Welcome

Home Purchase

Home Purchase

The Purpose of this Course is to Help You:

- Determine your readiness to buy a home.
- Understand the responsibilities of owning a home.
- Learn the steps in buying/building a home.
- Choose the best mortgage for you.
- Become aware of the additional costs of buying a home.

Home Purchase

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Advantages:

1.____________________

2.____________________

3.____________________

4.____________________

5.____________________

Disadvantages:

1.____________________

2.____________________

3.____________________

4.____________________

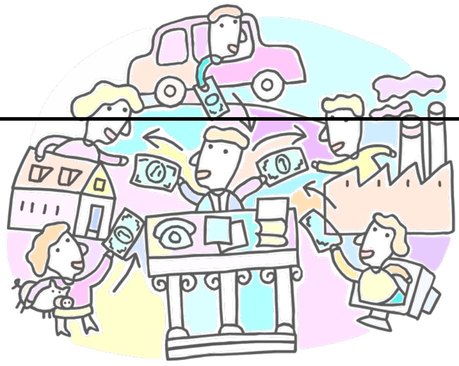
5.____________________

Making the Decision to Buy

(page 7)

1. Why do I want my own home?

2. How will this affect my family?



Am I Financially Prepared?

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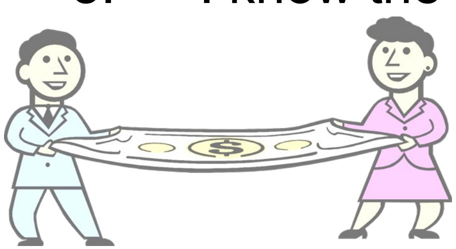
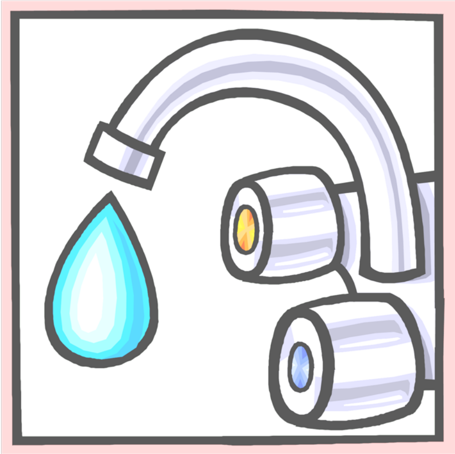
		Yes	No
1.	I can afford a downpayment.	____	____
2.	I know how much I can borrow.	____	____
3.	I know how much I can pay for a home.	____	____
4.	I know what *pre-approved* means.	____	____
5.	I know the *extra-costs* in home buying.	____	____
6.	I know the *extra-costs* of a homeowner.	____	____
7.	I know the mortgage options available.	____	____
8.	I know the importance of a realtor/lawyer.	____	____



Responsibilities of a Homeowner

(page 9)



Maintaining a Property

1. ______________________________
2. ______________________________
3. ______________________________
4. ______________________________
5. ______________________________

It is Important to Take Care of Your Home

(page 9)

- ______________________________
- ______________________________
- ______________________________
- ______________________________

Legal Issues

(page 10)

a. Insurance
   - Mortgage Life Insurance
   - CMHC Mortgage
   - Homeowner Insurance

b. Liability

c. Land Tenure
   - Fee Simple or Freehold Title
   - Leasehold Title

d. Use a Lawyer

Homeownership – vs - Renting

(page 11)

Monthly Costs	Public Housing	Private Market Rental Units	Owning
Rent/Mortgage			
Taxes			
Maintenance			
Repairs			
Utilities (heat, power, water)			
Insurance			
Total			

The Home Buying Process

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Keep in Mind

(page 15)

- What properties are available?
- Is the house in a good location?
- What is the re-sale value?
- How much room is needed for storage?
- Is the house the right size? Now? Future?
- Do you want an old or newer home?
- What type of home do you want?
  - Manufactured or Modular or Stick Built

Type of Home Comparison

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Type of Home	Stick Built	Modular	Manufactured
Description	Built 100% on site Use a builder	85% factory built 15% on site	100% factory built 0% on site
Cost	Expensive depending on location, builder available, transport cost	Less expensive for house, transportation costs high	Less expensive for house, transportation costs high
Time Required to Build	4 – 6 months Dep. on location & if builder available	1 – 2 months + transport and installation time	1 – 2 months + transport and installation time
Subject to Building Standards	Yes	Yes (same as stick built homes)	Yes (**not** same as stick built & modular)
Choices	Yes	Yes	Yes

