

FIRST-TIME BUYERS GUIDE



RE/MAX HALLMARK
PIERRE CARAPETIAN GROUP
Realty Brokerage

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SECTION 1 INTRO

IS IT WORTH IT? RENT VS BUY

Buying a home is a great way to invest in your future. While you're monthly carrying costs will likely be higher than what you pay in rent, the money you pay as a homeowner is paying down your mortgage and building you equity. The money you pay when renting is paying someone else's mortgage.

If you are planning on being in the same place for the next 5 to 10 years, it may make more sense financially to buy rather than rent. Similarly, the value of your home will grow with the market.



[Read our blog Renting Versus Buying](#)

SHOULD I BUY A CONDO OR SAVE FOR A HOUSE?

Understanding your goals and realizing what you can do within your own means is the first step to answering this question. Everyone's financial starting point is going to be different. It's not a one size fits all strategy – it's what works for you.

Buying a house in Toronto's market is going to require much more upfront than your average condo. If this is an end-user purchase and your finances will allow it, buying a house is a great way to earn equity while putting a roof over your head. Keep in mind, houses come with their fair share of costly repairs and maintenance that you'll need to budget for in addition to your monthly mortgage payments.

Read Why Homeowners Should Have an Oh Sh*t Fund

If you're looking at building your investment portfolio or are just trying to get into the real estate market, buying a condo may be the right product for you. If buying a starter condo for \$400,000 is what your budget will allow, that's a great way to get your money to start working for you. We know by looking back in history, that by holding a property it will increase in value. As the market grows and your equity builds, you can **leverage your equity** in to additional properties — maybe even a house down the line.

WHO'S INVOLVED IN THE BUYING PROCESS

Buying a home requires one hell of a squad. Beyond your Realtor, here is your crew:

MORTGAGE LENDER	The financial institution or equivalent that provides you with the funds used to purchase your home.
MORTGAGE BROKER	The individual who arranges financing for your property. They act as intermediary between you, the borrower, and your Mortgage Lender.
HOME INSPECTOR	The trained individual who will assess the physical condition of the home as a whole.
HOME APPRAISER	The trained individual who helps determine the market value of a home on behalf of the lender for financing.
INSURANCE BROKER	The financial professional who will set up your mortgage insurance (when applicable), title insurance, and home insurance.
REAL ESTATE LAWYER	A lawyer, specialized in real estate, who will successfully liaise all necessary steps in closing the transaction of your home. They are an essential part of your home buying team.



WHY YOU NEED AN EXPERIENCED AGENT

Having an experienced real estate agent helping you with your search means they can give you guidance and insight on what you're actually purchasing. They'll know which buildings are reputable, which areas or properties will best suit your lifestyle, and why certain floor plans or features are favourable come resale. They can understand and interpret prices for you so that you know your dollar is being well spent. Beyond that, they have insight on neighbourhoods, the economy, interest rates, and are able to ensure you have all your ducks in a row to secure the property you want the moment you find it.

Pierre is passionate about using real estate to not only find the perfect home for your needs, but also to use it as a means to build wealth and ensure your financial independence.

With over 14 years of real estate expertise, Pierre knows how to listen and understand your needs and concerns. He will create and execute a smart strategy that meets your purchasing goals and achieves your home-owning priorities.

His custom strategy and expertise in negotiations are invaluable to ensure you get the property you want at the best possible price. You can rest assured that he will always represent your best interests and present your offer using strategies that best position you for success.

WHO PAYS WHAT?

REALTOR COMMISSION

As a buyer, your realtor's commission is paid for by the seller. Working with a realtor to buy a home costs you nothing!

LAWYER FEES

Both you and the seller will need lawyers to help finalize the sale. This is the biggest transaction of your life and you'll want to ensure you have a professional to look out for your best interest. Lawyer fees will fall into your closing costs. You should budget \$1500-\$2000 for legal expenses when you buy a property in Toronto.

HOME APPRAISAL

A home appraisal is an added expense for the buyer and is typically required by the financial institution as part of the lending process. The lender will want an independent company to provide a valuation of the property most times to ensure they agree with the purchase price of the home. If their value is less than what you paid, the lender may require you to come up with the difference between the purchase price and the appraised value. It's imperative that you work with a qualified realtor who can guide you through the offer stage to ensure you are in line with other sales in the area of similar properties. This will greatly mitigate your risk.

