Your Home Search

(Some content provided by CMHC)

Here are some ways to begin looking for your new home:

- **Word-of-mouth**
  Tell everyone you know that you are looking for a new home. Surprising things sometimes happen. For example, you might hear about a home that is just becoming available on the market.
- **Newspapers and real estate magazines**
  Check the new homes section in daily newspapers. Look for the free real estate magazines available at newsstands, convenience stores and other outlets. These publications are free and give pictures and short descriptions of homes for sale.
- **The Internet**
  Check out real estate websites, such as www.TerSells.com. This website gives information and pictures of a wide range of properties. You can search by location, price, number of bedrooms, and other features.
- **"For Sale" signs**
  Drive, bike or walk around a neighbourhood that interest you and look for "For Sale" signs. This is a good way to find homes that are being sold.
- **Work with a REALTOR®**
  For informed buyers, an experienced **REALTOR®** is key to finding the right home. Your personal **REALTOR®** will be your partner and advisor during this home search. Learn to rely on your professional **REALTOR®** for advice on the neighbourhoods, market values and other important factors. It is important to have family and friends involved in your home buying process but resist basing one of life's largest purchase decisions on untrained opinions.

Useful Tips for Your Search

- **Keep records**
  When you have chosen a **REALTOR®** visit lots of homes before choosing one. Some things to compare are the home's energy rating, utility costs, property taxes and major repairs. These will affect your monthly housing expenses. You can ask to see copies of utility and other bills.
- **Think twice**
  Even if a home seems perfect, go back and take a closer, more critical look at it. Visit it on different days and different times of the day. Chat with the neighbours. Look deeper — don't be distracted by attractive surface details.
- **Local Market statistics and analysis**
  Your **REALTOR®** has the latest statistical information and analysis of the local housing market.

Making an Offer to Purchase

After you have found the home you want to buy, you need to give the Seller an offer or Agreement of Purchase and Sale. Work with your REALTOR® to prepare your offer. The Agreement of Purchase and Sale is a legal document and should be carefully prepared.

These items are typically included:

- **Names**
  Your legal name, the name of the Seller and the legal civic address of the property.
- **Price**
  The price you are offering to pay.
- **Things included**
  Any items in or around the home that you think are included in the sale should be specifically stated in your offer. Some examples might be window coverings and appliances.
- **Amount of your deposit**
- **The closing day**
  The closing day is the date you take possession of the home. It is usually 30 – 60 days after the date of agreement. But, it can be 90 days, or even longer.
- **Request for a current land survey of the property**
- **Date the offer expires**
  After this date the offer becomes null and void — that means it's no longer valid.
- **Other conditions**
  Other conditions may include a satisfactory home inspection report, ability to obtain Home Insurance, and lender approval of mortgage financing. When buying a Condo you'll also include Lawyer approval of the Condo Status Certificate. This means that the contract will become final only when the conditions are met.

What Happens After You Make an Offer to Purchase?

Imagine that your REALTOR® has helped you prepare an Agreement of Purchase and Sale. This offer includes all the details of the sale. Your REALTOR® presents the offer to the Seller. What can you expect to happen next? There are three possible responses.

- **Response 1**
  The Seller accepts your offer. The offer is accepted and you move on to the next steps in the buying process – fulfilling the Conditions included in the offer.
- **Response 2**
  The Seller makes a counter-offer. The counter-offer might ask for a higher price, or different terms. You can sign the offer back to the Seller, offering a higher price than your original offer, but lower than the Seller's counter-offer. If the Seller accepts this counter-offer, you move on to the next steps in the buying process – fulfilling the Conditions included in the offer..
- **Response 3**
  The Seller makes a counter-offer, asking for a higher price or different terms. If a counter-offer is returned to you at a higher price, ensure that you know exactly how much you can afford before you start negotiating. You don't want to get caught up in the heat of the moment with costs you can't afford. You reject the counter-offer because the price is still too high, or you can't agree to the conditions.

Getting a Mortgage

Once the Agreement of Purchase and Sale has been accepted, go to see your Banker or Mortgage Broker with a copy of the property listing and the accepted Agreement of Purchase and Sale. Your Banker or Mortgage Broker will verify (and update, if necessary) your financial information and put together what's needed to complete the mortgage application. They may have to work quickly - Be sure to remind them of the timing for fulfilment of this Financing Condition. Your lender may ask you to get a property appraisal, a land survey, or both. You may also be asked to get title insurance. Your lender will tell you about the various types of mortgages, terms, interest rates, amortization periods and, payment schedules available.

Depending on your down payment, you may have a conventional mortgage or a high-ratio mortgage.

Types of Mortgages

Conventional Mortgage

A conventional mortgage is a mortgage loan that is equal to, or less than, 80% of the lending value of the property. The lending value is the property's purchase price or market value — whichever is less. For a conventional mortgage, the down payment is at least 20% of the purchase price or market value.

High-ratio Mortgage

If your down payment is less than 20% of the home price, you will typically need a high-ratio mortgage. A high-ratio mortgage usually requires mortgage loan insurance. CMHC is a major provider of mortgage loan insurance. Your lender may add the mortgage loan insurance premium to your mortgage or ask you to pay it in full upon closing.

Mortgage Term

Your lender will tell you about the term options for the mortgage. The term is the length of time that the mortgage contract conditions, including interest rate, will be fixed. The term can be from six months up to ten years. A longer term (for example, five years) lets you plan ahead. It also protects you from interest rate increases. Think carefully about the term that you want, and don't be afraid to ask your lender to figure out the differences between a one, two, five-year (or longer) term mortgage.

