

Home Buying Handbook

Serving Kitchener-Waterloo for over 20 years!

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www.royallepage.ca

Helping you is what we do. Royal LePage Scharf Realty Ltd. Independently Owned and Operated, Brokerage
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Our “Buy Smart” Plan

Buying a home can seem a little overwhelming. **Allow me to make the whole process easier every step of the way** by listening carefully to what you need and want in a home. I will become familiar with all your housing and financial needs, saving you time and taking the hassle out of house hunting!

All these services are available at no charge to you!

- 1 Provide you with my manual, “The Odds ‘n’ Ends of Buying a House”
- 2 Fully inform you about the home buying process and traditional real estate practices
- 3 Explain the costs incurred in your home purchase and all necessary documents
- 4 Work with you as a Client to represent your best interests
- 5 Pre-qualify you with our *in-house* mortgage consultant. Yes, he does make house calls!
 - Familiarize you with the various forms of financing
 - If necessary, assist you in getting interim financing
- 6 Locate the widest possible range of properties for sale
 - Kitchener/Waterloo/Cambridge/Guelph *MLS* with access to about 3500 property listings
 - Other Realtors' listings including their exclusive listings
 - Computer searching for your requirements – automatically done daily
 - Builders – ask about my money saving clauses when buying a new home

To access property not currently listed

 - For sale by owners
 - Knock on doors
 - Call possible home sellers
 - Direct target mail
 - Advertise for special requirements in the K-W Record and the Real Estate Book
- 7 Keep you up-to-date
 - Mail, E-mail or fax complete copies of listings and pictures for your perusal
 - Offer you my “Hotsheet” service - New listings emailed daily to you
 - Supply you with property addresses for drive-by previews
 - No need to go through property you don’t like from the street
 - Price changes on those already listed
- 8 Try to pre-qualify all homes for you prior to showing at suitable times to you
- 9 Provide counsel on
 - Current value and ability to resell when needed
 - Positive and negative property influences
 - Material facts on the property including my personal assessment of the home
- 10 Before the presentation of your offer
 - Show you a list of all relevant comparable sales before you make your Offer
 - Try to obtain the owners motivation for selling (why are they moving and urgency)
 - Counsel you on what to Offer
 - Represent you and help you negotiate the best possible contract
- 11 Coordinate a successful closing
 - Handle follow-up and keep you informed after-the-purchase.
 - Recommend other successful professionals to aid in your transition

8 Most Costly Mistakes Buyers Make

- 1. Failing to use the services of an experienced Realtor.** Many times buyers avoid using the services of a Realtor under the mistaken belief that it costs them money - or that they will be able to negotiate a better deal directly with the seller or seller's agent. This can be an expensive mistake. If you are negotiating directly with the seller or seller's agent, you may not be taking advantage of the best deal available in the marketplace today. You can have your own Realtor, a Buyer Broker or Purchaser's Agent, who is committed to using the experience gained through hundreds of successful negotiations for your benefit - at no charge to you! Your agent can be paid from the same commission that the seller's agent is paid from - by the seller.
- 2. Not knowing whom the agent is really working for.** It is important for buyers to know and understand for whom the agent helping with the house hunting is actually working. The agent may be working as a sub-agent - representing the seller's best interests during negotiations - or as your agent representing your best interests. If you are not sure for whom your agent is working, demand clarification. Your Realtor must fully explain Agency. When negotiations commence, wouldn't you want to know whether information you divulge will be used for the seller's benefit - or yours?
- 3. Failing to have a Comparative Market Analysis prepared before offering.** Before you make an offer to purchase that special home, you must have a good idea what the market value is to ensure that you do not overpay. This is the same information the seller receives when deciding on an asking price. Wouldn't you like to have access to the same information?
- 4. Failing to recognize different negotiating styles and strategies.** Many buyers think that the way to achieve a fair purchase price is by starting the offer too low. This is the strategy of the buyer who is not in possession of all the facts essential to negotiating the best possible deal. Many times that type of strategy will frustrate negotiations and lead to inflexibility on the part of the seller - or worse yet - failed negotiations!
- 5. Failing to have the home inspected by a competent home inspection company.** Buying a home is a major purchase usually made after spending just half an hour looking at the home. Isn't it worth ensuring you will not be surprised later with deficiencies costing thousands?
- 6. Not knowing and understanding your rights and obligations set out in the Offer To Purchase.** It is important to understand completely the terms of the Offer to Purchase. Wrong assumptions, poorly written or missing clauses, and not understanding how the clauses affect the purchase, can lead to increased costs or a void contract.
- 7. Letting emotion cloud reason.** Buying a home is an exciting time and is usually an emotional decision. It is important that facts and reason validate those emotions. An experienced agent will help to remove the emotion from the negotiating process and provide you with the information you need to make the right decisions.
- 8. Failing to take the steps to be financially pre-qualified, and having an interest rate guarantee before looking at homes.** Knowing how much you can comfortably afford will ensure you are looking in the right price range and prevent you from buying a home that will strain you financially and emotionally. Having an interest rate guarantee will protect you in times of fluctuating rates and ensure that your initial projected payments do not suddenly escalate, resulting in extra interest charges.

BUYING PRIVATELY? BEWARE OF THE RISKS!

First of all, why would a Buyer want to side-step a trained Real Estate Salesperson who's willing to invest between 20 to 40 hours of time, (or more) sometimes endlessly driving around, doing market research, arranging mortgages, liaising with lawyers, home inspectors, etc. at zero cost to the Buyer finding a home?

If, when buying private, you believe the Seller, who doesn't know you, wants to save you money by selling private, you've got it wrong! A Seller selling privately wants to save himself money – not you, and sometimes he robs himself in the process.

However, the big question is, when you buy private, who's representing your interests?

You may want to say it's your lawyer. Sure, he'll do a great job as far as the legal work is concerned, and you're going to pay handsomely for it.

But what about the home you're buying?

You may like its physical appearance. But there are other things, which must be sound before you make the purchase.

Without the expertise of a Realtor, how would you know the house is structurally sound? The type of furnace, electricity voltage, windows, and other features of a home will determine its price. How will you determine you're getting a good home for your hard earned money? How would you ensure that the same appliances remain in the home when you're closing? What must you do to ensure the house is not a health hazard? What must be done to make sure the house is in the same condition when you move in, as it was when you inspected it two or three months ago? How are you going to protect yourself against someone laying a claim to it five years down the road?

These, and many other situations, a good realtor will insulate you against. Realtors do not only negotiate in the purchase of a home. They also negotiate for excellent mortgage rates. Sometimes they get better rates than your bank will give you.

They look after your interests – right up to the end. If problems crop up at the time of closing, they are there as buffers, and would leave no stone unturned to set things aright. They will also advise on useful alternatives – all at no cost to Buyers, unlike a lawyer who charges by the hour and every time you're on the phone with him.

There are many people out there who mistakenly believe that buying a house private means saving money. This is certainly not so, no matter how much the Seller tells you that you'll be saving money together with him. The rationale is simple – *why will someone who doesn't know you, want to save you money?*

Home purchasing can be a very complex transaction, which requires skill, knowledge and special Real Estate training which only a good Realtor possesses. It is not as simple as buying a car or furniture.

Again, the same advice – don't play around with the biggest investment in your life, lest it becomes the biggest nightmare in your life!

WORKING WITH A REALTOR

The Real Estate Council of Ontario (RECO) is the governing body which sets enforceable standards of conduct for every salesperson and broker licensed under the Real Estate and Business Brokers Act in Ontario. On May 20, 1999, RECO implemented a new Code of Ethics to be complied with by every licensed Realtor in Ontario.

As of January 1, 2000, RECO will discipline all who are found to be acting in contravention of this strict new ethical code. Specifically, Rule 4 of the new Code of Ethics states that "A Realtor shall enter into a written Representation Agreement with a Client at the earliest practical opportunity, and in all cases before any Offer to Purchase is submitted or presented." Realtors must comply or risk losing their license. Furthermore, Realtors are also governed by the legal concept of "agency". An Agent is legally obligated to look after the best interests of the person for whom he or she is working. Because this is a legal obligation, it is understandable that RECO is now demanding written confirmation up front of just who is acting for whom.

Please read the following information which describes the different possible forms of Agency relationship.

1. Seller's Agent

When a real estate company is a "Seller's Agent", it must do what is best for the Seller of a property. A Seller's Agent must tell the Seller anything known about a Buyer. For instance, if a Seller's Agent knows a Buyer is willing to offer more for a property, that information must be shared with the Seller. However, confidences a Seller shares with the Seller's Agent must be kept confidential. While the primary obligation of a Seller's Agent is to the Seller, a Buyer can expect fair service and disclosure of pertinent information about a property; nothing will be misrepresented about a property and all questions will be answered honestly by the Seller's Agent.