HOME INSPECTION

A home inspection is paid for by the buyer. While they aren't mandatory, they can be a wise investment. Especially with older homes, home inspections will help to identify any hidden issues within the house that may cost you post-sale. If any issues are discovered, your realtor may be able to negotiate an abatement. Often times in Toronto's active real estate market, the sellers may have a pre-home inspection completed if they are expecting multiple bids on their home.



SECTION 2 FINANCES

GETTING A PRE-APPROVED MORTGAGE

When applying for a mortgage, your lender needs to know where you stand financially. This means knowing your income, your monthly expenses, what debt you may have (loans, credit cards, taxes owed, etc), and how much you have available for your down payment as well as any other registered and non registered savings you may have.

Lenders will use this to calculate your debt-to-income ratios which helps them determine what you can afford.

TYPES OF MORTGAGES

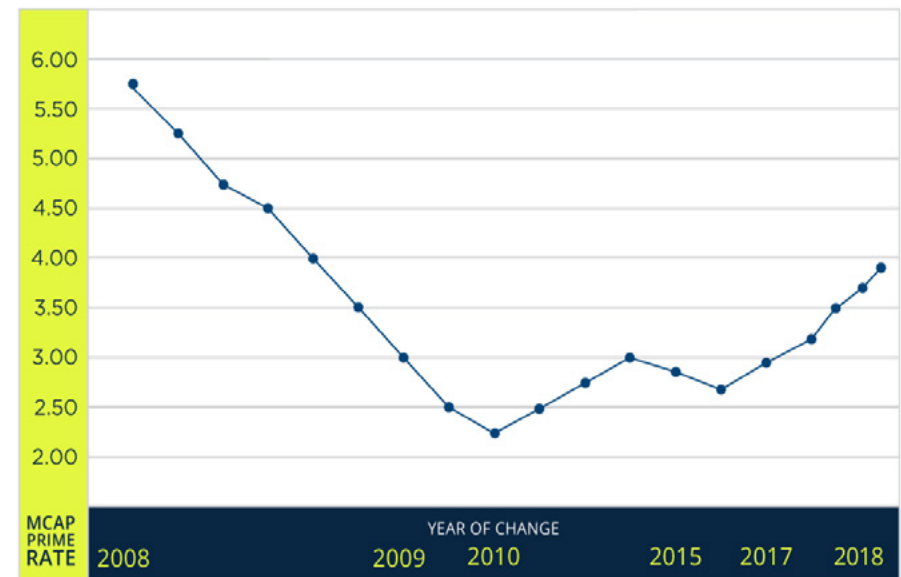
VARIABLE RATE MORTGAGE

With a variable mortgage, your interest rate and monthly payment can fluctuate up or down based on the prime rate. Believe it or not, Canadian variable-rate interest rates have been lower over the past ten years despite being the less popular choice. While the type of rate can be more volatile, there are times where you are likely paying less than a fixed rate.

FIXED RATE MORTGAGE

With a fixed mortgage, your interest rate and monthly payment will remain the same throughout your chosen term. This is typically the more popular choice for the stability it offers when budgeting.

PRIME RATE TEN YEAR HISTORY



STRESS TEST

The Stress Test is now in effect for all purchasers. This means you'll need to qualify at a rate of at least 5.19% (July 2019) or 2% higher than your negotiated rate.



[Read more on qualifying under the new lending rules.](#)

PENALTIES

Fixed Rates usually have a higher penalty compared to Variable Rates if you wanted to end the mortgage earlier than the term. It's important to ask your mortgage professional about the penalties associated with terminating your mortgage early or wanting to pay off more principal payments.

DOWN PAYMENTS: HOW MUCH DO YOU NEED?

The minimum down payment required depends on the purchase price of the property.

