



*Your Comprehensive Real Estate*  
**BUYER'S GUIDE**

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# REASONS TO BUY A HOME

Deciding whether to jump into the housing market or rent instead is rarely an easy decision – especially if you’re a first-time homebuyer. And even if you’ve bought a home before and are contemplating investing in another, it’s helpful to be reminded of all the wonderful reasons to become a homeowner.

## > **Quality of Life**

Our living situation directly impacts how we feel about our quality of life, which is why many people dream of the day they have a home to call their own.

## > **Financial Health**

Buying a home is one of the best ways to protect and grow your wealth. Real estate will typically ride out a market’s ups and downs and appreciate with time. You’ll also build equity as you pay down your mortgage.

## > **Stability**

Rental prices over the last 10 years in Canada have increased by more than 34%. In contrast, your fixed-rate mortgage payments on your home are locked in for the entire term of your mortgage.

## > **Tax Deductions**

New homeowners can access tax credits and other home-buying incentives, which can offset the upfront costs associated with buying a home.

## > **Independence**

The freedom to do whatever they wish with their homes is a big incentive for many new homeowners, while others can't wait to get out from under the thumb of their landlord.

\*CMHC Rental Market Survey





# YOUR GUIDE TO THE HOME BUYING PROCESS

Most buyers looking for a home begin the journey filled with excitement and a bit of trepidation.

This is understandable when you consider that purchasing a home is one of the biggest financial decisions you will make during your lifetime. So of course you want to get it right — without a lot of uncertainty or stress about the process.

With our firm on your side, you can rest easy that we will be there for your whole journey, from home shopper to homeowner. And we intend to make your experience as easy and enjoyable as possible.

Whether this is your first home or your tenth, read on in this guide for advice and tips to help you navigate today's home buying process. Or reach out to us for a personal consultation around your specific situation.

# TIMELINE OF A PURCHASE



# CHOOSING YOUR AGENT

When you're buying a home, it's crucial to work with a qualified real estate agent. Not just a professional, but an amazing agent and a market expert who will best serve your specific needs. So how do you ensure you're hiring an amazing real estate agent? Start by asking them the following questions.

## **5 Critical Questions to Ask A Potential Agent** *(And What to Look for in Their Answers)*

### **1. Can you send me some information about yourself?**

Look for professionalism and consistency. What are their professional accomplishments? How do they approach their work? The best agent is a business person who has a strategy and solid support system.

### **2. How long have you been in real estate?**

The average Realtor has 10 years of experience. But while longevity is important, even more telling is the number of transactions they have closed or been involved in. Ask about their team's dynamic and accomplishments if they're a newer agent.

### **3. Do you have references from past clients?**

An agent who provides 5-star service and is proud of their work will be happy to provide references. Look at their ratings and reviews on sites like Google and Yelp.

### **4. What will you do to keep me informed?**

Do you want daily or weekly reports from your agent? Will the agent be able to meet these expectations? Determine how much communication you want, and then find an agent who will give you the attention and time you want and deserve.

### **5. Can you provide me with further resources I may need?**

From market reports to pricing trends, top agents have resources at their disposal. In addition, local experts have built relationships with their extended team of professionals and can often get priority service should a need arise.

# YOUR BUYING POWER

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If you're in the market for a new home or investment property, one of the first questions you'll probably ask is, "What can we afford?"

A common misunderstanding is that a home's list price determines whether or not you can purchase it. But that price doesn't include housing-related expenses, such as annual property taxes, homeowner insurance, or any maintenance. Remember, you'll live with your monthly payment, not the sales price.

Therefore, what you should instead ask is, "What is our buying power?"

## BUYING POWER DEFINED

Your buying power is comprised of the total amount of money you have available each month for a mortgage payment. This means the money you have each month after fixed bills and expenses, as well as any money you've saved for a down payment, the proceeds from the sale of your current home (if applicable), and the amount of money you're qualified to borrow.

## WHY BUYING POWER MATTERS

Once you have clarity on your buying power, you'll be able to buy the home you want, instead of settling for a home because you feel it's the only one you can afford.

It will also prevent you from becoming "house poor," a common term for someone who's put all their money toward the down payment, leaving them nothing left over for fees outside of their monthly house payment.

Both scenarios can negatively impact the lifestyle you want to live. Understanding your buying power can help you get the home you want without sacrificing the lifestyle you desire.



# YOUR BUYING POWER

Buying power is calculated by adding the money you've saved for a down payment and/or the money you made from selling your home (minus fees and mortgage payoff) to all of your sources of income and investments that could be used to make your monthly payment.