2. Buyer's Agent

A real estate company acting as a "Buyer's Agent" must do what is best for the Buyer. A written contract establishes Buyer agency. It also explains services the Realtor will provide, spells out who will pay and specifies what obligations a Buyer may have. Typically, Buyers will be obliged to work exclusively with that Realtor for a period of time. A Realtor working for a Buyer will keep information about the Buyer confidential from the Seller.

3. Dual Agent

Occasionally a real estate company will be the Agent of both the Buyer and Seller (A Buyer whom it represents wants to buy a property listed with the same company.) Under this "Dual Agency" arrangement, the Realtor must do what is best for both the Seller and Buyer. A Dual Agent must fully disclose information to both the Buyer and Seller. No information will be confidential. A Realtor can be a Dual Agent only if both the Buyer and Seller agree by signing a standard OREA Confirmation of Co-operation and Representation form.

4. Consensual Limited Dual Agent

The Form of Dual Agency with which many clients seem to feel most comfortable is a form of Dual Agency in which the Agent represents both Buyer and Seller and must deal with both the Buyer and the Seller impartially, disclosing all aspects of the transaction to both parties except: 1) what price a Buyer will pay if other than in the Offer and what price a Seller will accept if other than what is stated in the listing and 2) personal information about either Buyer or Seller, including their motivation. The Agent will disclose: 1) to the Buyer, known defects in the physical condition of the property and 2) comparable property information to both Buyer and Seller.

Who pays? Usually, the Realtor will be paid BY THE SELLER from the proceeds of the sale, regardless of the form of agency which applies. The listing agreement states the Realtor's fee.

NOTE: It may appear that the Realtor working with a Buyer is working for that Buyer in an agency relationship, but that is not necessarily the case. An Agency Relationship will be established upon the signing of a Buyer's Agency Agreement

Only if a written Agreement exists between a Buyer and a Realtor can everyone be assured of the agency relationship.

ACKNOWLEDGEMENT

I/We have read and understand the above information. As _____
Buyer(s) / Seller(s)

I/We understand that ROYAL LEPAGE SCHARF REALTY is acting as:

A Buyer's Agent, as documented in a separate written contract, with my permission
To become a Consensual Limited Dual Agent if I make an offer on the property
listed by ROYAL LEPAGE SCHARF REALTY

Initials Initials

A Seller's Agent, providing only Customer representation to me.

Initials Initials

A Seller's Agent, as documented in a separate written listing contract, with my permission to become a Consensual Limited Dual Agent (as described above in Clause 4)
if also acting as a Buyer's Agent with respect to any offer presented to me.

Initials Initials

ROYAL LEPAGE SCHARF REALTY _____
Company (Agent) Signature Date

Sales Representative Signature Date

YOUR ESTIMATED PRICE RANGE

Maximum monthly housing costs you can afford

Gross Debt Service Ratio (GDS)

Your gross monthly salary* \$

+ Your spouse's gross monthly salary \$

+ Other monthly income \$

Total A\$
x 32%

=
Maximum monthly housing costs you can afford B\$

This maximum monthly payment includes principal, interest, taxes, heating (P.I.T.H.) and if applicable all of the annual site lease and 50% of the condominium fees.

* Gross salary is income before taxes

Example:

Jane's gross monthly income is \$2,500 and Deepak's is \$2,000 for a total of \$4,500 per month. They should pay no more than \$1,440 (\$4,500 x 32%) for their monthly housing expenses.

Maximum monthly debt load you can afford

Total Debt Service Ratio (TDS)

Total monthly income A\$
x 40%

= Maximum monthly debt service load you can afford C\$

- Monthly auto payment \$

- Monthly loan payment \$

- Monthly credit card/line of credit payment \$

- Other monthly payments \$

= Monthly income left for housing D\$

If the home you want costs more per month than you can afford right now (D), consider these strategies: lower your expectations and buy a cheaper home; lower your non-housing debt obligations; and/or raise a larger down payment.

Example:

Jane and Deepak have a gross monthly income of \$4,500. Their total debt load should not exceed \$1,800 (\$4,500 x 40%). They have a monthly car payment of \$400, a student loan of \$200 and credit card payments of \$150, for a total of \$750 in non-housing debt payments each month. That means they would have no more than \$1,050 available for monthly housing payments (\$1,800 - \$750). That is lower than the \$1,440 suggested by their Gross Debt Service calculation (B).

Maximum home price you can afford

It depends on how much your down payment is and how much you can carry in monthly debt service. And that depends on variables such as mortgage rates, your debts and monthly expenses, and personal preferences.

Example:

Jane and Deepak have a down payment of \$30,000. They want a conventional mortgage with 25% down, so they estimate their maximum home price at \$120,000.

That would leave them a mortgage of \$90,000. At 8% interest, amortized over 25 years, that means monthly mortgage payments of \$687.* Add monthly property tax installments of \$200 and monthly heating cost of \$120. Their total monthly housing costs will be \$1,007. That is just below the maximum \$1,050 allowed according to their Total Debt Service ratio calculations.

That's too close for comfort for Jane and Deepak. What if mortgage rates go up when it's time to renew? They decide to look for a home priced at a maximum of \$100,000.

That would leave them with a \$70,000 mortgage and monthly mortgage payments of \$535,* plus lower taxes of \$150 and heating costs of \$100. Now their total monthly housing costs will be \$785. That makes their Total Debt Service ratio 34% instead of the maximum 40%. And that gives Jane and Deepak a sense of financial comfort.

* Figures are rounded to the nearest dollar.

CMHC Mortgage Loan Insurance

Get into your home sooner.

Mortgage loan insurance helps you do it.

Put as little as 5% down.

When you need a mortgage loan that is more than 75% of the purchase price of your home, *mortgage loan insurance* is required. It protects the lender and, by law, most Canadian lending institutions require it.

CMHC has pioneered mortgage insurance products and services that have helped finance more than one-third of Canadian homes. With mortgage loan insurance, many Canadians who might not be able to save a 25% down payment can still buy a home.

Having mortgage loan insurance means that if the borrower defaults (fails to pay) on the mortgage, the lender is paid back by the insurer. (However, it should be noted that the protection provided by the lender by the insurer does not relieve the borrower of the obligations under the mortgage contract.)

Without the risk of losing their money, lenders have the confidence to make mortgage loans up to 95% of the purchase price of the home.

CMHC enables eligible Canadians to finance up to 95% of the purchase price of a home. This means you may be able to buy a property with as little as 5% down. So if the cost of the home were \$125,000, you would need a downpayment of just \$6,250. CMHC Mortgage Loan Insurance has made home ownership possible for millions of Canadians

Where can mortgage loan insurance be obtained?

See your lender, who can obtain mortgage loan insurance from CMHC or a private insurer.

CMHC will insure mortgages of up to 95% of the home's purchase price or the market value of the property, whichever is less. (Restrictions may apply. Contact your local lender.)

Both new and resale homes are eligible. Here are some of the criteria that must be met:

- The home must be in Canada and must be your principal residence.
- Housing payments, including principal, interest, property taxes, heating (P.I.T.H.), the annual site lease in the case of leasehold tenure and 50% of applicable condominium fees, can't be more than 32% of your gross household income (GDS ratio).
- Your total debt load can't be more than 40% of your gross household income (TDS ratio). Other criteria apply and are subject to change. For details, please contact CMHC or your local lender.

What does mortgage loan insurance cost?

There are two components, an application fee and an insurance premium. The application fee typically ranges from \$75.00 to \$235.00.

The mortgage loan insurance premium is calculated as a percentage of the loan and is based on the size of the downpayment in relation to the total purchase price. For example, a downpayment of 25% would incur an insurance premium of .75% of the total loan value and a downpayment of 5% would incur an insurance premium of 3.75% of the total loan value.

Homeowner mortgage loan insurance premiums vary according to the loan-to-value ratio.

<i>Effective July 14, 2003</i>		
Loan Amount as a % of the Value of the Home	Purchase Premium on Total Loan	Premium on Increase to Loan Amount for Portability and Refinance *
Up to and including 65%	0.50%	0.50%
Up to and including 75%	0.65%	2.25%
Up to and including 80%	1.00%	2.75%
Up to and including 85%	1.75%	3.50%
Up to and including 90%	2.00%	4.25%
Up to and including 95%	3.25%	—
<p>* For Portability and Refinance, the premium is the lesser of the premium on the increase to the loan amount or, the Purchase premium on the total loan. In the case of Portability, a premium credit may be available under certain conditions to reduce the Purchase premium.</p> <p>Note: See your lender for premium surcharges and other terms and conditions which continue to apply.</p>		

You can pay this premium in a single lump sum (saving interest on this charge), or add it to your mortgage and include it in your monthly payments.