PRICE OF PROPERTY	MINIMUM DOWN PAYMENT
UNDER \$500,000	5% (if you qualify based on lending guidelines)
\$500,000 - \$999,999	5% on 1st \$500K + 10% on remaining amount
OVER \$1,000,000	20%

Mortgage insurance is required on all mortgages with less than 20% down. Keep in mind that the smaller your down payment, the higher your mortgage insurance will be. This will affect your monthly carrying costs.

Use our **Mortgage Payment Calculator** to get an idea of what your monthly payments could be based on different down payments.



WHEN IS MY DEPOSIT DUE?

The deposit is usually made 24 hours after an accepted offer or with your offer if you were in competition for the property. A typical deposit is 5% of the overall purchase price and goes towards your down payment. This means that when you're seriously looking at properties, you'll need to have your deposit funds readily available.

WHAT IS DEPOSIT INSURANCE?

When you work with a real estate agent or broker, the deposit you pay is protected through their insurance program at no cost to you. Brokers and agents are required by law to provide this insurance. For more information on deposit insurance, visit [RECO's website](#).



WHAT ARE MAINTENANCE FEES?

When buying a condo or townhouse you are required to pay monthly maintenance fees. These fees generally cover the maintenance of common areas, both indoor and outdoor, amenities, and even some utilities depending on the building. A portion of your maintenance fees also goes towards the building's reserve fund. All buildings are required to have a reserve fund as per the Condominium Act, which acts as an emergency savings account for unexpected repairs and maintenance.

Make sure when you purchase your condo or townhouse that you have your lawyer establish what is and isn't covered under these fees for your particular property. These fees will vary per building and tend to be higher in older buildings as more and more maintenance is required. Each owner's fees are determined by the square footage of their unit, along with flat maintenance fees for those with parking and lockers. As an example, the average cost for these fees is around \$0.62/sqft. So if you buy a 600 square foot condo, you can expect to pay \$372 a month in maintenance fees.



[Read our blog on Maintenance Fees](#)



WHY HOUSES AREN'T EXEMPT FROM MAINTENANCE FEES

Even when buying a house, you should be putting money aside each month into an Oh Sh*t Fund. A good rule of thumb is to try to put away 5% of your monthly mortgage into your emergency fund until you have a sufficient safety net to protect you in the event that you lose your job, need to take some time off of work or come face-to-face with an overhaul project. Remember, that unlike a condo, repairs to a home come unexpected and they are far more costly. When it rains, it pours! So don't fool yourself into thinking a house doesn't have maintenance fees — you need an Oh Sh*t fund!

FIRST-TIME BUYER REBATES

As part of Canada's Economic Action Plan, there are rebates designed to help first-time home buyers cover some of their expenses.

FIRST-TIME HOME BUYERS' TAX CREDIT

This rebate is valued at \$750 for all first-time home buyers and must be claimed on your personal tax return within the year of purchase.

To be eligible for this rebate, the purchaser:

- must be buying a home within Canada.
- must intend to occupy the home within one year of purchase.
- Cannot have lived in a home owned by you or your spouse within the previous four years.

LAND TRANSFER TAX REBATE

First-time home buyers are eligible for a full or partial rebate on their Land Transfer Tax. Buyers in Toronto pay a municipal Land Transfer Tax as well as the standard provincial Land Transfer Tax.

To be eligible for this rebate, the purchaser:

- must be 18 years of age.
- must be a permanent resident of Canada.
- must intend to occupy the home within 9 months of purchase
- cannot have previously owned a home locally or elsewhere in the world. If you are married and your spouse has previously owned a home, you are no longer eligible for the rebate.



You can calculate how much you'll pay in Land Transfer Tax for a particular property by using our [Land Transfer Tax Calculator](#).



SECTION 3 PROCESS

THE BUYING PROCESS

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ARRANGE FINANCES

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START YOUR SEARCH

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MAKE THE OFFER

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CLOSE THE DEAL

1

ARRANGE FINANCES

So you're ready to buy your first place! The best place to start is getting your finances in order. Getting a mortgage pre-approval lets you know how much you can afford, what your interest rate will be, and what your monthly mortgage payments will look like. This helps narrow your search to a specific home type, size, or neighbourhood.

