you choose your real estate agent. If you would like to know more about a real estate agent's ethical obligations, you can visit the Canadian Real Estate Association's website at <http://www.crea.ca> or call your local real estate association.

The Lender or Mortgage Broker

If you haven't already gone through the mortgage pre-qualification process, you will need to find a good lender to assist you during the purchasing process and for as long as you have your mortgage.

Remember that many different institutions lend money for mortgages, such as banks, trust companies, credit unions, caisses populaires, pension funds, insurance companies and finance companies. It's a good idea to shop around and speak with more than one lender because terms and options will vary.


Some people find it helpful to use a mortgage broker. Mortgage brokers don't work for any specific lending institution. Their role is to find the lender with the terms and rates that will best suit the buyer.

To find a lender or mortgage broker, you can:

- Get a referral from your real estate agent, family members, friends or other professionals.
- Look in the Yellow Pages™ under Banks, Credit Unions or Trust Companies for a lender and under Mortgage Brokers for a broker.
- Contact the Canadian Association of Accredited Mortgage Professionals at 1-888-442-4625 or visit their website at <http://www.caamp.org>.

The Lawyer/Notary

You need a lawyer (or a notary in Quebec) to protect your legal interests such as ensuring the property you are thinking of buying does not have any building or statutory liens or charges or work or clean-up orders associated with it. He or she will review all contracts before you sign them, especially the Offer (or Agreement) to Purchase. Having a lawyer/notary involved in the process will give you peace of mind and ensure that things go as smoothly as possible. Law associations can refer lawyers/notaries who specialize in real estate law (in Quebec, contact the [Chambre des notaires du Québec](#)).

Lawyer/notary's fees range widely and depend on the complexity of the transaction. Shop around for rates and, when choosing your lawyer/notary, use the  [Checklist for Selecting a Lawyer/Notary](#) to guide you.

Remember that a lawyer/notary:

- Should be a licensed full-time lawyer/notary.
- Should be local and understand real estate laws, regulations and restrictions.
- Should have realistic and acceptable fees.
- Can explain things in plain language.

The Home Inspector

You should consider having any home you are thinking of buying inspected by a knowledgeable and professional inspector.


The home inspector's role is to inform you on the property's condition. He will tell you if something is not functioning properly, needs to be changed or is unsafe. You will also be informed of repairs that need to be done and he/she may even be able to tell you where there may have been problems in the past.

Every inspection should include an evaluation of at least the following:

- Foundation
- Doors and windows
- Roof and exterior walls
- Attics
- Plumbing and electrical systems
- Heating and air conditioning systems
- Ceilings, walls and floors
- Insulation
- Ventilation
- Septic tanks, wells or sewer lines

- Any other buildings such as a detached garage
- The lot, including drainage away from buildings, slopes and natural vegetation
- Overall opinion of structural integrity of the buildings
- Common areas (in the case of a condominium/strata or co-operative)

There is presently no mandatory certification and no legislated requirements for home inspectors to take any courses or to have passed any tests. Anyone can say that they are a home inspector. However, a good home and property inspector generally belongs to a provincial or regional industry association. CMHC does not recommend or endorse any individual home inspector or association. CMHC supports national uniform standards of competency for home inspectors. For more information on the inspection industry's National Certification Program, please refer to the National Certification Authority's website <http://www.nca-anc.com/>.

Home inspector fees generally range around \$500, and depend on the size and condition of the home. Use the  [Home Inspection Checklist](#) to review your home inspection report.

The Insurance Broker

An insurance broker can help you with your insurance needs, including property insurance and mortgage life insurance. Lenders insist on property insurance because your property is their security for your loan. Property insurance covers the replacement cost of your home, so premiums may vary depending on its value.

Your lender may also suggest that you buy mortgage life insurance. Mortgage life insurance provides coverage for your family should you die before your mortgage is paid off. This type of insurance is often available through your lender, who then simply adds the premium to your regular mortgage payments. However, you may want to compare rates between both an insurance broker and your lender.

