



BUYER'S PACKAGE

For:

Date:



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Home Buyer's Package

Buying a home can be one of the most important milestones in your life. I am dedicated to making sure that you are completely informed of the home buying process so that you can make the best choice and achieve your goals. Below is a summary of the steps to buying a home. Further details for each step are provided in this package.

10 Steps to Buying A Home

1. Mortgage Pre-approval

- Know how much you can afford
- Understand bank lending principals
- Budget all costs to buying a home

2. Do Your Research

- Research neighbourhoods
- Identify Your "Must Haves" and "Nice To Haves"

3. View Homes With Your Realtor

- Compare homes within your price range
- View homes
- Work with realtor during the buying process and contract

4. Sell Your Current Home (if applicable)

5. Make An Offer

6. Arrange Your Mortgage

7. Subject Removal

8. Hire A Lawyer

9. Completion Day

10. Possession Day



STEP 1 – Mortgage Pre-approval

I can't stress enough how important it is to get a mortgage pre-approval BEFORE you start searching for a new home. A mortgage broker will do all the work for you in finding the best rate and best mortgage package. Your lender together with your mortgage broker will determine how much you can afford.

Benefits to a Mortgage Pre-approval

- You know in advance exactly how much you can borrow
- Makes searching for a home easier knowing your price range
- You can lock in interest rates with your mortgage broker for 60-90 days while looking for a home
- Helps with negotiation as sellers see you are a prepared and serious buyer
- Half of the work is done in arranging financing once it is time to finalize your mortgage

Bank Lending Principles

Mortgage approval amount is calculated based on two lending principles:

1. Gross Debt Service Ratio (GDSR) – your total monthly housing costs * should not exceed 32% of your gross monthly household income
2. Total Debt Service Ratio (TDSR) – your total monthly housing costs * and all credit payment obligations should not exceed 40% of your gross monthly household income

** See Box To Right For Types of Housing Costs*

Costs of Home Buying

One Time Costs:

- Down Payment
- Legal Fees
- Home Inspection Fees

Monthly Housing Costs:

- Mortgage Payment
- Condo Fees (if applicable)
- Utilities
- Property Taxes
- House Insurance
- Life Insurance
- Maintenance



STEP 2 – Do Your Research

Doing your research beforehand is key to finding your dream home. The main things to identify in your research are the locations in which you wish to reside, and the features you wish to have in your home.

Research Neighbourhoods

- Drive around the areas in which you think you may wish to settle in
- Consider your life-style today and where you think it may be in the future
- Think about how long you might want to live in these neighbourhoods
- Ask your realtor about growth prospects and property developments in the area

Identify Your “Needs” vs “Wants”

Separate your “needs” vs your “wants”. If you are a first-time homebuyer, your first home purchase may not be your dream home, but consider options that have potential. We can start your search with all of your specifications, but also stay realistic and open-minded if working within a budget. Another way to look at your criteria is prioritizing the “MUST HAVES” vs “NICE TO HAVES”.

STEP 3 – View Homes With A Realtor

How I Can Help

- I will collect all of your desired criteria for a new home and search MLS listings with your specifications and within your price range.
- I will present to you potential properties complete with information that is not public and available only to realtors. I can advise you on which properties have good value versus potentially problematic properties.
- I then arrange appointments to view selected homes at a time convenient to you.
- Once you find the perfect home, I can help you present an offer by determining the market value of the home. I will also act as a liaison between you and the seller’s agent for negotiation.
- Most importantly, I will prepare a **CONTRACT OF PURCHASE AND SALE** with conditions that suit your situation.



STEP 4 – Sell Your Current Home

This step may not be applicable to you if you are not already a homeowner or are purchasing a second property. But if you are selling your current home, then it will affect your offer and contract.

If You Find A New Home BEFORE Selling

If you wish to purchase a home before being able to sell your existing home, then you can place a 'CONDITIONAL' offer based on you selling your existing home. This way you avoid having to pay for two properties at the same time.

If You SELL FIRST Before Finding A New Home

If you have yet to find a new home and your existing property has already been sold, then you can extend the "CLOSING PERIOD" on the contract so that you have more time to find a new home. It is my job to help you coordinate the "closing date".

STEP 5 – Make An Offer

This step is critical to obtaining your home of choice. I will help you make an offer that would be reasonable to the seller based on knowledge of current market conditions. Depending on whether it is a "buyer's market" or a "seller's market", your offer can be above or below or equal to the asking price of the seller. I will do a thorough market evaluation to determine the market value of your chosen property so you can make an informed decision on an offer price. At this point, it is important that you know how much you can afford by a mortgage pre-approval. This step concludes in a completed CONTRACT OF PURCHASE & SALE.

What's In An Offer

- Market Evaluation Done By Your Realtor
- Contract Conditions of the Purchase
- Date of Completion: When Financing and Legal Documents Are Completed
- Possession Date: Day You Move In

3 Results After An Offer

1. Offer is accepted.
2. Offer is rejected. Your realtor will find out why it was rejected.
3. Negotiation. The seller replies with a different asking price than your offer; you can accept or provide a counter-offer.



STEP 6 – Arrange Your Mortgage

If you have a mortgage pre-approval in place, then this step is just finalizing some of the lending terms with your mortgage broker and bank.

