

Tips for first-time home buyers

Buying your first home is a major life event. You will have many decisions to make both before and after you find the right home, including financial decisions. Here are a few tips to make financing your first home a little easier.

1. Get pre-approved for a mortgage.

A pre-approved mortgage gives you an edge. Before you even go house hunting, you will know your maximum mortgage amount, the interest rate and the amount of your monthly mortgage payments. A pre-approved mortgage may also put you in a stronger bargaining position when you make an Offer to Purchase because the seller will know that you are a serious buyer.

2. Determine your home price range.

With your financing already figured out, you can concentrate on finding the right home within your price range. There are two things to consider when determining how much you can afford to spend on a home.

- How much do you have for your downpayment?
- How much can you afford for your monthly payment while still enjoying life?

To help you answer these questions, you can either call your financial institution or go to your branch and talk to your personal banker. Some financial institutions, including CIBC, have tools on their websites that can help you calculate what you can afford. Just enter your information in response to a few questions and the calculations will be done for you.

3. Determine your downpayment amount.

You can buy a home with as little as 5 per cent of the purchase price. However, if you have a downpayment of less than 25 per cent it will mean your mortgage must be insured by an insurer such as Canada Mortgage and Housing Corporation (CMHC). The amount of your downpayment will determine whether you need mortgage insurance or not.

Your insurance premium will depend on the amount you are borrowing and the amount of your downpayment. Premiums usually vary between 1.00% and 3.25% of the mortgage amount.

4. Tap into your RRSPs.

If you qualify as a first-time homebuyer, you and your spouse can each use up to \$20,000 from your RRSP savings towards your downpayment. This money will not be included in your taxable income, as long as you repay the amount withdrawn from your RRSPs within 15 years.

5. Be aware of additional costs.

Your mortgage will cover off the greater part of the purchase price of your home, however, there are other costs associated with buying a home. These are called closing costs and they usually range between 1.5% to 3.5% of the total cost of your home. Also, don't forget to consider general expenses such as moving and home decorating costs.

If you are looking for your first home, CIBC provides valuable and informative services for the first-time homebuyer. For more information about your mortgage options, contact your CIBC Adviser or call 1 800 465-CIBC (2422).

- News Canada



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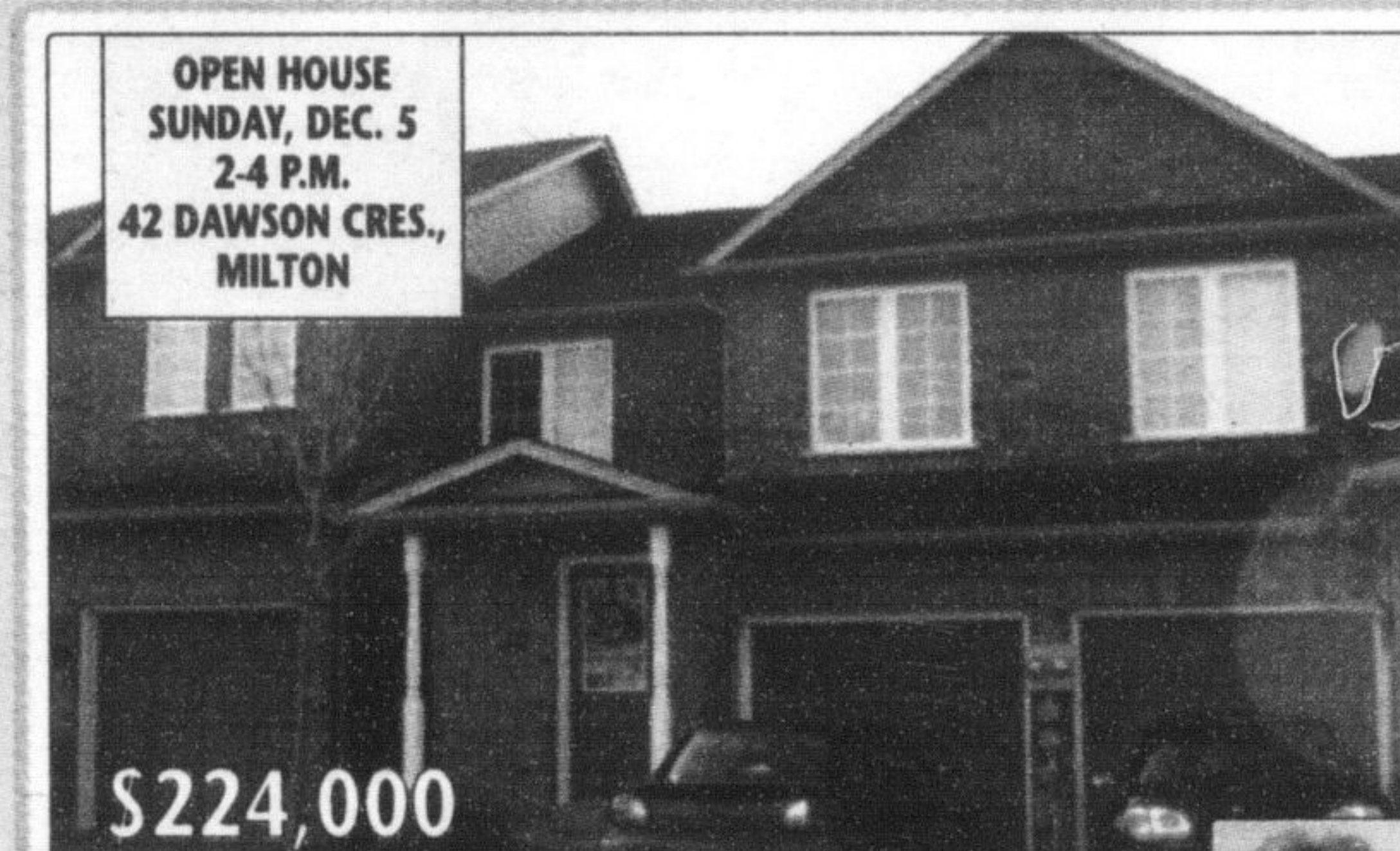
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