Interest Rate Factor Chart

Factors per \$1000					
Interest Rate	Amortization In years				
	5	10	15	20	25
3.00	17.96	9.65	6.91	5.54	4.73
3.25	18.07	9.76	7.02	5.66	4.86
3.50	18.18	9.88	7.14	5.79	4.99
3.75	18.29	9.99	7.26	5.91	5.13
4.00	18.40	10.41	7.38	6.04	5.26
4.25	18.51	10.23	7.50	6.17	5.40
4.50	18.62	10.34	7.63	6.30	5.53
4.75	18.72	10.46	7.75	6.44	5.67
5.00	18.85	10.59	7.89	6.58	5.82
5.25	18.97	10.71	8.01	6.71	5.96
5.50	19.08	10.83	8.14	6.85	6.11
5.75	19.19	10.95	8.27	6.99	6.26
6.00	19.30	11.07	8.40	7.13	6.40
6.25	19.42	11.19	8.54	7.27	6.55
6.50	19.53	11.32	8.67	7.41	6.70
6.75	19.64	11.44	8.80	7.55	6.86
7.00	19.76	11.56	8.94	7.70	7.01
7.25	19.87	11.69	9.07	7.84	7.16
7.50	19.99	11.82	9.21	7.99	7.32
7.75	20.10	11.94	9.35	8.14	7.48
8.00	20.22	12.07	9.49	8.29	7.64
8.25	20.33	12.20	9.63	8.44	7.80
8.50	20.45	12.33	9.77	8.59	7.96
8.75	20.57	12.45	9.91	8.74	8.12
9.00	20.68	12.58	10.05	8.90	8.28
9.25	20.80	12.71	10.19	9.05	8.45
9.50	20.92	12.84	10.34	9.21	8.62
9.75	21.04	12.98	10.48	9.36	8.78

This chart will also help you calculate your monthly principal and interest payments for fixed rate loans at various interest rates over 5, 10, 15, 20 and 25 year terms.

Start by finding the appropriate interest rate, look across to the column indicating the desired term of loan. That number is the interest rate factor. This is the dollar amount required each month to amortize \$1,000. over the specified term. To calculate your principle and interest payment, multiply the interest rate factor by the total loan amount in 1,000's.

Here's an example:	Interest Rate	6.50%
	Term	25 years
	Factor per \$1,000.	6.7
	Total Mortgage	\$120,000
	Multiply 6.70 x 120	\$804.00 per month

This calculation is of principal and interest only. It does not include property taxes, insurance, or other charges.

Estimated Buyer's Costs

Deposit Cheque at time of offer	\$ _____
Mortgage Application/appraisal Fee/Prepayment Penalty	\$ _____
Home Insurance	\$400 - \$600
Lawyer's Fee	\$600 - \$700
Lawyer's Disbursements	\$600 - \$700
Land Transfer Tax (see attached schedule))	\$ _____
Moving Costs	\$ _____
Survey (\$750-\$900) if required	\$ _____
Title Insurance if required	\$ _____
Home Inspection Fee	\$350 - \$450
Status Certificate for condominium purchase	\$100
Mortgage Interest adjustment	\$ _____
Tax and oil heat adjustment	\$ _____
Realtor's Fee (if applicable)	\$ _____
Total Estimate of Buyer's Costs	\$ _____

Estimated Monthly Payment

Sale Price: \$ _____ - Down Payment \$ _____ =	\$ _____
Canada Mortgage & Housing Corporation fee:	\$ _____
Amount Financed including CMHC fee:	\$ _____
Principal & Interest	\$ _____
Taxes	\$ _____
Condominium Fee	\$ _____
Heat & Hydro	\$ _____
Bell/Cable	\$ _____
Operating costs	\$ _____
Total Monthly Payment	\$ _____

NOTE: This estimate has been prepared to assist the buyer in computing costs. Lenders and other related services will vary in their charges; therefore, these figures cannot be guaranteed.

Legal:

Most lawyers charge a flat fee (including the title-searching fee), and may charge extra for the mortgage. Make sure you ask what the legal fee includes (more specifically, does it include the title searching fee?) If not, how much will that be? Also, ask the lawyer if he/she will charge extra to act on behalf of the mortgagee and if so, how much. It is most upsetting to find out on the closing date that you do not have sufficient money to close the deal because of legal fees.

Disbursements:

There will be other costs that the lawyer will have to pay on your behalf. These include things like photocopies, tax certificate, zoning clearances and work orders, couriers, registering of deed and mortgages, searching title (but not the fee), searching executions, mortgage schedules, status certificate (for condominiums), and other incidentals.

Adjustments:

Taxes - if the Vendor has paid taxes after the closing date, you would be responsible for repayment to the Vendor.

Fuel - if the property is heated by oil, then the tank will be filled by the Vendor on or before closing, and you will be charged on the adjustments for a full tank of oil (usually 900 litres or \$350).

Utilities - all utilities and gas that is metered will be read on closing and the Vendor will be responsible up to the date of closing. You will be responsible for the closing date itself.

Ontario Land Transfer Tax Guidelines

Price	L.T.T.	Price	L.T.T.	Price	L.T.T.	Price	L.T.T.
\$55,000	\$275	\$205,000	\$1,775	\$355,000	\$3,800	\$505,000	\$6,575
\$60,000	\$325	\$210,000	\$1,825	\$360,000	\$3,875	\$510,000	\$6,675
\$65,000	\$375	\$215,000	\$1,875	\$365,000	\$3,950	\$515,000	\$6,775
\$70,000	\$425	\$220,000	\$1,925	\$370,000	\$4,025	\$520,000	\$6,875
\$75,000	\$475	\$225,000	\$1,975	\$375,000	\$4,100	\$525,000	\$6,975
\$80,000	\$525	\$230,000	\$2,025	\$380,000	\$4,175	\$530,000	\$7,075
\$85,000	\$575	\$235,000	\$2,075	\$385,000	\$4,250	\$535,000	\$7,175
\$90,000	\$625	\$240,000	\$2,125	\$390,000	\$4,325	\$540,000	\$7,275
\$95,000	\$675	\$245,000	\$2,175	\$395,000	\$4,400	\$545,000	\$7,375
\$100,000	\$725	\$250,000	\$2,225	\$400,000	\$4,475	\$550,000	\$7,475
\$105,000	\$775	\$255,000	\$2,300	\$405,000	\$4,575	\$555,000	\$7,575
\$110,000	\$825	\$260,000	\$2,375	\$410,000	\$4,675	\$560,000	\$7,675
\$115,000	\$875	\$265,000	\$2,450	\$415,000	\$4,775	\$565,000	\$7,775
\$120,000	\$925	\$270,000	\$2,525	\$420,000	\$4,875	\$570,000	\$7,875
\$125,000	\$975	\$275,000	\$2,600	\$425,000	\$4,975	\$575,000	\$7,975
\$130,000	\$1,025	\$280,000	\$2,675	\$430,000	\$5,075	\$580,000	\$8,075
\$135,000	\$1,075	\$285,000	\$2,750	\$435,000	\$5,175	\$585,000	\$8,175
\$140,000	\$1,125	\$290,000	\$2,825	\$440,000	\$5,275	\$590,000	\$8,275
\$145,000	\$1,175	\$295,000	\$2,900	\$445,000	\$5,375	\$595,000	\$8,375
\$150,000	\$1,225	\$300,000	\$2,975	\$450,000	\$5,475	\$600,000	\$8,475
\$155,000	\$1,275	\$305,000	\$3,050	\$455,000	\$5,575	\$605,000	\$8,575
\$160,000	\$1,325	\$310,000	\$3,125	\$460,000	\$5,675	\$610,000	\$8,675
\$165,000	\$1,375	\$315,000	\$3,200	\$465,000	\$5,775	\$615,000	\$8,775
\$170,000	\$1,425	\$320,000	\$3,275	\$470,000	\$5,875	\$620,000	\$8,875
\$175,000	\$1,475	\$325,000	\$3,350	\$475,000	\$5,975	\$625,000	\$8,975
\$180,000	\$1,525	\$330,000	\$3,425	\$480,000	\$6,075	\$630,000	\$9,075
\$185,000	\$1,575	\$335,000	\$3,500	\$485,000	\$6,175	\$635,000	\$9,175
\$190,000	\$1,625	\$340,000	\$3,575	\$490,000	\$6,275	\$640,000	\$9,275
\$195,000	\$1,675	\$345,000	\$3,650	\$495,000	\$6,375	\$645,000	\$9,375
\$200,000	\$1,725	\$350,000	\$3,725	\$500,000	\$6,475	\$650,000	\$9,475

Last Updated on 4/27/98

By Jim Lawson

To Sell or Buy First?