The general rule of thumb is that your monthly housing costs should be at or less than 28% of your monthly gross income. This number should include your mortgage payment towards your loan principal and interest as well as your property taxes and insurance (PITI).

Use the worksheet below to figure out an estimate of your buying power.

1.	Monthly income before taxes	\$
2.	Multiply line 1 by 0.28	X 0.28
3.	Monthly mortgage payment (PITI) should not exceed this amount	= \$
4.	Monthly income before taxes	\$
5.	Multiply line 4 by 0.36	X 0.36
6.	Total monthly payments on all debts (including mortgage) should not exceed this amount	= \$
7.	Subtract the total monthly payments on all outstanding debts (e.g. car loans, credit cards, student loans, etc.)	-\$
8.	The monthly mortgage payment should not exceed this amount	\$
9.	Look at line 3 and line 8. The lower figure is an estimate of the maximum mortgage payment in consideration of your income and debts	\$
10.	Multiply line 9 by 0.80	X 0.80
11.	This equals a portion of your mortgage payment that is the principal and interest only	\$

# SAVING FOR A DOWN PAYMENT

Your buying power is also impacted by the down payment you plan to make on your next home because the more you're able to put down, the less you will have to borrow. In addition, with a down payment of 20% or more, you won't have to purchase mortgage default insurance and you may also be able to negotiate a lower interest rate.

Read on for advice on how to save for your down payment.

## FIRST-TIME BUYERS

If you're thinking of buying a home one day, one of the first steps to take is to start saving for a down payment. Here are some tips to make saving easier.

- 1. Set a savings goal.** One way to figure out how much to save is to use the average sales price for homes that are similar to what you want and figure out your target down payment percentage.
- 2. Cut back on expenses.** Review your monthly expenses and look for ways to save. Think about items you can live without or cut back on temporarily while you're saving.
- 3. Look for ways to boost your income.** Get a side job or sell items online or at a garage sale to increase your income in a short amount of time. Be sure to save any windfalls you get, including your annual income tax refund or work bonuses.
- 4. Check out home-buying programs.** There are a couple of government-initiated resources designed to help eligible first-time home buyers with a down payment.
- 5. Ask your family.** Nearly 30 percent of first-time buyers were given money from family or friends to use toward the down payment of their home.\*

\*Financial Post



# SAVING FOR A DOWN PAYMENT

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## REPEAT BUYERS

If you're thinking of buying another home, here are more ways to save more money, in addition to the tips listed above:

- 1. Rent a room.** If you have an income flat (or mother-in-law unit) attached to your home, rent it out and channel the income into a high-interest savings account.
- 2. Make your money work for you.** If you don't plan to buy for at least five years, invest it and let the compound interest work for you. Discuss this option with your financial planner or broker to see if this is ideal for you and your goals.

## INVESTORS

Whether you're buying a second home or a rental property, here are a couple more tips to save for a down payment.

- 1. Tap into your equity.** If you've paid off or paid down your mortgage on your primary home, you may be able to tap into your equity to purchase another property. Contact your lender to learn more about a HELOC or home equity loan.
- 2. Get a partner.** Find a friend or relative who's willing to purchase property with you. Typically, you'll split the costs and profits equally. Just make sure to work with an attorney to create a partnership agreement to fit your situation.

# GETTING PREAPPROVED

In the last year, 87% of buyers financed their home purchase. First-time buyers who financed their home typically financed 93% of their home, and repeat buyers financed 83%.<sup>\*</sup> If you will need a loan to purchase your next property, the most important step you can take is to get preapproved.

Getting preapproved gives you clarity on how much you can afford, which makes it crucial to do before you start your home search. You've estimated your buying power already in this guide; a preapproval is concrete proof of that number. Knowing it will ensure that you don't accidentally fall in love with a home outside your budget.

Depending on your lender, the preapproval process may also involve a mortgage stress test. The stress test is designed to help ensure you can continue to afford your mortgage payments even if interest rates rise.

Having a preapproval letter proves to sellers that you are serious about buying and that you will be able to make good on your offer. This is an important competitive advantage in tight markets like ours. You don't want to lose out on the home of your dreams just because someone else had all their ducks in a row and you didn't.

## PREAPPROVAL VS PREQUALIFICATION

The two terms are often confused because they are so similar. But in reality, they are very different and it's important that you understand the distinction.