What's In A Mortgage

- Down Payment: if you have 20% down payment you can save a lot on CMHC insurance fees
- Fixed Rate VS Variable Rate: this would depend on your situation and goals, ask a mortgage broker for advice
- Mortgage Term: The length of time the lender will lend you the money, eg. 1-5 years. After which time, you will have to renegotiate your financing.
- Open or Closed Mortgage: The flexibility to repay the mortgage in full or put in large lump-sum payments. There are pros and cons of each.
- Amortization: Length in years your mortgage payment is based on, eg. 20-30 years. There are pros and cons to shorter vs longer amortization periods.

STEP 7 – Subject Removal

Subject Removal is the step where we successfully complete the conditions outlined in the Contract of Purchase and Sale. Once the conditions are met, then we “remove the conditions” from the contract by way of an addendum. Examples of conditions/subjects are:

- Subject to obtaining a **FIRST MORTGAGE**: you were able to obtain financing to pay for the home and buying costs
- Subject to a **HOME INSPECTION**: you arranged for a home inspection and the results are satisfactory to you. I can provide you with some contacts for a certified home inspector. The cost ranges from \$250-\$700 depending on the size of the home.
- Subject to **FORM B**: applicable to strata properties; a review of bylaws, general meetings, minutes, etc. are satisfactory to you.
- Subject to a **TITLE SEARCH**: to ensure there are no judgments or liens on the property

The Subject Removal concludes in you making a **DEPOSIT** to seal the deal. The deposit is different from your down payment. A deposit will be held **IN TRUST** until completion and will be applied to the closing costs and your down payment. It shows that you are now 100% committed to purchasing the property. A deposit is not refundable if you back out, as you are now in a firm and binding contract.



STEP 8 – Hire A Lawyer

A lawyer or a notary public can prepare the documents for transferring property ownership and money from your lender to the seller. There are advantages to hiring a lawyer as they can act on your behalf if there are complications, and they can explain in more detail the legal aspects of your mortgage. Your lawyer now does all the complicated work for you according to the Contract. Be available for your lawyer to inform you of information and payments needed.

What You Should Have Ready

- Homeowner's Insurance: you should get this before closing. If you have insurance on your existing home, contact your own insurance company. Otherwise, I can provide you with some insurance company contacts
- Money Available for Closing Costs: ask your lawyer for an estimate, so that you can have this ready to go before the completion day
- Notice to Your Landlord (if applicable)

STEP 9 – Completion Day

Your lawyer will contact you a few days before the completion day to sign the closing documents. Completion Day is the day you legally get ownership of the house. In order to clear title to your name, the following must be done:

1. Your lender provides the mortgage funds to your lawyer
2. Your deposit held in trust is transferred to your lawyer
3. The lawyer pays the seller and registers your name with the Land Title Office
4. You pay the balance of what is left owing after calculating the purchase price and all closing costs, such as:
 - Down Payment
 - Property Transfer Taxes: First-time homebuyers are exempt from PTT if they meet certain conditions
 - GST: only applies to a newly built home
 - Reimbursement to the sellers of any prepaid property taxes or utility bills
 - Appraisal Fee: sometimes covered by your lender, otherwise the fee ranges from \$200-\$400
 - Survey Fee: (if necessary) the fee ranges from \$200-\$400
 - Legal Fees: ranges from \$900 - \$1300
 - Disbursements to Land Titles Office: approximately \$300-\$400
 - CMHC Application Fee: \$75 - \$250



C.M.H.C. Explained

Canadian Mortgage Housing Corporation (CMHC) is Canada's provider of mortgage loan insurance, mortgage-backed securities, housing policy and programs, and housing research.

They provide mortgage insurance to lenders to protect them from mortgage default.

If you pay less than a 20% down payment, then your lender will buy mortgage loan insurance and pass this cost to you. This is calculated in your mortgage payment.

CMHC Fees Summary:

- CMHC insurance fees typically range from 1% to 4% of the mortgage amount.
- The higher the down payment, the lower your CMHC fees.
- You can avoid CMHC fees by putting 20% or more for a down payment

Property Transfer Tax Explained

If you buy a home, you are obligated to pay provincial Property Transfer Tax (PTT). The tax is payable on the fair market value of the property. The tax is calculated as: 1% on the first \$200,000 of the fair market value of the property, and 2% on the rest.

First Time Home Buyer's Exemption Applies If:

- The fair market value of the property (land plus improvements) is not more than the value of \$475,000
- The land is 0.5 hectares (1.24 acres) or smaller
- The property will only be used as your principal residence
- You are a Canadian citizen, or a permanent resident
- You have lived in BC for 12 consecutive months prior, or you have filed 2 income tax returns as a BC resident in the past 6 years
- You have never owned an interest in a principal residence anywhere in the world at any time
- You have never received a first time home buyers' exemption or refund.

STEP 10 – Possession Day

Congratulations! This is the day the keys to your new home are handed to you, and you can start moving in.

Below are things to remember that often get overlooked:

1. Switch services such as telephone, cable, Internet, utilities, gas, and hydro
2. Fill out change of address at the post office
3. Change your driver's license information
4. Inform your place of employment, CRA, MSP, and relevant government bodies of new address
5. Inform school(s), doctors, dentists, and health clinics of your change of address
6. Inform banks, investments, credit bureau, and credit card companies of your new address
7. Inform subscriptions, memberships, and clubs of your new address
8. Provide forwarding information to your previous landlord (if applicable)
9. Find out local garbage and recycling collection schedule