DO YOU HAVE A HOME TO SELL? This is a common dilemma for many homeowners who are planning a change. I have summarized some points for you to consider.

BUYING FIRST

- Pro's:**
- Allows you to search for a new home at a leisurely pace
 - You are assured of where your next home is before your present property is sold
 - You know how much your new home will cost
- Cons:**
- Offers on the new home will be conditional on the sale of your present property, reducing your bargaining power
 - You could be bumped and lose your dream home (a very frustrating experience)
 - You will not know exactly how much you will realize from the sale of your present property
 - You may have less time to sell your present property. The pressures of having to sell by a certain date could result in a lower sale price

SELLING FIRST

- Pros:**
- While your present property is being marketed, you can search for your next home
 - You know exactly what you will realize from the sale of your present property
 - You'll be in a position to make a firm offer on your next home
- Cons:**
- Depending on how quickly your present property sells, you may have less time to find a replacement. However, you are still in control and can make provisions in any offer you accept for sufficient time to find a replacement

“Together, we can set a game plan that ensures your interests are protected at all times.”

EXPLANATION OF AGREEMENT OF PURCHASE AND SALE

Q. We have been searching for a home with our agent over the last few weeks. Our agent showed us a standard form of agreement that we will be entering into when we find a home. We noted that there were a lot of pre-printed terms on the agreement, and are wondering what those terms were.

A. There are a number of different standardized forms of agreement and sale that are used by vendors and purchasers. One of the more common standard forms used in this area is provided by the Ontario Real Estate Association. I will assume this is the form you were shown by your agent. Below is a brief synopsis of each clause, and for ease of reference, I have referred to the clause by the paragraph number given to it in the standard form.

Paragraph 5: stipulates the date and time of closing. The time is already predetermined on the form as being “no later than 6 p.m.”. You and the vendor must simply decide the closing date and fill in that date in the appropriate space.

Paragraph 6: details to whom notice is to be given. Under this clause, the vendor appoints the listing broker as the party to whom notice is to be given. The purchaser appoints the co-operating broker, if there is one, as the party to whom notice is to be given.

Paragraph 7: deals with the issue of the Goods and Service Tax. Simply, you must fill in whether or not the purchase price includes GST or the GST is to be paid in addition to the purchase price.

Paragraph 8: stipulates the date and time by which the purchaser must conduct a search of title and submit any requisitions to the vendor. The time is already predetermined on the agreement as 6 p.m. and a date needs to be entered in the appropriate place. This will be the date by which your lawyer must conduct a complete search of title to ensure there are not title deficiencies, such as a lien on the property. If any deficiencies are found, your lawyer must submit to the vendor by 6 p.m. on the date specified a request to remedy the title deficiencies. Typically, the date entered here is one to two weeks prior to the date of closing (see paragraph 5 above).

The vendor must also stipulate the present lawful use of the property, for example a single family residential use.

Paragraph 9: stipulates that the vendor has made no representations that the future intended use of the purchaser is or will be lawful except as stipulated in paragraph 8 above.

Paragraph 10: basically states that title is free and clear of any restrictions, charges, liens and encumbrances except for certain items which may be registered on title. The clause then outlines what items may be registered on title but will not be considered as an impediment on title. An example would be an easement (i.e. right of way) registered on title for the supply of utility or telephone services.

Paragraph 11: places an obligation on the vendor to supply any title deed, abstract or survey that is already in the vendor’s possession or control. Take special note of the fact that this does not place an obligation on the vendor to provide you with a new survey. It simply requires the vendor to supply you with an existing survey which the vendor may have in his or her possession.

Paragraph 12: acknowledges that you, the purchaser, have had an opportunity to inspect the property and that once this agreement is executed, you will have a binding agreement. Be certain that you are satisfied with your inspection. If you are worried, or if the home is an older home, consider adding a condition to the agreement permitting you to have a professional home inspector attend the premises to conduct an inspection and provide you with a satisfactory report.

Paragraph 13: deals with insurance coverage of the property. Simply, the vendor must continue to maintain insurance until the date of closing. The clause further states that in the event of substantial damage, the purchaser will have the option of either terminating the agreement or taking the proceeds of the insurance and completing the transaction.

Paragraph 14: states that vendor will comply with the subdivision control provisions of the Planning Act in the transfer of the property to the purchaser. Your lawyer will ensure this is done.

Paragraph 15: states the vendor will be responsible for providing the purchaser with a transfer/deed of land at his or her own expense. This is the actual deed that will be registered on title naming you as the owner of the property.

Paragraph 16: deals with tax implications of purchasing from a non-resident vendor. Simply, this clause stipulates that if the vendor is a non-resident, the purchaser will receive credit against the purchase price for any amount the purchaser may be held liable to pay the Minister of National Revenue in respect of taxes the vendor would be required to pay under the non-residency provisions of the Income Tax Act.

Paragraph 17: states that any charges or expenses incurred, such as hydro and property tax, will be payable by the vendor up to the date of closing. Note, the actual date of closing is apportioned to the purchaser.

Paragraph 18: deals with the extension of time and deadlines. Any extensions are to be made in writing and agreed to by both the purchaser and the vendor.

Paragraph 19: deals with the tendering of money and documents. Simply put, money can be tendered in many forms, including certified cheques and bank drafts. Both money and documents can be tendered upon the purchaser or vendor, or their respective solicitors.

Paragraph 20: deals with family law issues and the need for spousal consent, if necessary. If a spouse's consent to the sale of the home is required, then that spouse must execute the agreement as well. Space is provided for a spousal consent at the end of the standard form of agreement. Spousal consent is required where the property is a matrimonial home and the spouse is not registered on title as an owner of the home. If the spouse is also registered as an owner, then both spouses would be vendors and would execute the agreement as vendors, thereby negating the necessity of a spousal consent.

Paragraph 21: deals with the issue of insulation of the property with Urea formaldehyde (UFFI). Simply, the vendor provides a warranty and representation that to the best of his or her knowledge, the property has not been insulated with UFFI. Take note that the vendor is not providing a clear and unequivocal warranty regarding the use of UFFI. What the vendor is providing is a warranty to the best of his or her knowledge only.

Paragraph 22: notifies the purchaser that credit and/or personal information may be referred to in connection with the transaction.

Paragraph 23: deals with real estate broker representation and brings attention to the bottom of the agreement where you and the vendor will be acknowledging which broker represented the interest of which party.

Paragraph 24: clarifies how the agreement is to be interpreted and what constitutes the entire agreement. First, if any handwritten terms which have been added on to the agreement conflict with the pre-written terms, the added terms will supercede the standard pre-written terms. Second, the clause states that the agreement and any schedules attached to the agreement constitutes the entire contract, and there are no other representations, warranties, agreements or conditions affecting the contract. Therefore, make sure everything that has been agreed to is put in writing on the agreement.

Finally, your agent will be quite versed in all of the terms of the agreement he or she is using and will delete, amend and make any other changes which are deemed necessary to reflect your wishes and protect your interests. I do, however, recommend having your lawyer review the agreement prior to your executing it.

Best of luck!

CONGRATULATIONS! YOU HAVE PURCHASED A HOME.....

WHAT DO YOU DO NOW?

MAKE A NOTE OF THE DATES THAT THE CONDITIONS ARE DUE AND BE SURE YOU UPDATE US WITH HOW TO CONTACT YOU AT ALL TIMES. BE AVAILABLE TO SIGN ANY WAIVERS NECESSARY

- * **Contact and notify your financing company/consultant and make sure that they have all financing approved by the date of the condition, if there is a condition. We will forward any paperwork necessary to your mortgage consultant.**
- * **Make yourself available for any home inspection necessary, and remember to bring your cheque book. The cost is approx. \$395. We can arrange the inspection for you.**
- * **Who do you want to be your lawyer? We can help you by referring you to reputable lawyers locally.**

AFTER YOU HAVE WAIVED YOUR CONDITIONS AND HAVE A FIRM OFFER:

- * **Contact your lawyer to notify them that you have purchased a home and wish them to act on your behalf in the transaction. We will ensure all your paperwork reaches your lawyer's office.**
- * **Contact your mortgage company to notify them.**
- * **Book a moving van and /or company.**
- * **Make a list of everyone you need to notify with your new address, friends, family, insurance, clubs, doctor, dentist, schools, utilities, etc..... (see list included in Odds & Ends of Buying a Home).**
- * **4 weeks before you close, notify post office and fill out change of address forms.**
- * **Arrange to disconnect utilities, phone and cable at current home and to connect utilities at new home.**
- * **2 weeks before closing, arrange for home insurance on new home and cancel old home insurance.**
- * **1 week before closing we will call you to arrange a final inspection of the home you have purchased. This is usually carried out 1 or 2 days before closing.**

PROCEDURES FOR CLOSING AND MOVING

CLOSING DATE

Just a note at this point about the procedures on the actual closing date.

