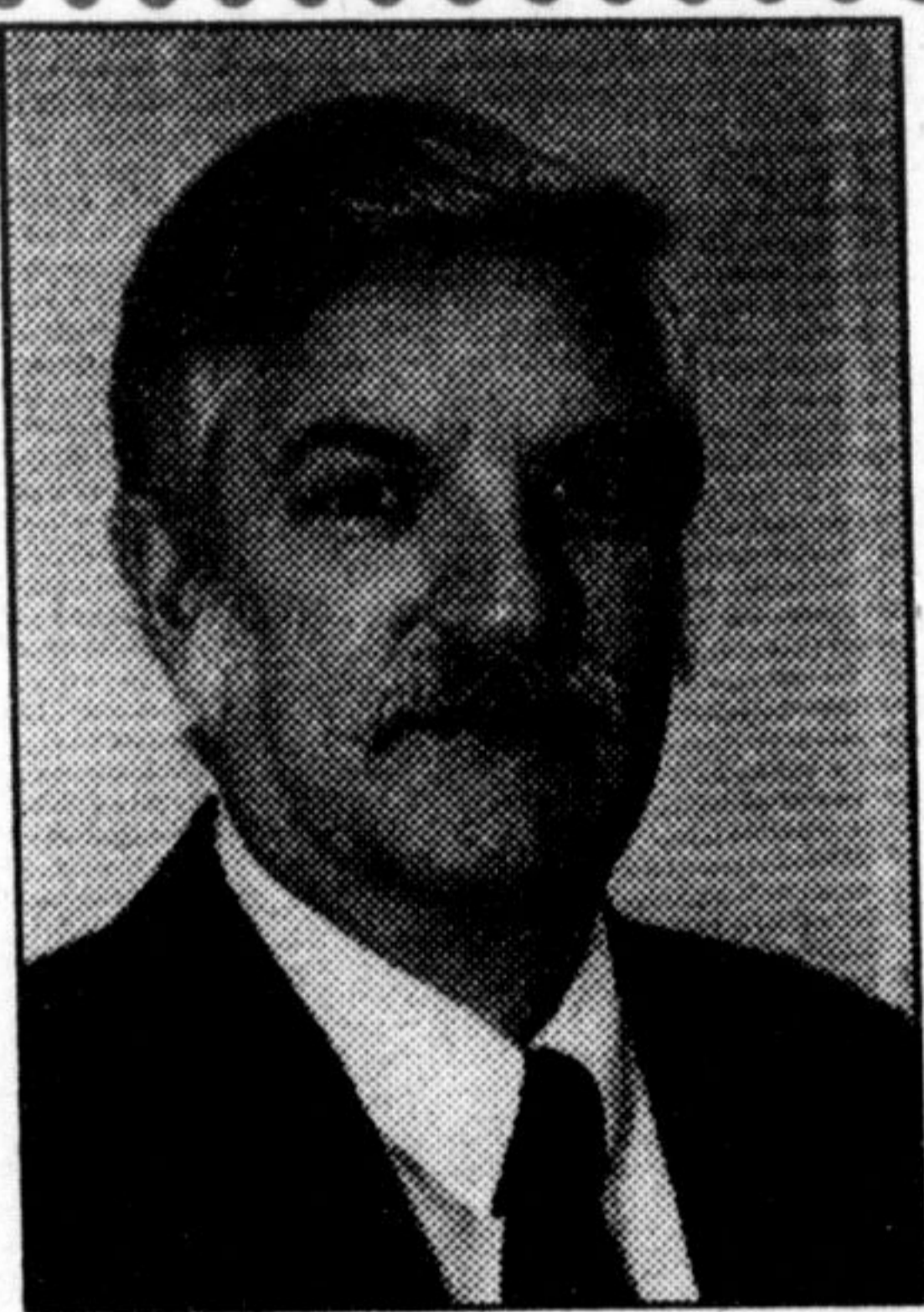
