

Expenses when you buy a home

I have saved a down payment for a home.

Do I have to save money for anything else?

You should have money for:

- legal fees,
- property insurance,
- land transfer tax,
- GST,
- property tax adjustment,
- prepaid interest for 1 month,
- moving costs, and
- a home inspection.

You will also need to save for mortgage insurance fees if you have a down payment of less than 20% of the purchase price. Your lawyer can explain these costs.

My friends bought a home and told me that they paid GST. Do I have to pay GST when I buy a home?

If you buy a home that has been newly built for you, you will have to pay GST depending on the cost of the home. Your agreement should clearly say if GST has to be paid.

My friends bought a home and told me that they had to pay interest to the seller. Do I have to pay interest to the seller when I buy a home?

Yes, in some cases. If you have a mortgage, usually, the bank only sends the money to your lawyer after the mortgage has been registered with the Land Titles Office. This happens 3 to 4 weeks after you have been living in your new home. You only start making mortgage payments after the bank has sent the money to your lawyer to pay the seller. You will pay interest to the seller instead of the bank for that short period.

What is property tax?

When you buy a home, you will have to pay property tax to the city. The amount is based on the value of your home. You have to pay property tax each year.

When should I see a lawyer?

You should see a lawyer:

- If you want to make an offer to buy a home
- After your real estate agent has prepared an offer to purchase and before you send it to the seller
- To find out about the expenses that you will have when you buy a home
- You want to buy a home with your spouse
- You want to buy a home with a friend or relative
- If you are thinking of co-signing a mortgage
- To explain the terms of the mortgage.

When should I see someone at the bank?

You should see someone at the bank:

- If you want to find out if you can afford to buy a home
- To find out how much money you can afford to spend on a home
- To get a mortgage pre-approval
- If you want to take money from your RRSP for your down payment
- To find out if you will need mortgage insurance
- If you are thinking of co-signing a mortgage.

Buying

a

Home

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Do I have to be a Canadian citizen to buy a home in Canada?

No, you do not have to be a Canadian citizen to buy a home in Canada.

What is an offer to purchase?

This is an agreement between the seller and the buyer of property. The offer to purchase sets out:

- the price,
- a full description of the property,
- what property is included, like fridge, stove
- the date that the buyer will be able to move into the property and
- other terms of the agreement.

Do I need a lawyer to write an offer to purchase?

Your real estate agent can prepare an offer to purchase. It is best to have your lawyer review the offer to purchase after your real estate agent has prepared it. It is a legal contract and when both you and the seller sign it, you will have to follow the terms in it.

Paying for your home

How do I pay for my home?

If you want to buy a home you must have either cash or a cash down payment and a mortgage. Most people in Canada buy their homes with some of their own money and the rest from a mortgage.

What is a down payment?

A down payment is the amount of your own money that you will pay to buy a home. If you have an RRSP (Registered Retirement Savings Plan) and if this is your first home you are buying in Canada, you may be able to borrow up to \$25,000 from your RRSP. This is called the Home Buyers' Plan. Each year, you will have to pay part of the money you borrowed until it is all paid back. You have 15 years to do this.

What is a mortgage?

A mortgage is a loan. You will usually get a mortgage

from a bank or credit union and will have to pay back the amount you have borrowed in fixed amounts over a period of time with interest. If you do not make the payments, the bank or credit union can sell your home and can sue you for any loss.

What is a mortgage pre-approval?

This is a document that the bank or credit union gives you that says how much money they will lend you to buy a home. It is a good idea to get a mortgage pre-approval because you will know what you can afford to pay for a home. The bank or credit union will still have to look at the value of the home. The bank or credit union may lend you up to 95% of the amount in the pre-approval.

What are prepayment privileges?

Your mortgage may say that you can make additional payments without having to pay any additional costs. This will let you pay off your mortgage more quickly. Prepayment privileges often let you pay an amount once a year without having to pay additional costs (for example, 10% of the amount of the mortgage). Review prepayment privileges with the bank or credit union and your lawyer to make sure you understand your options.

What is the difference between a mortgage term and an amortization period?

The mortgage term is the amount of time your interest rate is set for. Usually it is from one to five years. The amortization period is the time in which you will pay off the mortgage in full, if you make all the payments. Amortization periods can be 25 years. You will renew your mortgage for several terms during the amortization period of your mortgage.

I want to buy a home but I do not have a 20% down payment. What can I do?

If you want to buy a home with less than a 20% down payment, most banks and credit unions will ask you to get mortgage loan insurance. If you get

mortgage loan insurance you can buy a home with as little as a 5% down payment.

What is mortgage loan insurance?

This can protect the bank or credit union which lends you money to buy your home if you have less than a 20% down payment. You will have to pay an additional amount of money and this may be added to your mortgage. You must pay provincial sales tax on the mortgage loan insurance fee. The Canada Housing and Mortgage Corporation (CMHC) is the main provider of mortgage loan insurance.

Buying a home with someone else

I want to buy a home with my spouse. What can I do to make sure that my share of the home goes to my spouse if I die?

You and your spouse would be joint tenants. This means that you and your spouse own the home together and if you want to make decisions about the home such as selling it you have to both agree. It also means that if you die your share will go to your spouse.

I want to buy a home with my friend. What is the best way for us to share ownership?

You may choose to buy the home as tenants in common. This means that you each own a share in the home and you can do anything you wish with your share. You can leave your share of the home to another person in your Will or you can sell your share to another person.

I have agreed to co-sign a mortgage with someone else. Will I have to make mortgage payments to the bank?

If you co-sign a mortgage with someone else you are responsible to pay the mortgage payments if they do not make them. This is very serious and you should think carefully and get advice before you sign any documents.