It will be necessary for your lawyer to obtain the money from the Mortgage Company and arrange for an appointment in the registry office to close the deal with the other lawyer. Lawyers often close many deals on the same day resulting in afternoon closings.

I strongly advise that you do not order your moving truck early in the day, as you are not entitled to possession of the property until after the deal has closed. I would suggest that you do not order the truck to arrive until at least 1:00 p.m., so you are not paying the movers to sit outside your new home waiting for the deal to close. Please discuss this with your lawyer in advance.

It is often difficult to obtain a mover or truck on the last Friday of the month, especially in the summer months, so book your moving company or truck rental early.

Your lawyer should be in touch with you within the week prior to closing to arrange for an appointment (probably day or two prior to closing) to sign and settle any money still owing on closing, ie., deposit, closing costs.

DECIDING ON A MOVING COMPANY:

- ◆ Always get written estimates, and promises in writing.
- ◆ Always use a well-known reputable moving company.
- ◆ Ask your friends, etc. for moving company references.

Check with the local *Better Business Bureau (BBB)* or City Hall to see if the moving company is licensed to work in your area. If it is not, its insurance policy may not be in effect, and you will have no means by which to file a complaint or claim.

Long distance moving rates are based on shipments over a distance of 35 miles and are based on weight and mileage. Always request an audit of the actual weights and distances covered.

Local moving rates are usually based on an hourly basis.

Local moving costs, *relative to the time that the move will take*, are usually the cheapest with the company with the most experience.

Should you find reason to file a claim for excessive time billed, damage, etc., carefully document the reasons for your claim, and submit the written claim to the moving company as soon as possible.

- ◆ Give the company a credit card or cash deposit, obtain a receipt for your deposit.
- ◆ Obtain a booking reservation number, as well as the name of the person with whom you booked.
- ◆ Two weeks before the move, call your selected moving company to confirm your reservation.

If you are moving from an apartment or condominium complex, ensure that:

- ◆ the moving truck that you have ordered can fit up to the shipping doors of the building
- ◆ your elevator is reserved well in advance, particularly if your move is at the end of the month

The telephone is a key tool in any move. Arrange with Bell Canada well in advance for the disconnection of your old line and the re-connection of your new line.

MOVING COMPANY OR TRUCK RENTAL OPTIONS

Company	Address	Phone #	Rates
_____	_____	_____	_____
_____	_____	_____	_____

MOVING SUPPLIES AND EQUIPMENT

Buy your moving boxes. The boxes at the grocery store and liquor store may seem better because they're free, but the irregular shapes, unknown tears in the cardboard, lack of tops, pieces of lettuce, etc. will make it a big inconvenience in the long run. It is most economical to buy your moving boxes at a box manufacturer, rather than at a specialized moving store (U-Haul, etc).

It is better to pack many **SMALLER** boxes, rather than fewer **LARGER** boxes.

- ◆ Small boxes are easier to pack and unpack
- ◆ They are lighter, and easier to carry
- ◆ More people can carry lighter boxes
- ◆ Easier to pack in the moving truck

OTHER MOVING SUPPLIES TO BUY

- ◆ Magic markers to clearly mark & label boxes
- ◆ Strong tape to secure boxes – try a tape roll dispenser
- ◆ Scissors
- ◆ Clean packing material
- ◆ Always label your boxes clearly with the contents and the new room location
- ◆ Mark your boxes on the top as well as the sides
- ◆ Buy brightly coloured "**FRAGILE**" stickers for your china boxes, etc.
- ◆ Borrow or rent a manual moving *dolly* or hand truck for loading boxes & appliances
- ◆ Always have plenty of strong rope to secure items in the truck

PLAN YOUR MOVE CAREFULLY

Like the game of chess, the planning of your move has a real *snowball* effect. The first box you pack will have an effect on several other boxes you pack. Packing your belongings in a logical manner will reduce the anxiety and inconvenience of the move significantly. Here are some suggestions:

Before you begin to pack anything, discard or sell some or all of the following:

- ◆ things you don't need or want
- ◆ clothing you haven't worn in 2 years
- ◆ oil rags, matches, gasoline, lighter fluid
- ◆ cooking oils from the kitchen

Packing 10 boxes a day for 10 days is better, easier, and less stressful than 100 boxes on the day before the move!

- ◆ Doctors are constantly telling us of the high frequency of heart attacks occurring yearly at the first snowfall.... Well the same applies to moving and lifting heavy boxes. Be very careful, and always **lift with your legs, not with your back!**
- ◆ Begin packing the items in your home or garage that are the least important and least used (i.e. items in storage, the attic, closets, garden tools, power tools, etc.)
- ◆ It seems that our furniture picks up most of their bumps, bruises, scratches and dents not from everyday use, but only when we move.... Wrap and cover all furniture in the moving truck.
- ◆ Keep those large towels, blankets and sleeping bags handy to wrap around furniture while in transit.
- ◆ Borrow or rent moving blankets from the local moving store (U-Haul, etc.).
- ◆ If you are renting a truck, **the best advice I can give is always rent a truck that you think is too big for your needs.** If you think you need a 14' truck, always rent the 18' truck - you'd be amazed how all those toys, bicycles, shovels, and lamps will take up valuable space in your truck. *Imagine the extra rent and gas costs for an extra trip because the truck you ordered was too small!*

THE DAY OF THE MOVE WITH THE MOVING COMPANY:

- ◆ When the moving company arrives, make a note of their arrival and departure time. Upon receipt of your invoice, ensure that it matches the actual time worked, or part thereof.
- ◆ When the moving company arrives, go through the house with the van foreman, giving him any special instructions that you may have.
- ◆ Advise the drivers where you may be reached at your destination.
- ◆ Advise the drivers of any articles you may require first in your new home so they may be loaded accordingly.
- ◆ Exchange cellular and car telephone numbers with the moving company, if so equipped.
- ◆ If you are moving into a new home in a new subdivision, check to see that the roads and your driveway are suitable and accessible for the moving truck.
- ◆ Let your moving company roll your area rugs correctly.
- ◆ Let the moving company dismantle and set up your beds.
- ◆ Do not roll mattresses. Leave these items for the movers.
- ◆ Any fixtures fastened to the wall, such as mirrors, drapery track, etc. should be taken down for the movers. Make a floor plan of your new home. This will greatly assist the movers in determining where to place the furniture when it is unloaded.
- ◆ Any items such as luggage that you are not including in the goods to be moved by the mover should be kept separate so they will not be moved in error.
- ◆ If you are storing your goods, inspect the company's warehouse facilities, and security services of the facility.
- ◆ When storing, notify your moving company of any items that you may want access to. The company will then ensure that these items will be kept forward in the storage pallets.
- ◆ When you think your house is completely empty, go through it one more time with the van foreman, including the attic, basement and garage.
- ◆ A small gesture of soft drinks or coffee to the movers will be appreciated. A cold beer may seem more appropriate, but remember that they're handling your life-long hard-earned possessions!

