



HOME BUYER'S HANDBOOK

CONGRATULATIONS ON DECIDING TO PURCHASE A HOME!

The step by step process detailed here will get you off to a fantastic start to successfully being a superstar, informed home buyer.



STEP

1



HOW MUCH CAN
YOU AFFORD?

The calculation below can give you a general idea of costs associated to home buying:

Cost of home buying = One Time Costs (down payment, legal fees, inspection fees, taxes) + Monthly Costs (mortgage, utilities, maintenance, insurance, property taxes)

Mortgage – the amount a bank will lend you is determined by two lending principals:

1. Gross Debt Service Ratio (GDSR) – this lending principle says that your monthly housing costs should not exceed 32% of your gross monthly family income
2. Total Debt Service Ratio (TDSR) calculation – this lending principle says that your monthly housing cost and payments on all other debts (including loans, credit card, lease payments, etc...) should not exceed 40% of your gross monthly income

An important step before looking for your dream home is to know, in advance, the amount of financing that you qualify for. Getting a mortgage pre-approval will set you on the right track and your financial representative can discuss your options with you and answer any questions that you may have.

By having a budget based on knowing all the costs involved in buying a home, you can set a realistic expectation for your dream home!

With these basic calculations as a point of reference, doing some research and applying them to your own situation will give you a general idea of how much home purchasing and ownership will cost, and an estimate on mortgage eligibility.

There are also numerous mortgage affordability calculators you can find online to assist you in figuring out how much you can afford. Ultimately, the best way is to consult a mortgage representative at a financial institution – this way, you can ask them questions, and remember, don't be shy! If there's anything you're uncomfortable with or unsure about, ASK!

STEP

DO YOUR
RESEARCH



Before committing to any neighbourhood or home, see what's available. There may be places where you can find information about local areas for you and your family. Try looking through local real estate newspapers, or visiting www.sutton.com. Other ideas may be visiting open houses in areas where you want to live, and taking the time to walk and drive around your ideal community.

Also, when doing your research, consider the type of home that would best suit your needs, lifestyle and meet your budget – are you raising a family and prefer a townhouse in the outskirts of the city as opposed to a condo in the city centre? Or, is a suburban single-family detached home more appropriate? Would a resale duplex be more affordable than a brand new condo in your desired community?

Spend time considering your needs first, and then look into your wants – many times, this is directly related to how much you can spend.



New or Resale

Besides having that 'new home' smell and feeling – a blank canvas for your personal touches, a new home offers:

- ✓ Modern elements: features, design and adherence to the latest building codes and standards
- ✓ Warranty: new homes have levels of protection against defects and failures
- ✓ Construction: the possibility exists where your move-in date may be postponed due to construction delays
- ✓ HST: Affecting Ontario and BC starting July 1, 2010, homes at a certain price level will be impacted by the Harmonized Sales Tax (13% in Ontario and 12% in BC)


Although resale homes will likely not have the modern details of a new home, they do offer:

- ✓ Character: some people prefer to purchase a pre-loved home because of its history, unique qualities, and character
- ✓ Upgrades: previous owners may have made improvements that you get along with the house without having to do the work yourself



CONSIDERATIONS FOR REAL ESTATE GROWTH

- ☐ Are there new amenities and developments being built nearby?
- ☐ What's the average income in the area? Is it increasing?
- ☐ How quickly is the area's population increasing?
- ☐ What's the forecasted economic growth for the area?
- ☐ Is accessibility to the area being made easier?

A 3D illustration of a small white house with a red roof and a red chimney, sitting on a red path that curves from the bottom right towards the house. The path is thick and has a slight shadow. The background is white.

When doing your research, remember to keep an open mind and not to get too high or too low about a particular home or area. There are plenty of options and opportunities out there!

Having a checklist of what you want in your ideal home and neighbourhood will allow you to make comparisons when reviewing your options.