Be careful not to confuse property or life insurance with mortgage loan insurance, which may be required for high-ratio mortgages. ([Refer to Step 7 for more details.](#))

The Appraiser

Having an independent appraisal done on a property before you make an offer is a good idea. It will tell you what the property is worth and help ensure that you are not paying too much. Your lender can also ask for a recognized appraisal in order to complete a mortgage loan.

The appraisal should include an unbiased assessment of the property's physical and functional characteristics, an analysis of recent comparable sales and an assessment of current market conditions affecting the property.

Appraisal fees may vary but you should not pay more than \$250 – \$350 in most areas for a typical single-family house.

Your real estate agent may be able to refer an appropriate professional.

The Land Surveyor

If the seller does not have a Survey or Certificate of Location, you will probably need to get one for your mortgage application. If the Survey in the seller's possession is older than five years, it will probably need to be updated. Remember that you must have permission from the property owner before hiring a surveyor to go onto the property. Ask your real estate agent to help co-ordinate this with the owner.

The Builder/Contractor


If you are buying a newly constructed home or require renovations to a resale home, you will have to hire a builder or contractor. Here are some things to keep in mind when choosing one:

- Ask for references and talk to other customers about the builder's performance.
- Check with the [New Home Warranty program in the area](#).
- Visit other housing developments that the company has built.
- Ask builders or contractors if they are members of a local homebuilders' association or ask for a provincial license number.

If you are having a custom home built, remember that:

- You may want to hire an architect.
- Builders of custom homes usually work on either a fixed-price or a cost-plus basis. Authorize any changes to your contract by writing your name or initials beside the change.

On a final note, make sure your contract is as specific as possible about construction details, right down to the brand name or model number of any finishes. Make sure that you initial any changes to your contract.

Use this handy  [worksheet](#) when you assemble your Team of Professionals.

Related CMHC Information

- [Hiring a Home Inspector](#)
- [Hiring a Contractor](#)
- [Sample Renovation Contract](#)

How Can you Find the Right Home?

Start the Search

Once you figure out what you can afford to pay for a house and obtain a pre-qualified mortgage, you are ready to start your search. There are a variety of sources you can use to find the home that is right for you:


- **Word of mouth.** By telling everyone you know that you are looking for a house, you might hear about homes that are just becoming available on the market.
- **Newspapers and real estate magazines.** Check the new homes section in daily newspapers or look for real estate magazines available at newsstands, convenience stores and other outlets. These free publications feature pictures and brief descriptions of a variety of homes.
- **The Internet.** Check out real estate websites, such as <http://www.mls.ca> (to be renamed <http://www.realtor.ca> effective May 28.08) for information and pictures of a wide range of properties. This site allows you to narrow your search by location, price, number of bedrooms and other features. Searching on an internet portal site, like those maintained by David Pylyp allow unrestricted, non edited information so that you have all the listings faster. <http://www.buyingintoronto.ca>
- **"For Sale" signs.** Drive around a neighbourhood that interests you and look for "For Sale" signs. This is a good way to find homes that are being sold by the owner.
- **Visit new development sites.** If you are looking for a newly built home, this will allow you to see the different models available and to get information from builders.

Vendor take back mortgage:

This is when the vendor rather than a financial institution finances the mortgage. The title of the property is transferred to the buyer who makes mortgage payments directly to the seller. These types of mortgages, sometimes referred to as take back mortgages, can be helpful if you need a second mortgage to buy a home.

- **Work with a real estate agent.** For most buyers, a real estate agent is key to finding the right home.

Useful Tips for Your Search

- **Keep records.** Whether you work with a real estate agent or search by yourself, it's a good idea to visit lots of different homes before choosing one. To make sure you have all the information you need to compare homes, use the  [Home Hunting Worksheet](#). Don't forget to consider the home's utility costs, property taxes and major repairs, as these will affect your monthly housing expenses. Ask to see copies of bills. You should also be ready to compromise. Chances are you won't find a home that has everything you want.
- **Check out the existing financing on the property.** It may be possible to take over a favourable existing mortgage from the vendor or even obtain a **vendor take back mortgage** in order to help close the deal.
- **Think twice.** Even if a home seems perfect, go back and take a closer, more critical look at it. Visit on different days and times, chat with prospective neighbours and look beyond cosmetics.