PACKING HINTS:

- ◆ Liquids in bottles should have tops securely fastened
- ◆ Never pack articles above the top of boxes
- ◆ Records, books and CD's should be pack on their ends in small boxes
- ◆ Pack blankets in large boxes
- ◆ Pack pillows and towels in dresser drawers
- ◆ Large mirrors, glass table tops, valued paintings and pictures should be carefully packed or professionally crated
- ◆ Pack lampshades in boxes by themselves
- ◆ Do not wrap lampshades in newsprint that may rub off
- ◆ Wrap lampshades in clean tea towels or tissues
- ◆ Handle lampshades by the frame only, not by the lampshades covering
- ◆ Do not pack irons or kitchenware in the same box as china or crystal
- ◆ Do not pack cleaning compounds, soap, furniture polish or medicines in the same box as groceries
- ◆ Securely tape trays in stove, refrigerator and freezer
- ◆ Do not pack heavy items on top of shoes
- ◆ Table lamps, floor lamp bowls and light bulbs should be packed
- ◆ Grandfather Clocks should be prepared for shipment by a jeweller to protect the movement
- ◆ When packing china, place heavy items at the bottom of the box
- ◆ China plates and all other flat pieces should always be packed on their end
- ◆ Small items like salt and peppershakers should be packed in their own small box or a "zip-lock" bag inside the moving box
- ◆ Clothing may be stored in large wardrobe boxes
- ◆ Wardrobe boxes are excellent for moving drapes
- ◆ Always remove hooks from drapes prior to packing so they don't tear the fabric in the moving process
- ◆ Tie brooms, mop handles, and curtain rods in bundles
- ◆ Tie rakes and other garden equipment in bundles
- ◆ Power tools such as table saws, lathes, grinders, etc. should be dismantled for safe moving. All blades should be removed for safety
- ◆ All electrical appliances should have their power cords bundled by elastic bands
- ◆ Defrost your refrigerator the day before moving
- ◆ Never move your refrigerator or freezer in any position other that in the upright position
- ◆ Always drain gasoline from such items as outboard motors, power mowers, snowmobiles, motorcycles and snow blowers
- ◆ Arrange with an electrician to have your gas or electric stove professionally disconnected
- ◆ Take your old telephone book with you

Today, many people own the telephones they use in the home. Remember to disconnect and take the phones that you own with you. If you are renting a telephone from Bell Canada, you will save the cost of the service call if you return the phone to your local Bell Phone Centre.

WHO DO I TELL THAT WE'RE MOVING?

The best answer is *everybody and anybody* who is remotely interested in knowing your new telephone number and home address. If you notify the post office only, they will simply *forward* your mail (at a cost, for a maximum period only). The post office will not notify others of your new address. That is your responsibility.

HOME UTILITIES:

- HOME INSURANCE _____
- Bell Phone 310-2355
- Roger's Cable 748-3200
- Kitchener Utilities 741-2528
- Union Gas 1-877-969-0999
- Waterloo Hydro 885-6840
- Kitchener Hydro 745-4771
- Cell phone..... _____
- _____

EMPLOYERS:

- His..... _____
- Hers _____
- _____

HOME DELIVERY AND OTHER SERVICES:

- Bottled Water..... _____
- Landscaper/Snow Removal _____
- Diaper Service..... _____
- Dry Cleaner _____
- Water Softener _____
- Paper Carrier _____
- Satellite TV _____
- _____
- _____
- _____

NEWSPAPERS AND MAGAZINES:

(Hint: Magazines usually require 4-6 weeks notice. They also like you to send them the mailing label that they affix to your magazine)

- K-W Record _____
- Financial Post _____
- Toronto Star _____
- Magazine subscriptions _____
- CD club..... _____
- _____
- _____
- _____

SCHOOLS, DAY CARE, BABYSITTERS AND CHURCHES:

(Hint: Once you know the name, address, telephone number, principal of the new school, ensure that your children's school records are transferred)

- School #1..... _____
- School #2..... _____
- Babysitter _____
- Church..... _____
- _____
- _____

CLUBS, AFFILIATIONS, UNIONS, AND OTHER MEMBERSHIPS:

- _____
- _____
- _____
- _____

BANKS, FINANCIAL INSTITUTIONS, CREDIT CARDS:

(Hint: always order new cheques with your new address imprinted well in advance of your move. Make sure that the new cheques are (a) left at the bank for you to pick up or (b) have the cheques delivered to your current address)

- _____
- _____
- _____
- _____
- _____
- _____
- _____

OTHERS:

- Driver's License & Plates www.serviceontario.ca
- Auto Insurance #1..... _____
- Auto Insurance #2..... _____
- Leasing Company..... _____
- Life Insurance _____
- Revenue Canada www.ccra.ca
- _____
- _____

MEDICAL:

- Dentist..... _____
- Doctor..... _____
- Chiropractor _____
- Walk-in Clinic..... _____
- Health Card 1-800-664-8988 or www.health.gov.on.ca
- Outdoors Card www.serviceontario.ca

Answers to Frequently Asked Financing Questions

Q. How long does it take to process a mortgage application?

A. From 24 hours to five days. The actual time depends on how quickly the lender can get an appraisal of the property, a credit report and verification of employment and bank accounts.

Q. What documents will I have to provide?

A. Be prepared to provide verification of income (including a pay stub and recent tax returns), bank account numbers and detail on your long-term debt (credit cards, auto loans, child support, etc.). If you are self-employed, you may also be required to provide financial statements for last 3 years. In recent years, lenders have been required to obtain more specific information from borrowers in order to package and sell loans to investors. If you were lending someone such a large amount of money, you would want detailed financial information.

Q. Could anything delay approval of my loan?

A. If you provide the lender with complete, accurate information, everything should go smoothly. You may face a delay if the lender discovers credit problems – a history of late payments or non-payment of debts, or a tax lien. You may then be required to submit additional written explanations or clarifications. You should also be sure to notify your lender if your personal or financial status changes between the time you submit an application and the time it's funded. If you change jobs, get an increase (or decrease) in salary, incur additional debt or change your marital status, let the lender know promptly.

Q. What do the closing costs include?

A. Closing costs cover processing and administration of your loan. In addition to a loan fee, you will usually be asked to prepay interest charges, to cover the part month in which you close, and adjustments for property taxes.

Q. When do my mortgage payments start?

A. Usually about 30 days after closing. The actual date of your first payment will be included in your closing documents.

Q. What is included in my house payment?

A. Principal and interest on your loan. Depending on terms of your loan, the payment may also include property taxes.

MORTGAGE INFORMATION

HOW DO LENDERS QUALIFY A BORROWER?

CAPACITY

Your ability to repay the mortgage, and all other debts based on Gross Income. Industry standards as well as CMHC guidelines are 32% GDS and 40% TDS of combined gross incomes.

CREDIT:

- Good credit (CMHC guidelines are 3 years clean credit with R3 as worst rating)
- Credit Report information remains on file for 6 years.
- Beacon Score (Credit Scoring system based on number of credit inquiries, stability, and debt repayment history)
- One day late on credit card payment is considered R2, 30 day account.
- Creditors will consider if some credit problems contained in report dependent on reasons
- Bankruptcy, 2 years from date of discharge if applying for a CMHC insured mortgage, with good re-established credit with a major creditor. Some institutions will follow their own rules of 7 years bankrupt.

STABILITY: The length of time you have been at your job.

- Minimum of 1 year, some lenders will consider shorter terms, if past probationary period and previous employment was good.
- Will consider Over Time if there is a 3 year history supported by T4's Etc.
- Will consider part time income, if permanent and there is a history, this will vary by lender.
- Will require letters to verify income and lengths of service. T4's and Notice of Assessments could be required depending on job type and if overtime or part time income is used to qualify.

DOWN PAYMENT: The amount of money you will need to cover the minimum down payment.

- Down payment must be from your own resources & not borrowed funds.
- Gift Letter from member of immediate family, money must be in purchaser's bank account when submitting application to CMHC for approval. Gift letter and proof of money in account must be sent with package. (CMHC Rules due to change)
- Down payment must be supported with 3 to 6 months bank account history, copy of bank books or statements.
- Copy of RRSP statement and form T 1036.
- Copy of Ohosp account or other investments.

WHAT TERMS ARE AVAILABLE?

DEFINITIONS:

- **Term:** the length of time that your rate is locked in for.
- **Amortization:** the length of time it will take to retire the mortgage, longest amortization is 25 years.
- **Prepayment privileges:** allowance to pay additional money on the mortgage without penalty. This varies by lender and there are significant differences by lender.

STANDARD TERMS:

- **6 Month convertible:** provides short term low rate mortgage that is renewed every six months into rate available at that time. These mortgages are convertible, which is the ability to switch into a longer term mortgage without cost or penalty.
- **1 to 10 year closed term mortgages:** these are closed for the period of time chosen with the ability to prepay the amount entitled under the terms and conditions of the institution.
- **Variable Rate mortgages:** are based on bank prime rate, and the interest rate usually floats on a monthly basis. Variable rate mortgages can be CMHC insured.

OTHER SPECIALTY TERMS AND PRODUCTS:

- Adjustable or variable rate mortgages are excellent products-some require a minimum of 10% as down payment.
- Rate guarantee periods of 90 days depending on lender.
- Mortgages are completely open at the end of the term and can be paid out or switched to another institution without penalty or new CMHC fees.

WHO SHOULD I USE FOR MY MORTGAGE?

FINANCIAL INSTITUTION (Bank, etc) or MORTGAGE BROKER

This is a personal choice, however, it doesn't hurt to call one of each and then make your decision.