- **Prequalification** — An estimate of how much you could qualify to borrow. It doesn't entail a credit check or official documentation.
- **Preapproval** — Proof of your buying power. It requires a full loan application, a credit check, and documentation regarding your income and assets.

\*NAR 2022 Profile of Home Buyers and Sellers

# LOAN APPLICATION RULES

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Your mortgage loan isn't guaranteed until the final paperwork is signed. To ensure a smooth loan application process, and prevent any wrenches from getting thrown into your home buying plans, follow these ten rules.

**RULE #1:** Do not change jobs, become self-employed or quit your job.

**RULE #2:** Do not buy a car, truck, or van (or you may be living in it)!

**RULE #3:** Do not use charge cards excessively or let your accounts fall behind.

**RULE #4:** Do not spend money you have set aside for closing.

**RULE #5:** Do not omit debts or liabilities from your loan application.

**RULE #6:** Do not buy furniture.

**RULE #7:** Do not originate any inquiries into your credit.

**RULE #8:** Do not make large deposits without first checking with your loan officer.

**RULE #9:** Do not change bank accounts.

**RULE #10:** Do not cosign a loan for anyone.

## LET US CONNECT YOU

We know the best financial planners, mortgage lenders, and attorneys to help you save for and plan your home purchase. Ask us about our Trusted Partner Program so we can ensure you get the VIP treatment.



# FINDING YOUR NEXT HOME

Whether you're a first-time buyer or a seasoned homeowner, shopping for a new home can feel daunting. For more than half of home buyers, the most difficult step in the home buying process was finding the right property at 56%, which was even higher for Younger Millennials at 64%.\*

That's why we teach our buyer clients to focus on the **WHY**, **WHERE**, and **WHAT**.

The first step to finding your ideal home is determining **WHY** you want to move. Do you need more space? Access to your preferred schools? Less maintenance? Or are you tired of throwing money away on rent when you could be building equity? Pinpointing the reasons why you want to move can help you assess your priorities for your home search.

Next, you need to determine **WHERE** you want to buy. Do you prefer a rural, urban, or suburban setting? How long of a commute are you willing to make? Which areas feed into your preferred schools? These decisions will impact your day-to-day life while you live in the home.

Finally, think about **WHAT** kind of home you want to live in. Start with the basics, like your ideal number of bedrooms, bathrooms, and square footage. Do you prefer a one-story or two-story layout? Do you want a swimming pool?

Keep in mind, you may not find a home with all of your "wants," or even all of your "needs." If you're faced with a tough choice about how or what to compromise in your home search, return to your **WHY**.

## INSTANT MARKET UPDATES

Stay on the pulse of the housing inventory in our area with notifications whenever homes hit the market, change price, or go under contract with our Instant Market Updates. Ask us for more info!

\*NAR 2022 Home Buyers and Sellers Generational Trends

# MAKING AN OFFER

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Once you find a home that fits your WHY, WHERE, and WHAT, it's time to make an offer. And yes, a high offer price gets attention. But most sellers consider a variety of factors when evaluating an offer. With that in mind, here are three other tactics you can utilize to sweeten your proposal and outshine your competition.

## **Put Down a Sizable Deposit**

Buyers can show sellers that they're serious about their offer and have "skin in the game" by putting down a large deposit. We can help you determine an appropriate amount to offer based on your specific circumstances.

## **Ask for Few (or No) Conditions**

Buyers in a competitive market often volunteer to waive certain requirements, which are clauses that allow one or both parties to back out of the agreement if certain conditions are not met. We can help you assess the risks and benefits involved in this offer strategy.

## **Offer a Flexible Closing Date**

People sell their homes for a wide variety of reasons, and flexible terms that work with their personal situations can sometimes make all the difference. We can reach out to the listing agent to find out the seller's preferred terms, and then collaborate with you to write a compelling offer that works for both parties.

## **YOUR FIDUCIARY ADVOCATE**

We can help you compete in today's market with offers that are designed to win over both the seller and their listing agent, without letting you get steamrolled.

Schedule a consultation to learn more about our negotiation expertise.



## NEXT STEPS

In this shifting real estate market, one of the greatest advantages you can give yourself is to work with a skilled and trustworthy real estate professional who is watching out for your best interests every step of the way.

We are home sales experts in our market area, and we are confident in our ability to handle your transaction and any surprises that may pop up along the way to the closing table.

So if you are considering buying a home in today's market, we invite you to reach out to us at the contact information below. We would love the opportunity to learn more about your specific situation and explain to you in more detail what we do differently to win our clients the home of their dreams.