CMHC provides the housing industry and consumers with the latest statistical information and analysis of housing trends so they can make informed decisions. Our Market Analysis Centre tracks information for local, provincial and national markets. For information on the housing market [click here](#).

Ready to Buy?

Making an Offer to Purchase

Once you have found the home you would like to purchase, you need to present the vendor with an **Offer to Purchase** or an Agreement of Purchase and Sale. As your home is probably your biggest investment, it would be wise to work with your real estate agent and/or a lawyer/notary in preparing your offer. Remember that the **Offer to Purchase** or Agreement of Purchase and Sale is a legal document and should be carefully prepared.



Offer to Purchase: A written contract setting out the terms under which the buyer agrees to buy the home. If the Offer to Purchase is accepted by the seller, it forms a legally binding contract that binds those who have signed it to certain terms and conditions.

Any offer or agreement will typically include:

- Your legal name, the name of the vendor and the legal civic address of the property.
- The purchase price offered.
- The chattels that will be included in the purchase price (e.g.: window coverings, appliances or a satellite dish). Whatever items in or around the home that you think are included in the sale should be specifically stated in your offer.
- The amount of deposit.
- The closing day (date you take possession of the home) — usually 30 to 60 days from the date of agreement. It can also be 90 days or longer.
- Request for a current land survey of the property.
- Date when the offer becomes null and void.
- Any other conditions that go with the offer, including property inspection and approval of mortgage financing.

The process of making an offer, receiving a counteroffer and then revising it again is not uncommon. The whole process can seem like a roller coaster ride — exciting, but stressful. It's all part of making the deal work best for you and the vendor.

The diagram below outlines the entire process for you in detail.

Steps for the Offer to Purchase

You		
Your real estate representative helps you prepare an Offer to Purchase. This offer should include all the details of the sale.	You may want your lawyer to look at the offer BEFORE you show it to the vendor, because it is a legally binding document.	Your real estate representative or lawyer will then present the offer to the vendor, who will accept (1), make a counteroffer (2) or reject (3).
Vendor		
Situation 1 The vendor accepts your offer. The deal is concluded.		
Situation 2 The vendor may make a counteroffer, asking for a higher price or different terms.	You sign the offer back to the vendor with a higher price than your original offer, but lower than the vendor's counteroffer.	The vendor accepts this counteroffer. The deal is concluded.
Situation 3 The vendor may make a counteroffer, asking for a higher price or different terms. If a counteroffer is returned to you at a higher price, ensure that you know exactly how much you can afford before you start negotiating. You don't want to get caught up in the heat of the moment with costs you can't afford.	You reject the counteroffer and decide not to make a subsequent counteroffer.	The sale doesn't go through and your deposit is returned.

When you make an Offer to Purchase, your real estate agent or your lawyer/notary will most likely add certain conditions to it, making it a conditional offer. This means that the contract will only become final when the conditions are met. The following three conditions are generally standard in an Offer to Purchase, especially for first-time buyers:

- A satisfactory home inspection report
- A property appraisal
- Lender approval of mortgage financing to finance the purchase

Once these requirements are met, the conditions are removed and the Offer to Purchase becomes final.

Home Inspection

It is always a good idea to have the home you are buying inspected by a knowledgeable and professional home inspector. The inspector will go through the property and perform a comprehensive visual inspection to assess the condition of the house and all of its systems. When you receive the home inspection report, you and your real estate agent will have to discuss how required repairs may affect the sale price that was agreed upon. ([Refer to Step 5 for details.](#))

New Home Warranty Programs

A home inspector is not used as frequently for new homes if the builder provides a New Home Warranty. Warranty coverage varies from one province to another, but typically covers labour and materials in your new home for at least one year after completion. It is also intended to address structural defects for a minimum of five years, and up to ten years with some extended coverage options. A dollar cap is common.

