

7 Steps to Home Buying Success

# **CANADIANS** NEED TO KNOW

# SO YOU'RE THINKING ABOUT BUYING A HOME?



Fantastic! It may be your first home, or perhaps your fifth, but no matter how many times you've been through the process, one thing remains the same: It's a big job, involving a great deal of effort, time, and of course, money. But you're not alone — lots of Canadians are doing it! According to Statistics Canada's National Household Survey, **69% of Canadian households own their home**.[1]

The best approach to buying a home is to be informed. This guide will help you answer those basic questions, outline what to expect in the key steps ahead, and boost your confidence in finding the right home for you. In the **Resources Section** at the back of this guide, you'll find worksheets and checklists to figure out your dream home requirements; common costs for closing, moving, and settling in; who to contact with your new address and how to pack your belongings for a stress-free move.

Every buyer has unique needs but the questions they ask are very similar:

- How do I know how much I can afford?
- Do I need an agent or should I go it alone?
- What's the best area to buy in?
- How do I negotiate the best possible price?

BUYING A HOME IS A DREAM COME TRUE. **LET'S BEGIN!**

[1] "2011 National Household Survey: Homeownership and Shelter Costs in Canada," Statistics Canada, last modified January 1, 2014, http://www12.statcan.gc.ca/nhs-enm/2011/as-sa/99-014-x/99-014-x2011002-eng.cfm.

# STEP 1: DECIDING WHAT YOU WANT

Logically, the first step to finding the right home is to determine what you're actually looking for. There are a lot of homes on the market at any one time, and looking at them all is not the best way to spend your time.

To make your home search more efficient, ask yourself these **three focus questions**:

1. **Where do I want to live?**
   This is your first decision. What communities or neighbourhoods do you want to consider? Is it important to be near schools, shopping centres, recreation facilities, places of worship, hospitals, or other amenities? Will you require public transportation?

2. **What type of home do I want?**
   What style of home is best for you? It could be a detached, a semi-detached, a bungalow, a split-level, a two-storey, a duplex, a townhouse — the options are endless! You may also want to consider your ideal lot size and the age of the home.

3. **What are my must-haves and deal-breakers?**
   What are the most important features for you in a home? A basement? A garage? A pool or a fireplace? How many bathrooms? Bedrooms? Do you have family members with special needs? What do you absolutely not want in a home?

*Refer to the "MY DREAM HOME" worksheet in the Resources Section at the back of this Resource Guide for a detailed list of home options.*

# STEP 2: GET PRE-APPROVED FOR A MORTGAGE

When it comes to buying a home, getting pre-approved for a mortgage is a very important step. Not only does it help you understand exactly how much you can afford to spend on a home, but it often allows you to lock in an interest rate for a period of time which could potentially save you thousands of dollars for years to come.

## Here are 4 simple steps to a mortgage pre-approval:

1. **Talk to a mortgage specialist.**
   Whether it's your bank mortgage specialist or an independent mortgage broker — talk to someone with expertise who can help you compare rates and terms as there are hundreds of options to choose from. **Note:** A 2014 report by the Canadian Association of Accredited Mortgage Professionals suggests that more home buyers are choosing fixed-rate mortgages for their purchases (74%, compared to 20% who had a variable or adjustable rate, and 6% who had a combination mortgage rate)[2].

2. **Complete an application to find out how much you qualify for.**
   There are many factors that go into determining your eligibility for a mortgage. Two of the primary practices are calculating your GDS (Gross Debt Service) and TDS (Total Debt Service) ratios. These factors determine how much you can comfortably afford to spend based on your down payment, income and other financial obligations.

3. **Gather your financial information to finalize pre-approval.**
   Your bank or mortgage professional will require documentation to support your application such as income and down payment verification to finalize the pre-approval process.

4. **Get a copy of your pre-approval.**
   This is a powerful negotiating tool. It's extremely frustrating for sellers to lose a sale because of financing. A pre-approved buyer means sellers have one less thing to worry about. Even though many offers are conditional on financing, the seller of your dream home will see you as a more attractive buyer when they know you are pre-approved.




[2] "Canadian Housing Observer 2014," Canada Mortgage and Housing Corporation, last modified April 2, 2015, https://www03.cmhc-schl.gc.ca/catalog/productDetail.cfm?lang=en&cat=122&itm=27&fr=1436556988656.

# STEP 3: AGENT OR NO AGENT?

Most buyers today work with a real estate agent rather than go at it alone for many reasons. In most cases, your home is your most valuable asset, and it makes sense to use a professional. A great real estate professional will provide key market insights, sound advice and save you endless hours of time and money — all while helping you reduce the stress of a large purchase so you can truly enjoy the experience of buying your dream home.