If You Choose to Build

(page 17)

- Choose a home design.
- Choose a builder.
- Sign a Sales Agreement.
- Finalize arrangement with lender (bank).
- Begin construction.
- Choose finishings, make colour selection.
- Make final selection on placement of power outlets.
- Periodically visit the construction site.
- Conduct final walk through.
- Sign certificate of completion, noting work to be done.
- Closing Day! Final Payment! **Welcome Home !**

Downpayments & Financing

(page 18)

Downpayment

- The banks will want you to pay part of the cost of the house.
- They want you to share the risk of financing the property.

Financing

- In addition to the downpayment, you may need to borrow a large amount of money from the bank to pay for the property.
  - Pre-qualify/Pre-approved,
  - Discuss with your bank on what is the best payment method for you.

Lower Rates Save Money

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Chart 1: Interest Rate of 6.5%

Payment Frequency	Regular Payment	Interest Cost
Monthly	$1,071.72	$161,515

Chart 2: Interest Rate of 6.75%

Payment Frequency	Regular Payment	Interest Cost
Monthly	$1,096.08	$168,824

Chart 3: Interest Rate of 7.0%

Payment Frequency	Regular Payment	Interest Cost
Monthly	$1,120.67	$176,197

AMORTIZATION TABLES

http://cibc.com/ca/personal.html (CIBC)

www.scotiabank.com (Scotia Bank)

www.bmo.com/main/personal (Bank of Montreal)

www.rbc.com (Royal Bank of Canada)

www.tdcanadatrust.com (TD Canada Trust)

http://www.bankrate.com/can/default.asp

Mortgage Calculator (CMHC)

Finalizing the Deal

(page 21)

Offer to Purchase

1. The name of the **Buyer** (you) and **Vendor** (seller).
2. The **Address** & **Legal Description** of the property.
3. The **Offering Price** you are prepared to pay.
4. The **Items** you expect to be **Included**.
5. **Amount** of **Cash Deposit**
6. **Amount** of **Mortgage**.
7. The **Closing Date**.
8. **Specific Terms** & **“Subject to”** conditions.
9. **Time Limit** to meet the conditions.

3 Possible Responses

(page 21)

1. Accept the Offer
2. Reject the Offer
3. Make a Counter-Offer.

The Closing Process

(page 22)

- Appraisals
- Title Search
- Survey Certificate
- Title Insurance
- Closing Adjustments
- Additional Moving Expenses

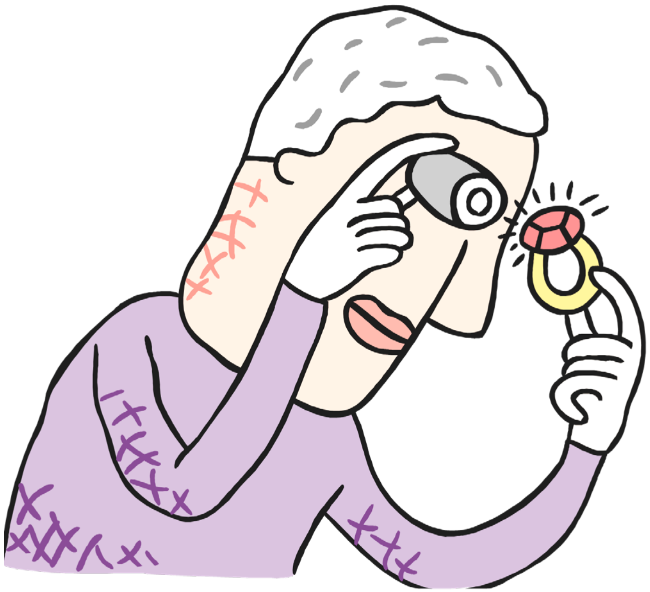
Case Study # 1

(page 24)

- Steps to complete the Purchase ?

- What cost other than downpayment must they consider?