Before you sign a contract for a new home, contact your [New Home Warranty Program](#) office for a list of registered builders in your area.

For Condominiums or Strata Units

To buy a resale condominium or strata unit, you will have to get a satisfactory Estoppel Certificate or Certificate Status (does not apply in Quebec). This should be included as a condition in the Offer to Purchase. If condominium living is your housing choice, ask for CMHC's free publication called [Condominium Buyers' Guide](#).

Mortgage Approval

A pre-approved mortgage certificate is not a guarantee of being approved for the mortgage loan. Even if you have a pre-approved mortgage certificate, you must still meet your lender during the conditional offer period to get a final mortgage approval. To ensure that the process goes smoothly, make sure you bring:

- A copy of the property listing
- A copy of the signed Offer to Purchase

Your lender will update/verify your financial information, the property and other information required to complete the mortgage application. Your lender may require an appraisal and/or a survey. Title insurance may also be required. Your lender will also inform you on the various types of mortgages, terms, interest rates, amortization periods and payment schedules available.

Depending on your down payment, you may have a conventional or high-ratio mortgage.

A **conventional mortgage** is a mortgage loan that does not exceed 80% of the lending value of the property. The lending value is typically the lesser of the property's purchase price and market value. Your down payment is at least 20% of the purchase price or market value.

If you contribute less than 20% of the home price as a down payment you will typically need a **high-ratio mortgage**. This type of mortgage usually requires mortgage loan insurance, of which CMHC is a major provider. Your lender may add the mortgage insurance premium to your mortgage or ask you to pay it in full upon closing. ([Refer to Step 2 for details.](#))

Fixed, Variable or Adjustable Interest Rate

Mortgage interest rates are either fixed, variable or adjustable. A fixed rate is a locked-in rate that will not increase for the term of the mortgage. A variable rate fluctuates based on market conditions while the mortgage payment remains unchanged. With an adjustable rate, both the interest rate and the mortgage payment vary based on market conditions.

Closed Mortgage

A closed mortgage may be a good choice if you'd like to have a fixed payment that will allow you to adjust your budget to your new lifestyle. However, closed mortgages are not flexible and there are often penalties or restrictive conditions attached to prepayments or additional lump sum payments. It may not be the best choice if you decide to move before the end of the term or if you want to benefit from a potential decrease of interest rates.

Open Mortgage

This type of mortgage is flexible and can usually be pre-paid by any lump sum or paid off at any time without penalty. An open mortgage can be a good choice if you plan to sell your home in the near future or to pre-

Conventional mortgage: A mortgage loan up to a maximum of 80% of the lending value of the property. Typically, the lending value is the lesser of the purchase price and market value of the property. Mortgage insurance is usually not required for this type of mortgage.

High-ratio mortgage: A mortgage loan higher than 80% of the lending value of the property. This type of mortgage may have to be insured — by CMHC, for example — against payment default.

pay with large lump sums. Most lenders will allow you to convert to a closed mortgage at any time, although you may have to pay a small fee.

Term

Your lender will also inform you on the term options for the mortgage. This is the length of time that the agreed-upon mortgage contract conditions, including interest rate, will be fixed. It can vary from six months to ten years. Choosing a longer term (e.g.: five years) gives you the chance to plan ahead and protects you from interest rate increases while you adjust to homeownership. Weigh your options carefully and don't be afraid to ask your lender to work out the differences between a one, two, five-year term or longer term.

Amortization

This is the amount of time over which the entire debt will be repaid. Many mortgages are amortized over 25 years, but longer periods are available. The longer the amortization, the lower your scheduled mortgage payments, but the more interest you pay in the long run.


Payment Schedule

A mortgage loan is often repaid in regular payments, either monthly, biweekly or weekly. Payment schedules that are more frequent can save some interest costs by reducing the outstanding principal balance more quickly than with monthly payments. The more payments you make in a year, the lower the overall interest you have to pay on your mortgage.