Keep in mind, getting pre-approved is not a guarantee of final approval for a mortgage. Once you find the home you want to buy, the property still has to be evaluated to ensure the price and condition of the home are acceptable to your lender.

To be fully prepared, it's best to have your deposit funds ready before you start your search. In Toronto's hot real estate market, having your deposit ready means you can make your offer when the right property comes along.



2

START YOUR SEARCH

Pick an awesome realtor and start making a plan! Buying your first home is exciting, but there are many things to consider. Establish your must-haves, your nice-to-haves, and your absolutely-nots. Of course, the location will be a big decision too — what neighbourhood do you see yourself in?

Your real estate agent will send you customized listings based on your criteria. Once you and your Realtor have gone to see some properties together, this is your opportunity to get a feel for the different neighbourhoods, see what is available in your price range, and potentially redefine your wish list.

3

MAKE THE OFFER

Whether you've been looking for days or a year — Congrats! Your house hunting efforts have finally paid off. The process can be both exciting and stressful. Your real estate agent will discuss your offer or "Agreement of Purchase and Sale". This Agreement is a legally binding document which outlines not only the price you wish to pay but any conditions you want included in the offer (financing, status, etc), any inclusions with the property (fridge, washer/dryer, etc), and your ideal closing date.

CONDITIONS

Conditions are requirements within the Agreement of Purchase and Sale that must be met for the sale to go through. Don't let conditions in an offer to purchase intimidate you — once you understand what's required, you can go into the buying process armed with knowledge and confidence. In today's hot market, conditional offers are typically thought of as a thing of the past, however it is still important to understand the relevance and necessity of conditions as it pertains to your purchase.

A conditional offer depends on whether the respective conditions will be met. These are intended to ensure that the buyer is protected from unforeseen upsets that would complicate or prevent the sale. When any of the conditions are not satisfied, the buyer or seller (depending on who applied the condition), can back out of the agreement without any penalty. You are able to waive the conditions when they have been fulfilled to you and your lawyer's satisfaction.



[Click here to see a list of commonly used Offer Conditions.](#)

3

MAKE THE OFFER

Once you've submitted your offer, the seller can accept it, reject it, or sign back a counter offer. In Ontario's real estate contracts, offers to purchase property normally contain an irrevocable date and time. An irrevocable can be a few hours or a few days. Ultimately, it means your offer is unchangeable and unalterable and can be accepted at anytime until it is revoked.

Your real estate agent will work with you to come up with a strategy to ensure that you are putting forward the best offer. If the offer is not accepted within your irrevocable time, the offer becomes null and void and any deposit made is returned to the buyer in full without deduction.

Irrevocable dates also apply in the case of counter offers. If the seller signs back the offer with their changes, they will change the irrevocable time so that they are unable to revoke their counter offer until the time of their own irrevocable.

Your real estate agent will help to ensure that all conditions of your offer are met and your paperwork is submitted in a timely fashion. Once the conditions have been met, the agreement is firm and you can expect to hear the news from your real estate agent. Now it's just a matter of waiting for your closing date.

4

CLOSE THE DEAL

The closing date is when the title (or ownership) of the property is transferred from the Seller to you, the Buyer.

On top of your down payment, you need to budget for all of the closing costs affiliated with buying a home. These costs can vary depending on the purchase price of your new home but need to be paid for in cash. Here is what typically falls into your closing costs:

- Municipal and Provincial Land Transfer Tax
- Title Insurance
- Legal fees

We've made it easy for you to get a better estimate on what you can expect to pay in closing costs. Download our [Closing Cost Calculator](#) to calculate how much you might pay on a particular property.

Remember, first-time home buyers may be eligible for a full or partial refund on their Land Transfer Tax.



[Download our Closing Cost Calculator](#)



For a more in-depth look at closing costs, read “Understanding Your Closing Costs Before You Purchase that Property”.

BUYING PRE-CONSTRUCTION



If you're thinking about buying a pre-construction property, the process works a bit differently. Download our free Pre-Construction Investment Guide for a comprehensive look at the pre-construction real estate process.

YOUR COMPETITIVE ADVANTAGE



**SEARCH PROPERTIES
UNDER \$500K**



**SEARCH ALL TORONTO
PROPERTIES**

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