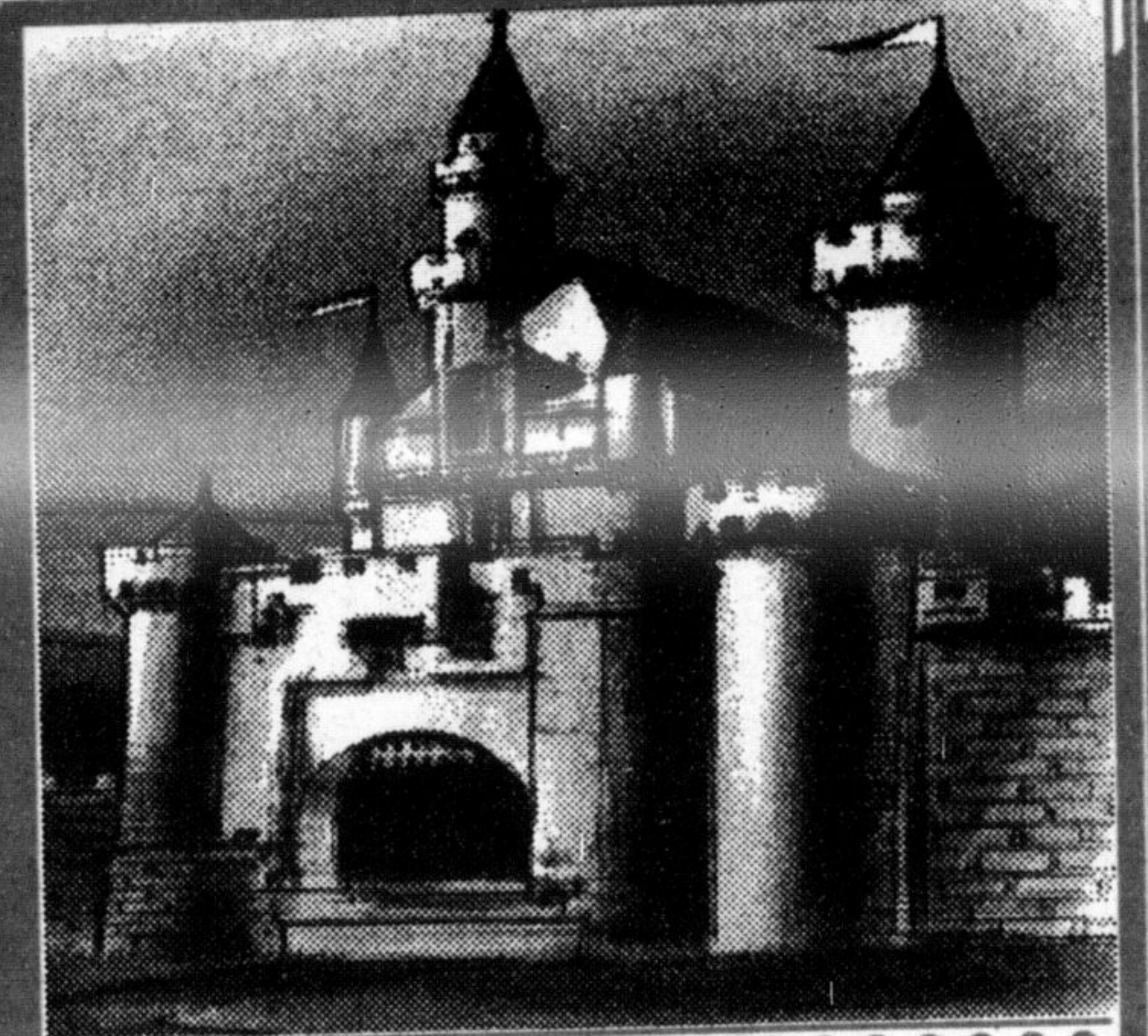