Keep in mind that mortgages may have important payment features that can save you money and let you be mortgage-free sooner.

Once the Offer is Accepted

Once all the conditions of the offer are fulfilled or dropped, it is time to start thinking ahead and making arrangements:

- Give notice to your landlord if you are renting.
- Start looking at moving options — hiring a professional or doing it yourself.
- Make necessary address changes (utilities, services, post office). See the  [Moving to Your New Home](#) worksheet for a more complete list of who to contact.
- Arrange for property insurance.

An offer will usually include a clause that allows the buyer to revisit the property a couple of times before closing (after all the conditions are fulfilled) so that he/she can:

- Measure for window treatments.
- Measure for special-sized furnishings.
- Bring in a tradesperson for a renovation or remodelling estimate.

Arrange for these visits in advance to make sure your real estate agent is available.

New Home Warranty Programs

For more information, contact:

Tarion Warranty Corporation
1-877-982-7466
www.tarion.com
(Ontario)

Related CMHC Information

- [Understanding Your New Home Sales Contract](#)
- [Condominium Buyers' Guide](#)

The Final Steps

Closing Day

Closing day is the day when you finally achieve your goal — you take legal possession and finally get to call your new house your own. You are sure to feel great relief and satisfaction but remember that the homebuying process isn't over just yet. There are quite a few things that need to be done on closing day:

- Your lender will provide the mortgage money to your lawyer/notary.
- You must provide the balance of the purchase price to your lawyer/notary along with the closing costs.
- Your lawyer/notary pays the vendor, registers the home in your name, provides you with a deed and the keys to your new home.

Closing costs: Costs in addition to the purchase price of the home, such as legal fees, transfer fees and disbursements, that are payable on closing day. They range from 1.5% to 4% of a home's selling price.

Deed: A legal document that is signed by both vendor and purchaser, transferring ownership. This document is registered as evidence of ownership.

Hiring a Mover

It is now time to hire a mover. Friends or relatives may be able to recommend a professional moving company but don't forget to ask the mover for references. You will also want an estimate and outline of fees (flat rate or hourly charge, etc.). Once you've selected a mover, it is a good idea to have the representative come to your home to see what will be moved and revise the estimate if necessary.

During the move, you'll want to ensure that your belongings are insured. Your home or property insurance may cover goods in transit but call your broker or insurance company to be safe and to ask about the extent of coverage. Many moving companies offer additional insurance coverage. Be aware that professional movers are not responsible for items such as jewelry, currency or important papers. You will have to move these yourself.

If you decide to do your own packing, keep in mind that you will need the proper materials and that it could take up a lot of time.

The Big Day

On moving day, go through the house with the van supervisor and provide any special instructions. The supervisor will also make note of the condition of your goods on an inventory list. Go through the house with the supervisor to make sure the list is complete and accurate. Then, when the van arrives at your new home, mark off the items on the mover's list as they are unloaded. Remember that even if the movers unload and unpack boxes and remove packing materials, they will not put dishes or linens into cupboards.

Saying goodbye to one home and neighbourhood and discovering a new one can be very exciting. Just make sure it is not hectic as well. Plan ahead to make the transition as smooth as possible for everyone involved. That way, you can breathe easy and enjoy your new home without having to worry so much.

Is There More to Homebuying?

Finding and purchasing your home can be an exciting and overwhelming process. You may be relieved once you finally take possession of your new house but be aware that the financial responsibilities of homeownership are just beginning.

Make Your Mortgage Payments on Time

Whether monthly, biweekly or weekly, be sure that you always make your mortgage payments on time. Making late payments (**delinquency**) may result in late charges and negatively affect your credit rating. Failing to make payments can even lead to more serious consequences like **foreclosure**.

A good way to prevent late payments is to have the amount automatically deducted from your account every month and to put at least three months' worth of mortgage payments in savings for emergency situations. If you are having trouble making payments, discuss the situation with your lender.