Mortgage Interest Rates

Mortgage interest rates are fixed, variable or adjustable.

Fixed Mortgage Interest Rate

A fixed mortgage interest rate is a locked-in rate that will not increase for the term of the mortgage.

Variable Mortgage Interest Rate

A variable rate fluctuates based on market conditions. The mortgage payment remains unchanged.

Adjustable Mortgage Interest Rate

With an adjustable rate, both the interest rate and the mortgage payment vary, based on market conditions.

Open or Closed Mortgage

Closed Mortgage

A closed mortgage cannot be paid off, in whole or in part, before the end of its term. With a closed mortgage you must make only your monthly payments — you cannot pay more than the agreed payment. A closed mortgage is a good choice if you'd like to have a fixed monthly payment. With it you can carefully plan your monthly expenses. But, a closed mortgage is not flexible. There are often penalties, or restrictive conditions, if you want to pay an additional amount. A closed mortgage may be a poor choice if you decide to move before the end of the term, or if you want to benefit from a decrease of interest rates.

Open Mortgage

An open mortgage is flexible. That means that you can usually pay off part of it, or the entire amount at any time without penalty. An open mortgage can be a good choice if you plan to sell your home in the near future. It can also be a good choice if you want to pay off a large sum of your mortgage loan. Most lenders let you convert an open mortgage to a closed mortgage at any time, although you may have to pay a small fee.

Amortization

Amortization is the length of time the entire mortgage debt will be repaid. Many mortgages are amortized over 25 years, but longer periods are available. The longer the amortization, the lower your scheduled mortgage payments, but the more interest you pay in the long run. If each mortgage term is five years, and the mortgage is amortized over 20 years, you will have to renegotiate the mortgage four times (every five years).

Payment Schedule

A mortgage loan is repaid in regular payments — monthly, biweekly or weekly. More frequent payment schedules (for example weekly) can save some interest costs by reducing the outstanding principal balance more quickly. The more payments you make in a year, the lower the overall interest you have to pay on your mortgage.

Closing Day

Closing day is the day when you finally take legal possession and get to call the house your home. The final signing usually happens at the lawyer's office.

<u>These are the things that happen on closing day:</u>

- Your lender will give the mortgage money to your lawyer.
- You must give the down payment (minus the deposit you paid upon acceptance of your Agreement of Purchase and Sale) to your lawyer. You must also pay the remaining closing costs.
- Closing costs can include:
    - Legal Fees
    - Taxes on CMHC fees (if applicable)
    - Anything pre-paid by the Seller (property taxes, heating oil, condo fees, etc) will be prorated and due on closing day
    - Title Insurance
    - Interest on Mortgage for partial month
- Your lawyer
    - Pays the Seller
    - Registers the home in your name
    - Gives you the deed and the keys to your new home

Moving

Hiring a Mover

When planning your move, friends or relatives may be able to recommend a professional moving company. Don't forget to ask the mover for references. Ask the mover for an estimate and outline of fees (do they charge a flat rate or hourly fee?). Once you've chosen a mover, ask them to come to your home to see what will be moved in case the estimate needs to be changed.

You'll want to ensure that your belongings are insured during the move. Your home or property insurance may cover goods in transit. Call your broker or insurance company to be sure. Ask if you are fully covered. Many moving companies offer additional insurance coverage. Be aware that professional movers are not responsible for items such as jewellery, money, or important papers. Move these yourself to keep them safe.

If you decide to do your own packing, keep in mind that you will need the proper materials, and that packing can take up a lot of time.

Moving Day

On moving day, go through the house with the van supervisor and give him (or her) any special instructions. The supervisor will note the condition of your goods on an inventory list. Go through the house with the supervisor to make sure the list is complete and accurate. When the van arrives at your new home, mark off the items on the mover's list as they are unloaded. If you paid for the movers to unpack boxes and remove packing materials, remember that they will not put dishes or linens into cupboards.

Moving day is almost always tiring. But, planning ahead will make the transition as smooth as possible.

Moving Costs

The amount you spend depends on your decisions about many things. Here are some to think about:

- Do you want to hire professional movers?
- If so, will it be a large company or a smaller local moving company?
- Will you need to buy insurance to protect your items in transit?
- If you plan to move yourself, will you rent a vehicle?
- Will your current auto or home insurance policy cover your items during the move?
- Will you have to pay utility companies a fee to connect their services in your new home? Are there other utility charges (such as a deposit)?

Post-Closing Costs

Changing the Locks

When you move into your new home you'll want to change the exterior door locks for security. After all, you want only the people *you* choose to have the key to your new home. You can change the locks yourself or call a locksmith to do the job.

Cleaning

Both your old home and your new home should be given a thorough cleaning at moving time. Whether you're buying cleaning supplies and doing it yourself, or hiring someone to clean for you, the costs can really add up. Plan for this expense.

Decorating

You might want to re-paint, replace some light fixtures, refinish the floor, re-carpet, or do any number of other decorating tasks. Plan your budget, and consider postponing some projects for a period of time.

Appliances

If your offer to purchase didn't include appliances, and if you don't have your own, you will have to buy them when you move into your new home. Some appliances might have installation charges.

Tools and Equipment

When you own your own home, you may have to do repairs. You'll need to own some basic hand tools and possibly some gardening and snow clearing equipment.