## Top 5 Reasons Why Most Homebuyers Choose to Work with a Real Estate Professional

1. **It's free.**
   In almost all cases, commission is paid by the seller so having an agent working for you is essentially free.

2. **Avoid overpaying for a home.**
   If you're like most buyers, you want to know, with certainty, that you are paying a fair price. Quite often, sellers overprice their homes to "see what happens." A great real estate professional will educate you on the price of current competitive properties as well as similar homes that have been recently sold to help you make an informed decision on how much to offer for your dream home.



# Top 5 Reasons Why Most Homebuyers Choose to Work with a Real Estate Professional
*(Continued)*

3. **Represent and protect your interests as a buyer.**
In any transaction, it's important to understand that the seller's agent is bound by contract to work in the best interests of his/her sellers. As a buyer, you also need representation (an agent), someone to work exclusively in your best interests. Engaging the services of a real estate professional to assist you in the home buying process means you now have someone to work solely in your best interests to provide you with:

   - **Confidential advice that addresses your needs first.**
   - **Loyal and diligent "full disclosure" care, FREE from any conflicts of interest.**
   - **Access to all listings including MLS®, bank-owned properties, distress and estate sales, even homes that were previously on the market where the seller might still be interested in selling.**
   - **Expert advice on useful clauses such as home inspections and financing to protect you fully.**
   - **Expert negotiation of the offer to purchase, to achieve the best possible price and terms.**
   - **Expert advice on market value, inclusions, location, as well as help you decide when you should walk away.**
   - **Discovery and disclosure of all information about the property including liens, warranties, disclosures, seller's purchase price, market and planning activity in the area.**

4. **NEGOTIATE the best price and terms of your most valuable asset.**
Negotiating requires expertise and skill, period. A great real estate professional is a masterful communicator with expert negotiating skills whose job is to help you decide what to offer, what to include, what to give up and most importantly, when to walk away if reasonable terms cannot be reached.

5. **Manage the countless details and mountainous paperwork.**
Ensuring the i's are dotted and t's are crossed and that no balls are dropped from start to finish (and after) is a heavy load off any buyer's plate. From the moment of engagement, your agent will ensure smooth sailing and guide you effortlessly through any obstacles along the way.



# STEP 4: START SEARCHING

**Now the fun begins!** Most searches begin online. In fact over 90% of buyers start their home buying process on the internet. The most comprehensive website for property searches is Realtor.ca, a Canada-wide database of all active properties for sale, also referred to as the MLS® or Multiple Listing Service. This website allows you to narrow your search to a specific area, price range, key features and even displays the properties on a map.

*The internet can be very helpful for you to get a sense of what's available but keep in mind, it's not a complete picture of the market or all potential properties available. A great agent, working on your behalf, will do an in-depth needs analysis to find all the properties suitable for you, set up a time to view the homes and guide you through the selection process.*

## HERE'S WHAT YOU **CAN'T** SEE ONLINE

1. **Homes in hot markets that haven't made it online yet.**
   These are desirable homes in great areas, at great prices that often get sold before a property listing is loaded online. The only way to know about them is through an agent.

2. **Expired listings or private sales not found on MLS®.**
   A savvy real estate professional is on the pulse of all potential homes for sale, listed and unlisted.

3. **Insight and an insider's edge.**
   An agent not only has access to more data than what is available online, but he/she brings expertise and a wealth of knowledge so you can be confident in knowing you have a complete picture of each property you are considering.



# STEP 5: MAKE A SMART OFFER & NEGOTIATE

## You have found a house you love. Fantastic news! Here's how the offer process typically works:

**Step 1 Decide on price, terms and conditions.**
Your agent will conduct a Comprehensive Market Analysis (CMA), complete with comparable active and expired listings, recent solds, and other historical data to determine the market value of the home. This is extremely helpful when it comes to negotiating a fair price. You also need to decide on a closing date and if there will be any conditions of the offer such as home inspection, appraisal, water tests etc. Your agent will guide you.

**Step 2 Prepare the offer.**
Your agent will create a legal document (Agreement of Purchase and Sale) that protects you, follows your instructions, and matches your schedule and needs. Of note, many tech savvy, eco-friendly agents today are using the convenience of paperless transactions. E-signatures are becoming more and more common today for their ease of use and online, secure document storage.

**Step 3 Review the offer.**
Your agent explains the details and terms of the offer, and suggests options for specialty clauses so that you know exactly what you are agreeing to.