Delinquency: Failing to make a mortgage payment on time.

Foreclosure: The legal process where the lender takes possession of your property and sells it to cover the debts you have failed to pay off. When you default on a loan and the lender feels that you are unable to make payments, you may lose your home to foreclosure.

Costs of Operating a Home

Besides your mortgage, property taxes and insurance, there are many other ongoing costs related to operating your home. They include maintenance and repair, costs for services such as security alarm services, snow removal services and gardening services (if you wish to pay for these). If you have a condominium or strata, some of these expenses may be included as part of your monthly maintenance fee.


Saving for Emergencies

Even if you know how to do repairs yourself, there are costs involved. Every building has a life cycle, which means that all parts of a building age and require major repairs or replacement at some point. For example, you might know that your roof will have to be replaced in a few years simply because of its age. Repairs like these are expected and can be planned for. However, many repairs are unexpected and can sometimes be costly.

Set aside an emergency fund to deal with unexpected problems ranging from major repairs to illness and job loss. A good guideline is saving 5% of your take-home pay and putting it in a special account.

Living Within Your Budget

Prepare a monthly budget and stick to it. You should monitor your spending every month and evaluate your progress in meeting your financial goals. If you continue to spend more than you are bringing in, you must find ways to cut back. If you are having trouble sticking to your budget, don't hesitate to ask a professional money manager for help.

Use the  [Household Budget as a Homeowner](#) worksheet to create your own household budget.

Tips on Home Repair and Maintenance

Once you've finally settled in, you may start to view your home with a more objective eye. Perhaps there are things you'd like to change — the kitchen cabinets or the flooring, for instance. Perhaps there are things that require repair, such as the plumbing or the windows. You will soon realize that maintenance, repair and renovations are a normal part of homeownership.

Curb appeal: How attractive the home looks from the street.

Perform Regular Maintenance and Repair

By doing [regular maintenance](#) and taking care of small repairs right away, you'll avoid more costly repairs down the road.

One of the best things you can do is get to know your new home. Here are some things you need to know:

- Your home is made up of various components that work together. These include mechanical systems (heating, air conditioning and ventilation) and the building envelope (foundations, floors, walls, windows, doors and roof).
- You need to learn enough about the major mechanical systems of your home to be able to perform routine maintenance and handle various emergencies. Every adult member of your household should know the location of the following:
 - Main shutoff valves for water and fuel
 - Emergency switch for the furnace or burner
 - Hot water heater thermostat
 - Main electrical switch
 - Fuse box or circuit breaker box
- Renovations targeted at increasing energy-efficiency may affect appliances exhausting by a chimney. Check chimney performance if you tighten the envelope or add exhaust fans.
- Moisture, heat and air pressure must be balanced to ensure a healthy home.



Related CMHC Information:

[@Home with CMHC — Monthly home care e-newsletter](#)

[Home Maintenance Schedule](#)

[Assessing the Comfort and Safety of Mechanical Systems](#)

[Maintaining Your Heat Recovery Ventilator \(HRV\)](#)

[Energy Efficient Upgrade — Mechanical Systems](#)

[Energy Efficient Upgrade — The Building Envelope](#)

[The ABC's of Windows](#)

[Measuring Humidity in Your Home](#)

[The Importance of Bathroom and Kitchen Fans](#)

[Choosing a Dehumidifier](#)

[Carbon Monoxide](#)

Remember that homes, like people, get old. It's a good idea to inspect your home regularly and replace or repair parts and materials that wear out with use and time. And remember that since different components of your home work together and affect each other, minor repairs can quickly become major ones if they are not immediately taken care of.

You will probably be able to do many of the repairs yourself. However, if you feel you cannot handle the job on your own, it is best to call an expert. No matter who carries out the repair, remember that the work has to be well done. Bad materials and poor workmanship will end up costing you more in the end. Don't forget to keep records of any repairs and improvements you make.