HOME BUYER'S CHECKLIST



LOCATION

Area _____
Street Address _____
REALTOR® or Sales Person _____
Phone _____

COSTS

| | |
|---|-----------------|
| Asking Price | \$ _____ |
| Likely Price | \$ _____ |
| Property Taxes | \$ _____ |
| Utility / Garbage or Other Municipal Levies | \$ _____ |
| HST Applicable | \$ _____ |
| Property Transfer Tax | \$ _____ |
| Other Costs | \$ _____ |
| Down Payment | \$ _____ |
| Mortgage Terms | \$ _____ |
| Monthly Payments | \$ _____ |
| Principal & Interest | \$ _____ |
| Taxes | \$ _____ |
| Life Insurance on Mortgage | \$ _____ |
| Household Insurance | \$ _____ |
| Total | \$ _____ |

SQUARE FOOTAGES

| | |
|---------------------------|-------------------------|
| Home Type _____ | |
| Age _____ | Total Square Feet _____ |
| Kitchen _____ | Dining Room _____ |
| Living Room _____ | Family Room _____ |
| Great Room _____ | Den _____ |
| Master Bedroom _____ | 2nd Bedroom _____ |
| 3rd Bedroom _____ | Other Room _____ |
| Number of Bathrooms _____ | |
| Master Ensuite _____ | Storage Space _____ |
| Fireplace: [] gas | [] wood burning |
| Garage: [] attached | [] detached |
| Carport _____ | Font Yard _____ |
| Back Yard _____ | Fence _____ |
| Patio _____ | Driveway _____ |
| Special Features _____ | |

THE NEIGHBOURHOOD

Distances to:
Work _____
Schools _____
Shopping _____
Highway Access _____
Public Transit _____
Doctors/Dentists _____
Hospital _____
Church _____
Community Centre _____
Parks/recreation/jogging trails/bike paths etc. _____
Train Tracks _____
Airport _____
Neighbours' property maintenance standards _____
Garbage collection services _____
Street Lights _____
General maintenance of streets & alleys _____
Area Zoning _____
Neighbourhood or Municipality covenants or restrictions on property use _____
Proximity to industrial or manufacturing areas _____
Flood or earthquake potential _____
Traffic Volumes _____

GENERAL CONDITION

Roof _____
Furnace Pipes _____
Gas / Electrical Capacity _____
Electrical Outlets location _____
Cable _____
Telephone _____
Flooring _____
Appliances List & Conditions _____

Landscaping _____

CONTACTS

REALTOR® _____
Phone _____
Mortgage _____
Phone _____
Lawyer/Notary _____
Phone _____
Home Inspector _____
Phone _____

ADDITIONAL NOTES OR COMMENTS ON THIS HOME

STEP

3

HOW A
SUTTON REALTOR®
CAN HELP YOU





Sutton

A Sutton REALTOR® can be considered a consultant with an expertise in real estate and the process of real estate transactions. Your Sutton REALTOR® can:

- ✓ Assist in determining your price range based on your needs and wants;
- ✓ Help you compare homes and answer questions about the communities you're interested in;
- ✓ Offer feedback on the mortgage process, and how much you can afford;
- ✓ Give you access to information and features of the MLS® System not available to the general public;
- ✓ Research and preview homes, so no time is wasted on places that do not meet your criteria and budget;
- ✓ Make appointments and accompany you in viewing homes;
- ✓ Offer a list of contacts for related services you may need, ie: lawyer, mortgage broker, home inspector;
- ✓ Negotiate, on your behalf, during the buying process, to ensure your interests are being served;
- ✓ Put together a legally binding contract;

All Sutton REALTORS® are members of their local real estate board, their provincial association, and the Canadian Real Estate Association.



How to Choose a REALTOR®

Here are several points to consider when looking for a professional REALTOR®:

- ❑ Obtain recommendations from friends and business associates;
- ❑ Check the reputation of the brokerage firm;
- ❑ Go to several open houses and build a rapport with the agents, then choose the one you think is best for your needs;
- ❑ Look for an agent who is familiar with the area you want to live in;
- ❑ Review ads in your local newspaper;
- ❑ Note the “For Sale” signs and jot down the key information as you drive through prospective neighbourhoods;
- ❑ Make sure the REALTOR® you choose is someone you feel comfortable with - someone who listens to your needs and is genuinely interested in helping you find the right home;
- ❑ Verify the REALTOR®’s track record, e.g. how long has he/she been in business; what do previous customers think about his/her performance;
- ❑ Verify the REALTOR®’s knowledge about the housing market and financing options;
- ❑ Ask the REALTOR® bluntly what he/she will do for you;
- ❑ Ask for references from buyers for whom the REALTOR® previously worked.

