

# Home Buyers Guide

Congratulations on taking the initial steps to become a Home Owner. Here is some information and tips that I hope you find helpful. Some people don't realize but there are other costs required to buy a house besides the down payment and mortgage payments. It's important to budget these amounts into your plan. Here are some of those additional expenses. These amounts are just an estimate. They could be higher or lower:

- a) Legal fees-Anywhere between \$1,000-\$2,000 for the buyer
- b) Standard Home Inspection-\$400-\$500 depending on the scope of the inspection. I always recommend my buyer clients get a Professional home inspection. It might not find every minor issue with the house but it could find some major defects. It's money very well spent.
- c) GST-Goods and Services Tax may be payable on the purchase of a home. This usually BUT not necessarily applies to the purchase of new properties or properties that have been substantially renovated. It's important to consult a tax expert for professional advice if you aren't sure if GST applies. Listings on the MLS® must be inclusive of GST
- d) Mortgage Insurance-High Risk Mortgages(Mortgages where >80% of the price of the property is being financed) must have Mortgage Insurance. This is to protect the lender in case the borrower defaults on the loan. Most mortgages are insured through CMHC. This amount is usually added to the amount of the mortgage. It can vary anywhere between 2.8%-4.5% of the amount borrowed depending on the down payment.
- e) Renovations required-Based on the Home Inspector report there might be some work required to fix the house to your liking or even make it move in ready. I can provide a list of trustworthy tradespeople to get a better idea of the cost involved. One of the Purchase conditions could be to allow the tradespeople access to the house prior to closing to provide a quote. That way the work could be scheduled to begin the day of possession.
- f) Mortgage Appraisal-This is usually covered by the bank for insured mortgages but not necessarily. Those getting Conventional Mortgages(<80% of the purchase price financed) usually need to pay for the appraisal. It could be around \$300.
- g) Moving Expenses-The cost depends on the distance you are moving and the amount of items being moved. It could be a few hundred dollars or several thousand.
- h) Professional Condo Document Review-I highly recommend this for a property that is part of a Condo Association. You are basically buying into a Corporation. You want to ensure the Corporation's finances are healthy and that there are no special assessments on the horizon. One of the most important factors is that the Reserve Fund has a large enough balance to cover any upcoming capital expenditures required. This review usually costs around \$400-\$500.

## **Monthly Cost Associated with Home Ownership**

- Property Tax
- Home Insurance
- HOA(Home Owner's Association)

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- Repairs & Maintenance
- Utilities(Electricity/Gas/Water)
- Condo Fees(for properties that are part of a Condo Association)

On average, people move every five years. You need to consider the ease or difficulty you might have selling this same property five or ten years from now. This is especially important when considering a starter home. Chances are you will outgrow it sooner than later. You want to buy properties that are close to services like schools, stores, public transportation(Bus stops/C-train stations) and transportation infrastructure(roads/highways). Of course it might not make sense to be located on busy roads because of noise. The same is true for being right across from schools because of the increased traffic twice a day during drop off and pickup.

It's especially important not to overpay for properties when you might move in the near future. You want to make sure you have accumulated equity so you can pay out your existing mortgage and cover your selling costs(legals fees/realtor's commissions/miscellaneous expenses). Look to buy in areas that will be in demand in the future. Don't just buy a property because it's cheap. Consider the Walk Score since more and more people are checking this out. Also think over the floor plan. You want a floor plan that would appeal to most people. For example, a bungalow with 4 bedrooms but 3 which are below grade would require a particular buyer.

Also consider your long term plan before choosing the length of your Mortgage. There can be substantial penalties to payout a mortgage early. I can recommend some knowledgeable mortgage brokers that can provide the right financing for your situation.

## **Condo vs. Non Condo**

First of all, you can not tell by looking at a Property if it's part of a Condo Association or not. A Condo is a type of ownership NOT a style of property. You MUST pull the title from Alberta Land titles to confirm this. Most people are attracted to Condos because of the perception of a stress free lifestyle. There are definitely some benefits including less maintenance. However, there can be drawbacks as well. You will probably have more interaction with your neighbours depending on the style of the Condo. You are also buying into a Corporation. If the Corporation has a low Reserve Fund then there might be Special Assessments to cover the deficit. As well, you need to pay Condo fees every month. Those Condo fees can increase every year if the Condo Board decides. You also should take an active role in the way the Condo Association is being governed. The decisions the Condo Board make have a large impact on your property and ultimately your check book. Smart Condo owners join the Condo Board so they can help guide the Condo Association in the right direction and protect their large investment.

This is a general overview of some things Buyers should keep in mind. Every buyer is unique and requires a custom approach. Please contact me directly to discuss how I would take your family from looking for the right property to moving into it.