According to the Appraisal Institute of Canada's interactive Web-based guide to the value of home improvement called RENOVA, the average payback range for some of the most common household renovations is as follows:

kitchen (75 – 100%)

bathroom (75 – 100%)

interior painting (50 – 100%)

exterior painting (50 – 100%)

window or door replacement (50 – 75%)

finished basement (50 – 75%)

Home Improvements

Besides doing regular maintenance and repairing your home, you will also want to consider renovating or making improvements. These changes will not only make the home more pleasant for you to live in, they may also increase its value.

Change is good but be careful not to go overboard unless you plan to stay in your home for many years. If you are planning to sell your house, you also have to ensure that the changes don't make your home worth a lot more than the other homes around you. Remember that the value of your home is closely related to the other homes in your area.

Here are some things to keep in mind when planning a change or renovation:

- Think about how changes would appeal to someone buying your home in the future. You can make very personalized changes with paint because it is inexpensive and can easily be changed. However, things like flooring, cabinets and countertops have a longer life — make choices that will also be appealing to others.
- Updating the bathrooms and kitchens in an older home can increase its resale value.
- Don't underestimate the importance of landscaping. The right planting can improve the appearance and value of your home.

- Updating your exterior paint, installing new roofing, resurfacing your walkways and driveway, adding attractive mailboxes and front-yard planting will also help make your home more appealing.
- Over time, some renovations can practically pay for themselves, especially if they result in savings on utility bills, a higher selling price or years of greater comfort and enjoyment in your home!



Related Information:

- [Assessing the Renovation Project](#)
- [Renovating Your Kitchen](#)
- [Renovating Your Bathroom](#)
- [Painting: Walls, Ceilings and Floors](#)
- [Flooring Choices](#)
- [Window and Door Renovations](#)
- [Repairing or Replacing Exterior Wall Materials](#)
- [Understanding Window Terminology](#)
- [Low-Maintenance Lawns](#)
- [Water-Saving Tips For Your Lawn And Garden](#)

Make Sure Your Home is Fully Secure

- Change all the locks when you buy a new home.
- Add dead-bolt locks and window locks where necessary.
- Consider getting a security system. Your property insurance rate may be lower if you have one.
- Use outdoor lighting. You can get lights that turn on automatically every evening or motion-sensor lights that come on when someone walks by. However, use outdoor lighting judiciously to be more energy-efficient.
- When you are away from home, use lights and radios on automatic timers and arrange to have your mail and newspapers picked up or discontinued. This way, people won't be able to tell that you are not home.
- Get to know your neighbours and keep an eye out for each other.

Be Prepared and Stay Safe

Have a fire evacuation plan and make sure everyone in your home knows how to get out of the home from each room in case of a fire. If you have a second floor, you need a special escape plan to get to the ground. Check to see that windows have not been painted shut. Although doors and windows should always be securely locked, you have to be able to open them in an emergency.

A few tips:

Fire extinguishers must be easily accessible at all times. If you have a two-storey home, there should be one on each floor. Remember to check your fire extinguishers at least once a year. To help you remember, make a habit of doing it when you set your clocks to Daylight Saving Time.

In some areas, it is a legal requirement to have **smoke detectors** in your home. Even if they are not, you will still want them in your home. Check the batteries at least once a year. **Carbon monoxide** detectors are also important to have. They will let you know if there are high levels of carbon monoxide in your home, and

can save you from illness or death. To make sure that they are working properly, check them at least once a year. It is a good idea to make a habit of checking your fire extinguishers, smoke and carbon monoxide detectors at the same time.

Paper, paint, chemicals and other clutter can be a fire hazard. Make sure they are stored in a safe place. If you no longer need them, hazardous materials must be disposed of at a community toxic waste center. Never put them in the garbage.

Collect your important papers and store them in a safe place — for example, a fireproof box or a safe deposit box.

Keep a list of emergency phone numbers (including 911, poison prevention line, doctors, relatives, neighbours and friends) close to the phone and make sure your children are aware of it.



Related Information:

[Fact Sheets on Renovations](#)