The 3 Cs



1. Character
2. Capacity
3. Collateral

Mortgage Basics

(page 25)

Have This Information Readily Available

- Name and Address
- Date of Birth and SIN
- Present Employer (for how long?)
- Previous Employers and Home addresses
- Description and Value of your Assets
- Description and Value of your Debts
- Your Monthly or Annual Income

Gross Debt Service Ratio

(page 26)

= the total of your shelter payments cannot exceed 32% of your Gross Monthly Income

Shelter Costs

$$\frac{\text{(Monthly Mortgage payment + Monthly Tax Payment + Monthly Utility Costs)}}{\text{Gross Monthly Income}} \times 100$$

Total Debt Service Ratio

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= the combined total of your Monthly Shelter Costs and Debt Payments cannot exceed 40% of your Gross Monthly Income

$$\frac{\text{Shelter Cost + Monthly Debt Payments}}{\text{Gross Monthly Income}} \times 100$$

Case Study # 2

(page 26)

1. Calculate their Gross Debt Service Ratio and Total Debt Service Ratio.

2. Would Daniel and Frieda qualify for this mortgage amount?

Interest Rates, Payments & Amortization

(page 27)

Terms & Conditions Include:

- Interest Rate
    - How much it costs to borrow the money.
    - Fixed Rate or Variable Rate
- Payments
    - How much you will pay each month & how often.
    - Open or Closed
- Amortization
    - How long it will take you to pay back the mortgage.

It Pays to Get a Lower Interest Rate

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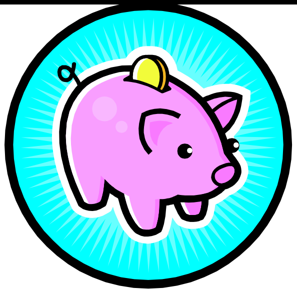
Interest Rate	Monthly Payment	Interest Paid
6.5%	$1,092.00	$164,569.00
6.0%	$1,043.00	$149,912.00
DIFFERENCE with Lowest interest Rate	$49.00 less each month	$14,684.00 less interest paid



3 Types of Payments

(page 30)

Option # 1

Monthly Payments

Option # 2

Weekly, Semi-Monthly or Bi-Weekly

Option # 3

Accelerated Weekly, Semi-Monthly or Bi-Weekly Payments

Payment options for $163,053.00 at 6% interest

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Regular Payment Options

Payment Frequency	Regular Payment Amount (Principal & Interest)	Total Interest Cost	Interest Savings	Amortization Period (Years)
Monthly	$1,043.23	$149,912	$0	25
Semi – Monthly	$ 520.97	$149,528	$383	25
Bi – Weekly	$ 479.54	$149,490	$422	24.9
Weekly	$ 239.63	$149,320	$592	24.8

Accelerated Payment Options

Payment Frequency	Reg. Payment Amount (Principal & Interest)	Total Interest Cost	Interest Savings	Amortization Period (Years)
Semi – Monthly	$565.08	$122,222	$27,689	21.0
Bi – Weekly	$521.62	$121,397	$28,515	20.9
Weekly	$260.81	$121,078	$28,833	20.8

Case Study # 3 Payments

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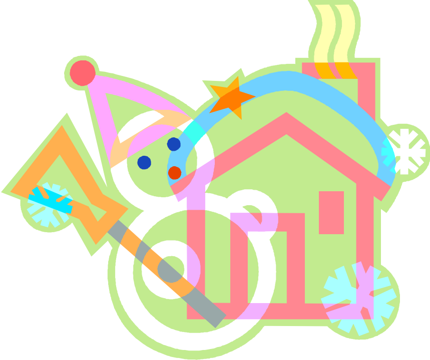
Payment Frequency (Weekly)	Amortization Period (Years)	Total Cost (Mortgage & Interest)
$239.63	**25**	**$312,373.00**
$290.31	**17.2** (20 yr accelerated)	**$259,577.00**
$342.37	**13.1** (15 yrs accelerated)	**$234,663.00**



Case # 3

1. Calculate the amount of money Daniel and Frieda will save by making accelerated payments.

2. Calculate the difference in weekly payment amounts for these amortization periods.

Questions to Ask

(page 33)

- What would you like to ask/know?
- Take a list of questions with you when you go to the bank.

Choosing a Lawyer

(page 34)

- A lawyer who specializes in real estate.
- Ask for references.
- Ask friends and relatives.
- Ask for an estimate.
- Talk to the lawyer first.

Choosing a Realtor

(page 34)

A realtor :

- Acts as a facilitator between buyer and vendor.
- Is trained and licensed to sell real estate.
- Is aware of current laws associated with buying and selling in your area.
- Is an objective go-between.