REVIEW ON GETTING STARTED:

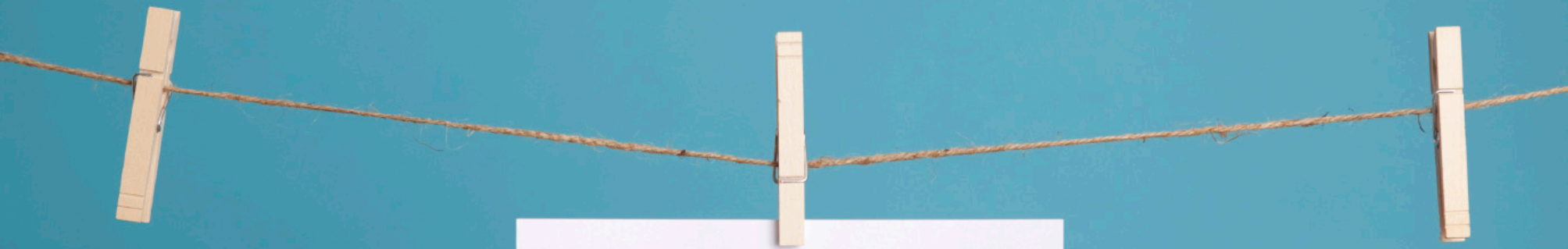
1. Get a mortgage pre-approval to get an idea of how much you can afford
2. Do your research on areas and homes you’re interested in – make a checklist of needs and wants
3. Find a Sutton REALTOR® to guide and consult you on your real estate purchase adventure

A woman with long brown hair and glasses, wearing a grey t-shirt, is painting a wall teal with a roller. The wall is partially painted, with the teal section on the left and the white section on the right. The woman is holding the roller with her right hand and is in the process of applying the paint. The background is a plain white wall.

STEP

4

SELL YOUR
CURRENT HOME
(IF APPLICABLE)

Three light-colored wooden clothespins are clipped to a horizontal, slightly sagging twine string that spans the width of the page. The background is a solid, vibrant teal color.

If you are currently a homeowner, you'll also have to consider selling your current home. The most common question is: Do I Sell First or Do I Buy First?

1. If you find a home that you want to purchase before being able to sell your existing property, you can make a “conditional” offer on the sale of your existing home to avoid paying for two properties.
2. If you sell your existing home before finding your next home, you can extend the “closing period” to allow for more time in finding your next home.

Most home buyers with the assistance of their REALTOR® are able to successfully coordinate their “closing date”.

ARRANGE YOUR MORTGAGE

As mentioned earlier, an important step prior to looking for your dream home, is to get a mortgage pre-approval so your home search efforts are targeted to properties you know you can afford.

Some basic mortgage considerations include choosing between:

1. Down payment – putting a larger down payment will mean that your mortgage becomes smaller, though you must keep in mind to reserve some money for fees associated with home buying/ownership, taxes, repairs, moving, furniture, etc.
2. Fixed rate mortgage – involves an interest rate that does not change during the entire term of the loan, and offers peace of mind as your monthly payments will remain consistent during the term

Variable rate mortgage – involves an interest rate that changes based on market rates, and can be unsettling if the rates begin to rise

3. A mortgage term is the amount of time the bank has agreed to lend you the money. Terms usually can range from 6 months to 5 years, after which, your mortgage is renegotiated

Long term mortgages may be more attractive when rates are beginning to rise or trending upwards, while short term mortgages would be preferable if rates are high

4. Open mortgage – offers flexibility to repay the mortgage with a full payment or large payments anytime during the term without penalties. Typically, the interest rate for an open mortgage is higher

Closed mortgage – usually offers lower rates, but do not have the flexibility of allowing large one-time payments

5. Amortization – is the process of paying off the loan by periodic payments of blended principal and interest. A shorter amortization involves paying less interest, but your monthly payments would be larger, whereas a longer amortization would lower your payments

When applying for a mortgage prepare the following:

- ✓ Letter of employment confirmation (include your position, your pay and how many years you've been with the company)
- ✓ List your assets (your car, stocks, bonds, GICs, etc)
- ✓ List your liabilities (car payments, student loans, credit card debt, etc)
- ✓ Social Insurance Number
- ✓ Your chequing account number
- ✓ Your lawyer's contact information
- ✓ Information about the house you want to buy



REVIEW ON BUILDING YOUR TEAM:

(ASSUMING YOU'RE ALREADY OF A SUTTON REALTOR®)

1. Consult with a mortgage representative for a pre-approval and ask them questions if you are unsure about anything
2. Add a lawyer to assist in explaining legal jargon and to ensure your interests are represented in legal documentation
3. Hire a home inspector to conduct a thorough home inspection to ensure the home is in good condition or provide you with estimated costs for repairs

ADD TO YOUR TEAM: LAWYER AND HOME INSPECTOR

LAWYER:

With the legal documentation and steps involved in transferring land ownership from one party to another, retaining a lawyer to avoid setbacks such as fraud, zoning and government issues, taxes, and to ensure a smooth legal transfer makes having a lawyer worthwhile.

