

Real Estate Outlook

Homebuyers beware: thought, research a must

Assess the situation

As record demand for new houses changes the way Ontario's home builders do business, buyers should stay up-to-date on common purchase problems, risks and solutions, say consumer experts.

"Buying a new house in 1987 is a vastly different experience than it was 15 years or even 15 months ago and it may well change again within the next year," says Monte Kwinter, Minister of Consumer and Commercial Relations. "The kind of demand now being seen in the new housing market cannot help but have a profound effect on how the market operates. We've established new rules to help buyers deal with the changes, but a key to their success lies in public awareness."

The Ontario New Home Warranty Program's six regional branches play a leading role in public education. The offices have been designated as home buyers' information centres. More staff have been hired to handle questions, concerns and complaints on a wide variety of relevant issues, with emphasis on provisions set out under the warranty program (NHWP).

In particular, Mr. Kwinter expects the centres to get many calls about new initiatives designed to help protect buyers. To be administered by NHWP, the regulations deal with such issues as disclosure of contract terms, set out procedures to be followed if construction is delayed, and will ultimately provide for the publication of a meritorious builders list.

Delayed completion of new homes has received a lot of attention recently, says NHWP President Ed Locke.

Many delays were caused by



Affordability should be the most important factor considered when buying a house or arranging a mortgage. Taking out a short term mortgage may be a gamble you can't afford.

strikes within the trades, material shortages or demand exceeding builders' production capacity. In the absence of crises in these areas, 10 months is currently considered a realistic timeframe for construction.

In the past, contracts commonly allowed builders the sole right to cancel sales if completion was delayed beyond a specified date. To increase purchasers' rights, a new addendum to all sales agreements for new homes was developed by builder and consumer groups, along with government and warranty program officials.

The new addendum obligates builders to get necessary approvals

and complete homes as quickly as possible. Specifically, it stipulates they must "take all reasonable steps" to meet the closing date, keeping buyers informed of any construction delays. The regulation is designed to prevent unscrupulous firms from deliberately delaying work, allowing them to cancel existing deals and resell houses for higher prices. Mr. Locke says recently, prices have risen significantly between the date of sale and completion.

The addendum also warns buyers to check agreements carefully for closing costs not covered by the base price of the house, clauses allowing mortgage rates to change, and other stipulations which may substantially affect the sale.

Homebuyers gambling with short term mortgages could face long term regrets if a rise in interest rates puts monthly payments out of reach.

Real estate industry officials fear many purchasers borrowing for six month and one year terms may be taking unadvisable risks.

"If your budget won't stand an increase in mortgage payments, why leave yourself open for disaster by taking out short term financing," says Al Coleclough, Ontario Registrar of Real Estate and Business Brokers. "You should lock in an affordable rate for at least a few years or lock a less expensive house if you simply must gamble on rates. It's the combination of borrowing to the limit and short term financing that can wipe people out."

Buyers in that position - mortgaged to the hilt with no long term security - could lose their new homes if rates have increased drastically when their loans come up for renewal. Mr. Coleclough explains. Unless there's been a corresponding increase in the family income, a rise in rates could mean payments can't be met.

Thousands of families were caught in a similar trap in the early eighties when interest rates skyrocketed, forcing panic sales that created havoc in the marketplace.

The current situation is by no means identical, but it doesn't hurt to recall past tragedies as a warning to today's buyers," says the Registrar with the Ontario Ministry of Consumer and Commercial Relations.

Mr. Coleclough is so concerned about the potential for problems, he recently issued a provincewide warning to purchasers, stressing the im-

portance of keeping some income in reserve when deciding how much to spend on a house.

Although affordability should be a main concern of buyers today, the Registrar also cautions consumers looking for mortgages not to be swayed by bells and whistles.

The mortgage market has become highly competitive in recent years. Lenders have developed diverse financing plans in attempts to attract customers with different needs. The array of mortgage options available is a boon to most homebuyers, but can mislead the unwary. Mr. Coleclough says.

"Don't choose a mortgage because the lender is running an exciting contest for customers or base your decision on a slick advertising campaign," he warns. "And don't pick a weekly repayment plan just because friends find it appropriate. Your budget, income, needs and wants are unique, so take the necessary time to find the mortgage best suited to you."

The consumer ministry has produced a brochure on How to Buy a House, providing information on a variety of related topics from choosing a real estate agent to mortgages. For copies contact the Consumer Information Centre, 555 Yonge St., Toronto, Ontario M7A 2R6 - (416) 963-1111 or toll free at 1-800-268-1142. Ontario residents with an 807 area code may call the 416 number collect. The hearing impaired may call the centre - TTY/TDD line - (416) 963-9888.

PS HOME POST SCRIPTS
By Glenda Hughes

In my travels as a real estate agent, there are quite a few little things that come to my attention, that home owners could improve on, to visually help the overall appearance of a home. One item is the old laundry tubs in the dark, dingy laundry room. These concrete tubs not only look yukky, but they are also very heavy to take out. If you do not want to go the trouble of removing them and having the newer, fibre glass replacement tubs, or a stainless steel sink, you can make them look a little more attractive by removing the stains. This can be done by mixing up a solution of one part muriatic acid to 10 parts water. The acid is available at our local hardware stores. You then apply this with a stiff brush, then rinse them down thoroughly. Be very careful to not get this solution on your clothes or your skin. After this exercise, you can paint the tubs with concrete paint, and you will at least have a much more eye appealing area in your basement. It is a start, and who knows, once you get in the mood, you might decide to put in extra lights, drywall the walls, paint, put in fresh flooring, and then you will have a nice attractive room to do those endless loads of washing in.

THIS WEEK'S MORTGAGE RATES

As of May 21/87

	VARIABLE	3 MO. OPEN	6 MO. OPEN	1 YR. OPEN	2	3	4	5	7	10
Bank of Nova Scotia	9%	9	10	9 1/2	10	10 1/4	10 1/2	11	-	-
Bank of Montreal	-	9	10	9 1/2	10	10 1/4	10 1/2	11	11 1/2	-
Canada Trust	-	9	10	9 1/2	10	10 1/4	10 1/2	11	-	11 1/2
C.I.B.C.	9%	9	10	9 1/2	10	10 1/4	10 1/2	11	-	-
Halton Comm. Cr Union	-	-	10	9 1/2	-	-	-	-	-	-
T.D. Bank	-	-	9	10	9 1/2	10	10 1/4	10 1/2	11	11 1/2
Royal Bank	9%	9	10	9 1/2	10	10 1/4	10 1/2	11	-	-

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