**Step 4 Present the offer.**
Your agent will present and negotiate the offer on your behalf.

*What happens next? One of three things:*

1. **The seller accepts your offer. Congratulations!**
2. **The seller rejects your offer.**
   This isn't common, but it can happen and your agent will work to find out why.
3. **The seller countersigns.**
   Changing the terms of the offer, and presents the offer to back to you.
   Your agent will continue to negotiate on your behalf to reach agreeable terms.
   Your agent will also advise you if it's clear that an agreement cannot be reached and it's time to walk away.

# STEP 6: CONDITION REMOVAL & INSPECTION

Okay, you have agreed on the price and terms and now have a firm or a conditional offer in place. If you have conditions, now is the time to start the process of satisfying them in order to meet the deadline and firm up your purchase.

*One of the most common conditions of an offer today is home inspection. Home inspections allow you to scrutinize the details of the home and potentially save you from any unpleasant surprises.*

## HOME INSPECTION TIPS

- Choose a qualified professional. A member of an association can reassure you are getting an experienced, knowledgeable professional.
- Ensure the home inspector checks for visible issues with plumbing, electrical systems, roof, insulation, walls, ceilings, floors and windows, and the condition of the foundation. They can also check that the home includes chattels like furnaces and air conditioners, are in working order.
- Ensure your home inspector gives you a close and personal look at your new home. It takes about three hours to go through all the systems, and if there are any problems, you will see them with your own eyes. They will also give you maintenance tips and easy fix-ups, if necessary.
- Ensure that in the end, you receive a detailed report that summarizes the condition of your home.



# STEP 7: PREPARING FOR CLOSING DAY

Typically you will have anywhere from 30 to 90 days before closing day. The closing date can be the same as your move-in date, however, this is not always possible. Check with your lawyer or agent to find out when your keys will be available on the closing date. It is normal that the exchange of money and title be complete before keys are released which could be late in the day.

*Remember, this is an exciting time! Being organized well in advance will pave the way for a much more enjoyable journey. Here are a few details to take care of before your closing date:*

- **Legal Stuff and Paperwork**
  You and your agent will need to provide your lawyer with all the necessary documentation for your purchase. Your agent usually takes care of the agreement, waivers, survey and any other purchase documents. However, you may need to provide your lawyer with some additional information: insurance, down payment information, adjustment payments, and other signed documents your lawyer may request.
- **Down Payment and Closing Costs**
  Make the necessary arrangements to have these funds available a week prior to closing or when the lawyer has requested funds.
- **Moving Arrangements & Change of Address**
  Whether you are using professional movers, renting a truck, or getting a bunch of friends together, plan and organize it early.
- **Property Insurance**
  Arrange for home insurance before closing and request a proof of insurance at your financial institution in advance. Provide your insurance agent with the listing information and details such as age of the house, pool or no pool, type and condition of the roof, condition of the furnace, electrical and type of exterior.
- **Utilities**
  Contact the local utilities to coordinate the change of billing on closing. Including phone, internet, cable, gas, electricity, water, and any rental agreements. Don’t forget to cancel the services at your old address.
- **Schools**
  Inform your children’s old and new schools about the move and arrange any necessary record transfers.



# **RESOURCE** SECTION


12 My Dream Home Worksheet

13 Common Closing Costs for Buyers

14 Change of Address Checklist

15 14 Tips for Packing Like a Pro

# **MY DREAM HOME** WORKSHEET

*Here are a few key questions to help narrow down what you want in your home.*

- What type of home are you looking for? Detached or semi-detached?
- What style of home is best for you? Two-storey, bungalow, split-level, duplex, townhouse?
- What about the age of the home? Does the home need to be brand new?
- How many bedrooms and bathrooms do you need?
- What are you looking for in a kitchen? How about a family room? Do you want a separate dining room? What is your preferred layout?
- What are your high-priority features? Appliances, ensuite, fireplace?
- What other rooms do you need? Main floor laundry room, home office, hobby room?
- What about storage space? Basements? Lockers?
- Do you need a garage or extra parking spaces?
- Is energy efficiency important? Newer windows or a high-efficiency furnace?
- How long is your daily commute? How easy is it to get to the places you need to go?
- How close do you need to be to transit, shopping, schools, places of worship, and hospitals?
- Are there any important location factors? Backing on to parks? How about road traffic? Do you need to be on a quiet street?
- What size of yard are you looking for? Is the backyard important, or is a side yard enough? What about the front yard?
- What other landscaping features are important? A fenced yard, play areas, a pool, gardens, a patio?
- Is it important that the house faces a certain direction?
- Who are you sharing this home with and what are their needs? For example, pets might need a fenced yard, or extended family may want a separate entrance.
- How long do you plan to live here? This decision can impact the type of home, the location, and how much you will spend.
- How much do you want to invest beyond the purchase price of the home—both in terms of money and effort—if you can't find all the features that you want?