A lawyer can also be there to answer any questions and explain any legal jargon to assist you along the process.

HOME INSPECTOR:

A thorough home inspection, which often costs less than a few hundred dollars, can save you from expensive, unforeseen costs and surprises.

An inspection will look into things such as your home plumbing and electrical systems, the home's foundation, roofing, walls, windows, etc. Other checks may also include inspection for asbestos, mould, dangerous wiring, and evidence of mice or termites.

Once the work has been conducted, the home inspector will provide you with a summary and estimated cost for repairs if necessary.

To ensure that your home inspector has superior training and hands on experience, make sure that they are a professional and a member of the Canadian Association of Home & Property Inspectors (CAHPI).

A man in a dark suit, blue and white checkered shirt, and dark tie is holding a white document. A large, bold red number '5' is overlaid on the right side of the image. The text 'STEP' is in the top right, and 'MAKE AN OFFER' is on the document.

STEP

MAKE AN OFFER



When you've found the perfect home, it's time to make it yours!

Your Sutton REALTOR® will walk through the offer process with you and they will prepare the offer on your behalf. Once you're comfortable with it and you've signed the offer, your Sutton REALTOR® will present it to the seller's agent.



During this stage, if you've gotten a preapproval for your mortgage, you know how much you can afford; do not allow your emotions to take over – bidding wars can be very costly. Your Sutton agent will also be able to offer you reports on recent sales activity in the neighbourhood and similar homes in the area that have been on the market, so you can be informed and make an educated offer you're comfortable with.

At this point, there are several alternatives:

1. Your offer is accepted by the seller, and you can arrange a move in date!
2. Your offer is rejected by the seller, which doesn't happen often, but your Sutton REALTOR® will be able to investigate to see what happened.
3. Your offer is countered by the seller, who signs back with a higher price compared to your offer during the negotiation, and it's your turn to sign back with your number.

STEP

CLOSE
THE
DEAL

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We're almost there! When the seller accepts your offer, there are several things that need to be done before you can move in.

Closing checklist

- ☐ The agreement will have conditions to be satisfied on your part; start this immediately. Once these conditions have been met, your Sutton REALTOR® can fill out the documents indicating completion.
- ☐ Advise your lawyer of your accepted offer, and instruct them to start a search for title to the property; allow some time for this.
- ☐ Ensure you have your homeowner's insurance, which you can get before closing. To certify that you're covered, your insurance broker can provide you a 'binder' letter.
- ☐ Advise your lender to finalize your mortgage documents. It might be worthwhile to ask your lawyer to review them before signing.
- ☐ Ensure to switch services such as telephone and cable to your name, while utilities such as hydro and water will be transferred by your lawyer. Your lawyer will also inform you of the certified cheques needed to finalize the deal.
- ☐ Ensure to give your landlord sufficient notice if you're currently renting.
- ☐ Plan and detail your move so nothing gets forgotten.
- ☐ Advise friends and family of your change of address, fill out a card at the post office, and contact the Ministry of Transport to change your driver's license information.
- ☐ Meet with your lawyer a few days before closing to sign the closing documents.

STEP

7

MOVE IN

The closing date is when you take possession of your property. Pack early and book a reputable, insured, moving company well in advance of moving day. Planning ahead can save you money and minimize any last minute challenges.

When you're all moved in, take some time to settle in to your new home, as it is, before making any major improvements. This will allow you to familiarize yourself with your new surroundings and neighbourhood as well as adjust to your new expenses and costs. Finally, sit back and enjoy!

REVIEW ON CLOSING THE DEAL

1. With help from your Sutton REALTOR®, make an offer and negotiate to buy the home that you want
2. Once your offer is accepted, arrange to complete the closing process with your assembled team
3. Move in and enjoy your new home