Choosing a Mortgage Broker

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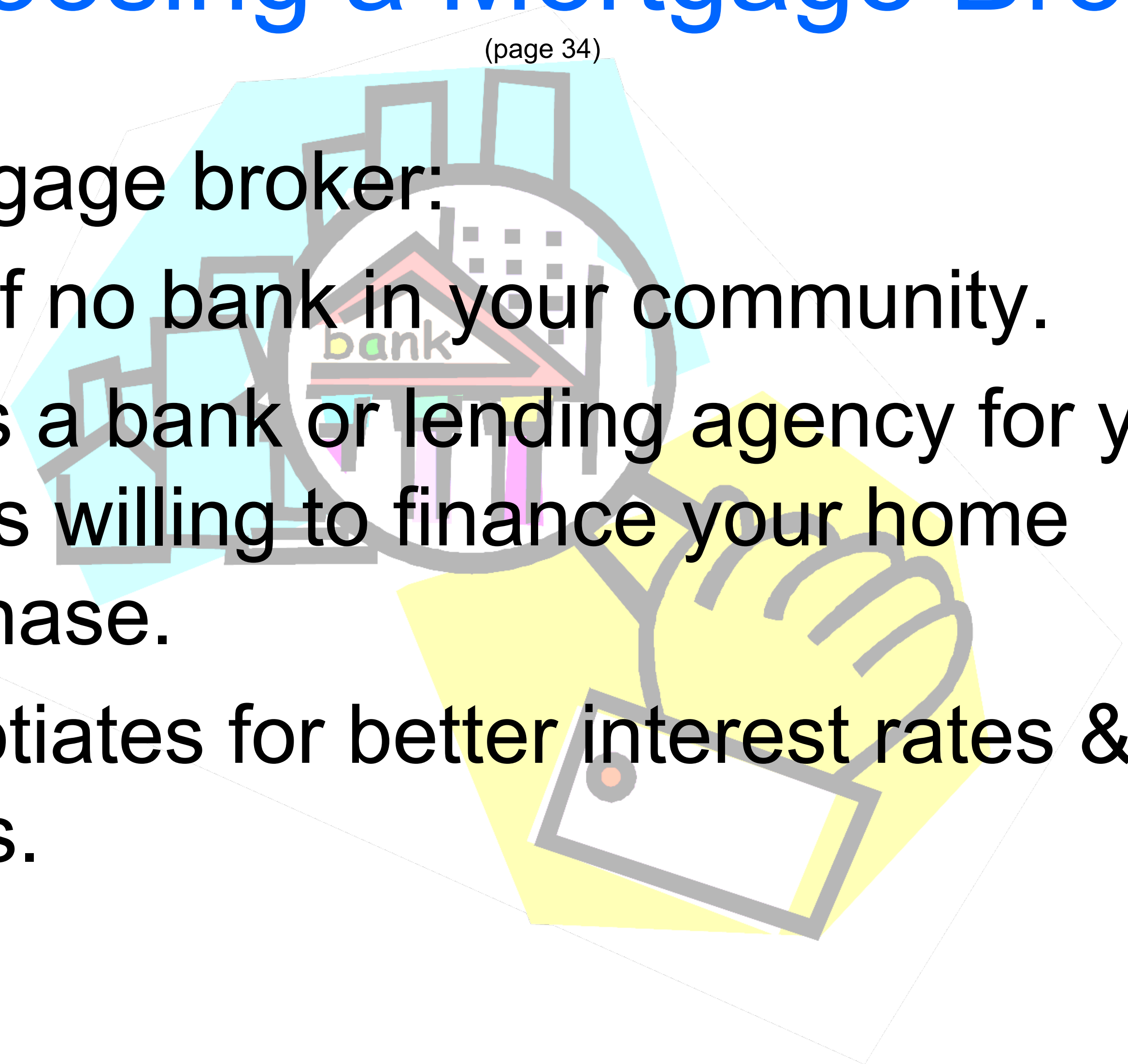

A mortgage broker:

- Use if no bank in your community.
- Finds a bank or lending agency for you that is willing to finance your home purchase.
- Negotiates for better interest rates & terms.

On – line Resources

(page 35)

Getting Help

Seek Professional help with a Home Purchase.

- Choose a lawyer.
- Choose a realtor.
- Choose a mortgage broker.
- Check on - line.
- Ask at the Housing Corporation.
- Talk with professionals.

Home Purchase
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Congratulations