# COMMON COSTS FOR BUYERS

*No one likes unexpected bad news—especially the financial kind! This worksheet can help you prepare for the cost of closing, moving, and getting settled into your new home.*

**Common Closing Costs:**

- Balance of down payment after initial deposit with offer
- Mortgage loan administration and/or appraisal fees
- Points or loan discount fees paid to receive a lower interest rate
- Credit report fees
- Mortgage insurance premiums
- Land transfer tax and title registration fees
- Title insurance policy premiums
- Survey expense
- Legal fees and related costs (couriers, photocopies, etc.)
- Pro-rated amounts for your share of any prepaid costs, such as utility bills and property taxes

**Moving Costs:**

- Packing supplies
- Movers
- Vehicle rentals
- Ancillary expenses (food, hotels, etc.)

*On average, a Canadian home buyer may spend approximately $1,325 on moving costs.*[3]

**Settling-In Costs:**

- Changing locks
- Cleaning
- Painting, minor renovations, and repairs
- Furniture for additional rooms
- Lawn care and landscaping

*On average, a Canadian home buyer may spend approximately $3,550 on general household purchases, $6,575 on furniture and appliances, and $9,525 on renovations.*[3]



[3] Altus Group Economic Consulting, "Economic Impacts of MLS® Home Sales and Purchases in Canada and the Provinces," The Canadian Real Estate Association, last modified May 14, 2015, http://crea.ca/sites/default/files/Altus%20Report%20Economic%20Impact_OS_En.pdf

# CHANGE OF ADDRESS CHECKLIST

### Utilities, Bills, and Other Vendors

- ☐ Electricity
- ☐ Hydro
- ☐ Natural gas
- ☐ Cell phone
- ☐ Landline
- ☐ Cable
- ☐ Internet
- ☐ Water delivery/treatment

### Legal and Identity Documents

- ☐ Driver's licence
- ☐ Passport
- ☐ Health card
- ☐ Insurance
- ☐ Tax documents
  (Income tax, Canada Pension Plan, Old Age Security, etc.)

### Professional Services

- ☐ Pool
- ☐ Lawn
- ☐ Housecleaning
- ☐ Physician
- ☐ Veterinarian
- ☐ Attorney
- ☐ Dentist
- ☐ Optometrist
- ☐ Other specialists

### Financial

- ☐ Bank
- ☐ Credit card company
- ☐ Insurance (car, life, home, and health)
- ☐ Pension plan
- ☐ Car loan
- ☐ Other loans
- ☐ Reward programs

### Miscellaneous

- ☐ Magazines
- ☐ Newspapers
- ☐ Professional associations
- ☐ Alumni associations
- ☐ Clubs
- ☐ Charities



# 14 TIPS FOR PACKING LIKE A PRO

*This may seem hard to believe, but many people thoroughly enjoy their moving day and the time leading up to it. The secret? Being organized. Make sure you have the right tools—packing tape, permanent markers, sticky notes, and lots of boxes on hand will make your move much easier. Start early and work steadily. Make progress every day with your packing instead of leaving it all until the last minute.*

1. Develop a master "packing/to do" list so you won't forget something critical.
2. Purge! Get rid of things you no longer want or need. Have a garage sale, donate to a charity, or recycle.
3. Before throwing something out, remember to ask yourself how frequently you use that item and how you would feel if you no longer had it.
4. Pack like items together. Put toys with toys and kitchen utensils with kitchen utensils.
5. Decide what, if anything, you plan to move yourself. Precious items, such as family photos, breakable valuables, or must-haves during the move, should probably stay with you.
6. Use the right box for the item. Items packed loosely are more likely to be damaged.
7. Put heavy items in small boxes so they are easier to lift. Keep the weight under 50 lbs., if possible.
8. Do not over pack boxes — boxes that are packed comfortably will be less likely to break.
9. Wrap each fragile item separately and pad the bottom and sides of boxes.
10. Label every box on all sides. You never know how they will be stacked and you do not want to have to move other boxes aside to find out what is inside.
11. Use colour-coded labels to indicate which room each item should go in. Colour-code a floor plan for your new house to help your movers.
12. Keep your moving documents together, including phone numbers, the driver's name, and van number.
13. Back up your computer files before moving your computer.
14. Inspect each box and all furniture for damage as soon as it arrives. Remember, most movers won't take plants.





**DISCLAIMER:** This document is not intended to solicit properties already listed for sale with another broker.