# 5 Steps To Purchasing Your First Home



Mark Mallalieu

**When should I buy?** When prices are falling people say that you should wait until the market "bottoms out" and when prices are rising you are told to buy now to avoid being left behind! No one can accurately predict the best time based on the market. The best time to buy is when you decide that the time is right based on your financial position, your family and job situation. Remember "The primary purpose of buying a home is to provide you and your family with shelter with security – the investment aspect is a bonus."

**Are you ready?** Have you demonstrated an ability to save? Are you ready to change spending habits to support the additional costs of owning a home? Do you have a good credit rating? Are you prepared to enter into a long term commitment? Is pride of ownership important? If you answer "yes" to most or all of the above then you are ready for the next step.

**What can you afford?** Two main considerations are – initial cost (cash) and continuing cost (mortgage and taxes). As a first time home buyer you can qualify for a 95% mortgage hence the first consideration is the size of your savings. Multiply your saving by 20 to arrive at the maximum purchase price of the home. If you have \$10,000 available today this means that you can purchase a home for \$200,000.00 -- perhaps! Out of the \$10,000 we have to deduct legal fees, land transfer (although this can be saved under government initiatives for first

time buyers, moving costs etc.) Let's use \$3,000 as a guide which leaves \$7,000 for a purchase price of \$140,000. Now we need to consider the mortgage costs. At 7% your mortgage of \$140,000 will cost \$980.00 per month plus taxes of about \$125.00 for a monthly cost of \$1,105.00. Can you afford this? Can you qualify for this mortgage? One of the guidelines which the lending institution will use is the Gross Debt Service Ratio (GDS). The general rule is that this shall not exceed 30% of your income hence in the example above you will have to show a family income of \$44,200; do you qualify? This is only a very brief look at the costs/qualifications involved in the process of buying a home.

Your very next step should be to talk to REALTOR and have him/her work through this process in detail. A useful guide available from your REALTOR is the book "How to buy your home" published by the Ontario Real Estate Association. Mark Mallalieu is the Broker/Owner of REALTY WORLD Millpond Realty, a past president of the Oakville, Milton and District Real Estate Board and a past director of the Ontario Real Estate Association.



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Richard Furlong, B.A., LL.B.

Death. Divorce. Buying your first home. Psychologists say these are the three highest stress periods involved in an average person's life. A good lawyer and a bit of planning can go a long way to removing the home purchase from that top three list. Before looking for houses, check with your bank to find out how much of a mortgage you can qualify for. Then go looking for your home in the right price range. Before you sign the offer to purchase, have your lawyer review the contract. Most lawyers do this at no extra charge. We would rather prevent a problem than deal with a problem after the fact. We cannot stress enough, how important it is for you to get a survey of the property before you submit your offer to purchase. This survey should be reviewed by the lawyer before you sign the offer to purchase. We estimate that around 90% of real estate problems relate to inadequate surveys. Insist that the vendor provide a copy of the survey to you before you sign the offer. Then once your offer is accepted, go to your bank and get a firm mortgage commitment and then remove the condition of financing clause in your offer to purchase. The pre-approval you obtained for the amount of mortgage you qualify for is not a mortgage commitment for the specific house you are now buying. Do not confuse the two. When you are arranging your move, it generally works out best if you set up your time to arrive at your new home mid to late afternoon on the day of closing. You should ask

your lawyer for a free estimate and estimate of disbursements and the land transfer tax. If you are "shopping" for a lawyer, do not be misled by some lawyers that will provide artificially low estimates of disbursements. Disbursements should be the same no matter what lawyer you use. It is better to know up front the true cost, rather than have a big surprise the day before closing. The disbursement costs are set by various governments, so the only variable are the legal fees. That is what you need to compare. While your real estate agent likely will not "recommend" a specific lawyer, your agent will likely give you three names, it is good advice to ask your agent which of those lawyers they would use if they were buying their own home. Do not mislead your bank when you are applying for your mortgage. Failure to disclose debts, failure to disclose accurate income and failure to be truthful about the down payment not being borrowed, entitles the bank to cancel your mortgage and then you will be in a real "pickle" when you do not have the money to complete your purchase. If you have never owned a home anywhere in the world before, and if you are buying a brand new home, you may exempt from paying land transfer tax. You should speak to your lawyer about this exemption. Take a deep breath, and let's go buy your first home. We would be pleased to help you with your purchase and any questions you may have. We invite your phone call.

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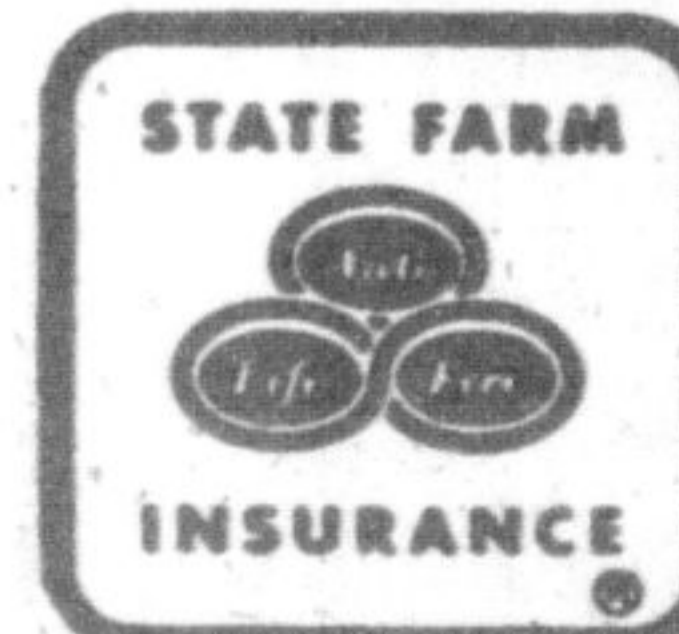