Many people do not understand the concept of a Mortgage Broker. When you buy home or car insurance, you usually work with an insurance broker who shops around to get you the best rate and the best terms. Well mortgage brokers work in a similar way at no cost to you (some rare cases may be charged an admin fee).

GOVERNMENT INCENTIVES

RRSP HOME BUYERS PLAN

- Could not have owned a home after January 1, 1996. Principle residence only they could have owned a rental property, but not an owner occupied.
- Can withdraw up to \$20,000 each, tax free for the purchase of a home, however money can be used for other purposes such as debt consolidation renovations closing costs etc.
- Repayment over 15 years with equal annual installments, commencing in the tax year following the year of purchase. For example closing in 2000 the first installment would be due in 2001, or Jan/Feb of 2002.
- RRSP must be active for a minimum of 90 days before you can withdraw funds. Also, funds can be withdrawn up to 30 days after closing.
- Can use for 2000 tax year until the end of February 2001 and receive the tax benefit in March 2001. (THIS COULD GENERATE A SUBSTANTIAL TAX RETURN)

OHOSP PLAN

- Never owned an owner occupied home before.
- Maximum contribution is \$2,000 per year each.
- Tax credits of up to \$1,000 on a combined investment of \$4,000.
- You have a yearly net income of less than \$20,000 each (or a combined net income of \$40,000)
- Net income is calculated from line 236 of your tax return.
- In order to receive the maximum TAX CREDIT your NET INCOME cannot exceed \$20,000 or a combined net income of \$40,000.

Home Buyers Plan

Position

The Home Buyers Plan exists today because Realtors lobbied for it from 1989-1994. Realtors want to maintain the existing tax provisions, which allow first-time home buyers to borrow money from their RRSPs without penalty. They believe the plan should be expanded to allow relatives of first-time buyers to use it. They also recommend that "hardship" cases, which are eligible for the Canada Housing and Mortgage Corporation (CMHC) five-per-cent down payment home loan insurance, should also be able to use the Home Buyers Plan.

Considerations

- Each participant in the program, which was introduced in 1992 and made permanent for first-time home buyers in 1994, may borrow up to 20,000 from an RRSP to purchase a first home. The money must be repaid in installments over 15 years. Any unpaid balance is fully taxable.
- The expanded use of RRSP funds fosters additional economic growth and employment—at no cost to the government.
- Since its inception seven years ago, the plan has allowed 800,000 Canadians to buy more than 400,000 homes worth nearly \$8 billion.
- In 1995, The Canadian Real Estate Association sponsored an advertising program across the country as a public service to remind users of the plan about their obligations to repay the money they borrowed from their RRSPs. More than 90 per cent of these buyers are now paying it back. REALTORS will continue to draw attention to this and other key features of the plan.
- CMHC allows anyone to buy with 5% down whether it is a hardship or not. You could buy your 2nd home with only 5% as long as it is owner-occupied.
- The government is right to maintain the integrity of the RRSP system as a cardinal principle. Investing your own money into a home—the very cornerstone of retirement for most Canadians—with a commitment to repay the RRSP, is consistent with that principle.
- Revenue Canada has an information booklet that clearly explains and outlines the rules of the Home Buyers Plan. The booklet is available at local taxation offices, or through your Mortgage Broker or Realtor.

ConclusionThe Home Buyers Plan must continue to prove its effectiveness as an instrument of housing finance. REALTORS commend the government for maintaining the plan as a significant support for home ownership and the housing industry.

Glossary

Amortization

Paying off a debt, such as a mortgage, by instalments. The conventional amortization period for a mortgage is anywhere between 15 and 25 years. The shorter the amortization period, the less interest you have to pay.

Appraisal

An estimate of a property's value.

Asking (list) price

The price placed on the property for sale by the seller.

Assumption of Mortgage

A buyer's agreement to assume the liability under an existing note that is secured by a mortgage or deed of trust. The lender must approve the buyer in order to release the original borrower (usually the seller) from liability.

Balloon Payment

A lump sum principal payment due at the end of some mortgages or other long-term loan.

Blended payments

Payments consisting of principal and interest components, paid during the amortization period of a mortgage.

Broker

A person licensed by the provincial or territorial government to trade in real estate. Real estate brokers may form companies or offices which appoint sales representatives to provide services to the seller or buyer, or they may provide the same services themselves. In parts of Canada, brokers are referred to as agents.

Buyer's Agent (also known as "Buyer's Broker" or "Purchaser's Agent")

A person or firm representing the buyer. A Buyer's Agent's primary allegiance is to the buyer. The buyer is the Buyer Agent's client.

Buyer Brokerage Agreement

A written agreement between the buyer and the buyer's agent, outlining the agency relationship between the two parties and the manner in which the buyer's agent will be compensated. In some provinces, a buyer agency relationship arises automatically, without a written agreement establishing the relationship.

Cap

The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.

Client

The person being represented by an agent. The agent owes the client the duties of utmost care, integrity, confidentiality and loyalty.

Closing Date

The day the legal title to the property changes hands.

CMHC: Canada Mortgage and Housing Corporation

A Crown corporation providing information services and mortgage loan insurance.

Collateral

Assets pledged as security in a loan. For example, real estate serves as collateral for a mortgage.

Commission

An amount agreed to by the seller and the real estate broker/agent and stated in the listing agreement. It is payable to the broker/agent on closing and shared, if applicable, among those salespeople involved in the sale.

Condominium

A form of real estate ownership where the owner receives title to a particular unit and has a pro-portionate interest in certain common areas. The interior surfaces (wall, floors and ceilings) serves as its boundaries.

Contingency

A condition that must be satisfied before a contract is binding. For instance, an agreement for purchase and sale may be contingent upon the buyer obtaining financing.

Conventional Mortgage

A first mortgage outside the conditions of the National Housing Act granted by an institutional lender such as a bank, mortgage, loan, or trust company wherein the amount of the loan does not exceed 75% of the approved lending value of the property.

Co-operative

A form of multiple ownership in which a corporation or business trust entity holds title to a property and grants occupancy rights to shareholders by means of proprietary leases or similar arrangements.

CREA: The Canadian Real Estate Association

A national association representing the real estate industry on federal public policy matters, providing member services and education. CREA promotes adherence to a strict Code of Ethics and Standards of Business Practice.

Customer

A person who receives valuable information and assistance from a real estate broker or salesperson, but is not represented by that individual.

Debt-Service Ratio

The measurement of debt payments to gross household income which may include, in addition to the main wage earner's salary, salaries of other wage earners, commissions, bonuses, overtime, etc.

Default

Failure to pay an outstanding debt.

Deposit

The portion of the down payment delivered to the vendor by the purchaser with a written offer as evidence of good faith. Also known as earnest money.

Discharge

To repay a mortgage in full.

Dual Agent

A real estate broker or salesperson who acts as agent for both the seller and the buyer in the same transaction. Both buyer and seller are the agent's clients.

Equity

Equity is the difference between the selling price and any charges against the property and appraised/market value.

Fee Simple

An estate in which the owner has unrestricted power to dispose of the property as desired, including leaving by will or inheritance. It is the greatest interest a person can have in real estate.

Financial Institutions

Banks, credit unions, insurance or trust companies.

GE Capital Mortgage Insurance Company

GE Capital Mortgage Insurance Company is the only private sector source of mortgage insurance to lenders in Canada.

Gross Debt Service

The amount of money needed to pay principal, interest, taxes and sometimes, energy costs. If the dwelling unit is a condominium, all or a portion of common fees are included, depending on what expenses are covered.

Gross Debt Service Ratio

Gross debt service divided by household income. A rule of thumb is that GDS should not exceed 30%. It is also referred to as PIT (Principal, Interest and Taxes) over income. Sometimes energy costs are added to the formula, producing PITE, which moves the rule of thumb GDS to 32%.

High Ratio Mortgage

A mortgage loan that exceeds the normal limit of a conventional first mortgage, in regard to the ratio of the loan amount to the property's lending value; the higher loan is made possible by a mortgage insurance plan.

Home Warranty Plan

Protection against failure of mechanical system within the property. Usually includes plumbing, heating systems and installed appliances.

Interest

The charge for the use of money supplied by a lender.

Joint Tenancy

An equal undivided ownership of property by two or more persons. Upon the death of any owner, the survivors take the decedent's interest in the property.

Liabilities

Your debts, like a car loan.

Lien

An encumbrance or claim against real property that may be voluntary. For example, a homeowner agrees to pledge real estate as collateral for a home improvement being done by a contractor. A lien may also be involuntary. For example, a homeowner is delinquent in payment of a property tax bill. An involuntary lien is placed upon the property by the relevant municipality.