# SEE ME FOR ALL

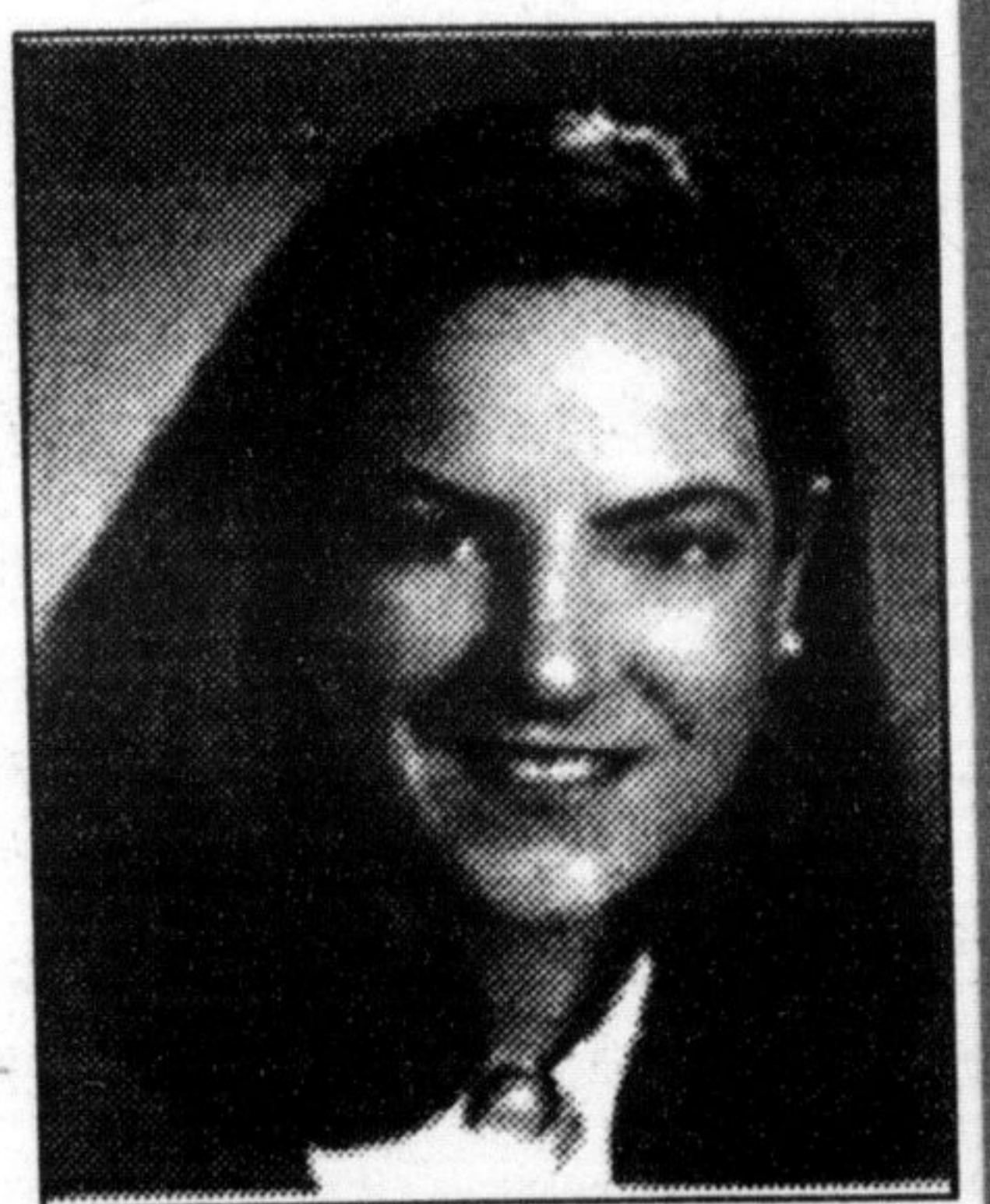
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