Listing Agreement

The legal agreement between the listing broker and the seller, setting out the services to be rendered, describing the property for sale and stating the terms of payment. A commission is generally payable to the broker upon closing.

Loan-To-Value Ratio

The relationship between the amount of the mortgage and the appraised value of the property, expressed as a percentage of the appraised value.

Maturity Date

The day a mortgage loan must be paid in full or the agreement renewed.

MLS®, Multiple Listing Service®:

Trademarks owned by The Canadian Real Estate Association. They are used in conjunction with a real estate database service, operated by local real estate boards, under which properties may be listed, purchased or sold.

MLS®Online™

Carries MLS® property advertisements and consumer-related information supplied by individual real estate boards and associations across Canada.

Mortgage

A contract providing security for the repayment of a loan, registered against the property, with stated rights and remedies in the event of default. Lenders consider both the property (security) and the financial worth of the borrower (covenant) in deciding on a mortgage loan.

Mortgagee

The person or financial institution lending the money, secured by a mortgage.

Mortgagor

The property owner borrowing the money, secured by a mortgage.

Mortgage Broker

A person or company having contacts with financial institutions or individuals wishing to invest in mortgages. The mortgagor pays the broker a fee for arranging the mortgage. Appraisal and legal services may or may not be included in the fee.

Mortgage Insurer

In Canada, high-ratio mortgages (those representing greater than 75% of the property value) must be insured against default by either CMHC or private insurers. The borrower must arrange and pay for the insurance, which protects the lender against default.

Offer of Purchase and Sale

The document through which the prospective buyer sets out the price and conditions under which he or she will buy the property.

Open Mortgage

A mortgage agreement which allows the borrower to repay a debt at any time and usually without pre-payment charges.

P.I.T.H.

Principal, Interest, Taxes, and Heating.

Portable Mortgage

Under this scheme, a loan balance and its interest rate may be transferred to a different home at the homeowner's option providing such transfer is approved by the lending institution.

Prepayment Options

A provision in a mortgage loan contract spelling out the terms under which the loan may or may not be prepaid. It specifies the amount of the loan that can be prepaid each year without a prepayment penalty.

Prepayment Penalty

A fee charged to a borrower who pays a loan before it is due.

Principal

The amount actually borrowed, not inclusive of other items such as fees, interest, etc.

Purchase Agreement

A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions. Also called a sales contract, or agreement for purchase and sale.

Real Estate Board

A non-profit organization representing local real estate brokers/agents, salespeople, which provides services to its members and maintains and operates a MLS® system in the community.

REALTOR

Trademark identifying real estate professionals in Canada who are members of The Canadian Real Estate Association, and as such, subscribe to a high standard of professional service and to a strict Code of Ethics.

Registered Encumbrance

A legal charge registered against real property.

Renegotiate

A process in which the interest rate and other terms are recalculated prior to the maturity date of a mortgage.

Renewal Agreement

An agreement whereby the lender may agree to extend the loan, but possibly on revised terms as to the principal repayment (amortization) and interest rate.

Seller's Agent

The Seller's Agent represents the seller – either as a Listing Agent under the listing agreement with the seller or by cooperating as a Sub-Agent, typically through the MLS® system. In dealing with prospective buyers – customers– the Seller's Agent can provide a variety of information and services to assist the buyer in his/her decision-making. The Seller's Agent does not represent the buyer.

Tenancy in Common

A type of joint ownership of property by two or more persons with no right to survivorship.

Term

The actual life of a mortgage contract– from six months to ten years – at the end of which the mortgage becomes due and payable unless the lender renews the mortgage for another term (See Amortization).

Total Debt Service Ratio

The relationship between principal, interest, taxes, and consumer loan payments on one hand and the prospective purchaser's gross income on the other.

Variable-rate Mortgage

A mortgage in which payments are fixed, but the interest rate moves in response to trends. If interest rates go up, a larger portion of your payment goes to the interest; if rates go down, more goes to cover the principal.

Vendor Take Back

Where the vendor provides a portion or all of the mortgage financing in order to facilitate the sale of a property.

Questions? A REALTOR will be happy to answer them. To get in touch with a local REALTOR, contact your local real estate board. (see Boards & Associations).

MLS LISTING FORM FEATURE ABBREVIATIONS

<p>AIREX-Air Exchanger ALUM- Aluminum Siding APOOL- above- Ground Pool APPL- Appliance BALC-Balcony BASBD-Baseboard Heater BATH1- Single bathroom BATH2- double bathroom BATH3 Triple bathroom BATH4- 4 Pc. Bathrooms BATH5- 5 Pc. Bathrooms BATH6- 6 Pc bathrooms C/AIR-Central Air Conditioning C/ENT-Controlled Entry C/VAC-Central Vac CEDAR-Cedar CLDRM-Cold Room/Cold Cellar CO-OP-Co-op CONCR-Concrete CONDO-Condominium Unit COTTG-Cottage/Recreational CP00L-Community Pool CPT1-Single Carport CPT2-Double Carport CPT3-Tripple Carport CRAWL-Crawl Space D/WRK- Detached Workshop DEN-Den DENVLP-Development Site DINET- Dinette DINRM-Dining Room DISHW-Dish Washer DOUBL- Double DUPLX-Duplex DWSH-Dishwashers EXRCS-Exercise Room ELEV-Elevator ELEC-Electric EBTH1 1Pc. Ensuite Room EBTH2 2 Pc.Ensuite Room EBTH3 3Pc.Ensuite Room EBTH4 4 Pc. Ensuite Room EBTH5 5 Pc.Ensuite Room EBTH6 6 Pc.Ensuite Room FURN-Furnace FOYER-Foyer FIRPL-Fire Place FIN-Finished FENCE-Fenced Yard FAMRM-Family Room F/AIR-Forced Air</p>	<p>GAMES-Games room GDO-Garage Door opener GRAVL-Gravel Road GREAT-Great Room GREEN-Back On Belt H/STV-Heating Stove HEAT-Heat HNDCP-Handicap Provisions HOBBY-Hobby room/Hobby Farm HOTUB-Hot Tub HTPMP-Heat Pump HTWAT-Hot Water Radiator I/PRK-Inside Parking INDPL-Indoor Pool INLAW-In-law suite INSBR- Insult brick INVST-Investment Property INPOOL-In Ground Pool KBX-Key box KEY-Key At Listing Broker KITCH-Kitchen LAND-Land Only LAUND-Laundry Room LBR-Listing Broker LIVRM-Living Room M/BED-Master Bed Room MBENS-Master Bed Room Ensuite MLAUN-Main Floor Laundry MLTLV-Multi-Level MOBILE-Mobile Home MUNIC-Municipal MUTUA-Mutual NAGAS-Natural Gas O/PRK-Outside Parking OIL-Oil OWN-Owner Occupied PTFIN-Partially Finished RECRM-Recreation Room REMOV-Removed RENTL-Rental Unit RESID-Residential Only RMGHS-Rooming House ROW-Row Housing RS/RT-Residential/Retail RSL0T-Residential Lot(s)</p>	<p>S/DISH-Satellite Dish S/WHR-Sauna/Whirlpool SALE-Also Available For Sale SALE-For Sale Only SAUNA-Sauna SDSPL- Side Splits SECUR-Security System SEMDR-Semi-Detached SEPTC-Septic SIGNS-Signs Allowed SINGL-Single SNOWR-Snow Removal SOLAR-Solar Heat SPRNK-Sprinklers STFRM-Steel Frame STEEL-Steel STONE-Stone STORG-Storage STUCC-Stucco STUDN-Licensed Student Dwelling SWRC-Sewer Not Connected SWRCN-Sewer Connected TEN-Tenant TEN-Tenant Occupied TENNS-Tennis Court THERM-Thermopane Glass TILE-Tile TILED-Tiled TR&GR-Tar And Gravel TREED-Treed/Wooded TRIPL-Triple TRPLX-Triplex TVANT-TV Antenna Tower TVCBL-TV Cable TWNHS-Townhouse (Style) TWNHS-Freehold Townhouse (Type) UNFIN-Unfinished UNKWN-Unknown UFFI-Ureaformaeldehyde Insulation VAC-Vacant VEN-Vendor VINYL-Vinyl Siding W/HTR-Water Heater W/SOF-Water Softener WATFR-Water Front WDFRM-Wood Frame WELL-Well WHIRL-Whirlpool WLKBS-Walkout Basement WOOD-Wood Siding WRKSH-Workshop</p>
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