

PurchaseOfAHome.Com

This website is designed to help our clients gain access to Frequently Asked Questions. Purchasing a home can be a daunting experience, especially the 1st time. With the assistance of Meredith Kaminsky (VERICO One Link Financial), The Michael Leclerc Home Selling Team (Royal LePage) & David Vincent, (Tacium, Vincent & Associates Law Office), we have identified the most frequently asked questions and have answered them as best we can on this Website. If you do not find an answer to your questions below, feel free to use the request form at the very bottom to email us. We will respond ASAP. Of course, you can also call us any time.

1) The Qualification & Mortgage Process--Meredith Kaminsky VERICO One Link Financial 204.955.4222 meredith@onelinkmortgage.com

2) Finding a Home, Working with your Agent--Michael Leclerc: The Michael Leclerc Home Selling Team Royal LePage Top Producers 204.792.6453 michael@michaelleclerc.com

3) Legalities, Process, and Costs--David Vincent: Tacium, Vincent, and Associates. 204.989.4226 dgv@taciumvincent.com

1. Qualification, Mortgage process

❖ What is the difference between Pre Qualification & Pre Approval?

Pre-Qualified

You can be "pre-qualified" by a lender, an agent or on your own. The term simply means that someone has taken a general look at your income and expenses and plugged them into a debt-to-income ratio formula. Loan pre-qualification does not include an analysis of your credit report or an in-depth look at your potential to buy a home. It does not require you to provide proof of income, down payment, closing costs; or provide you with any commitment for financing.

Pre-Approval

A Mortgage Professional will take the steps necessary to obtain a mortgage pre-approval that will allow you to shop for your new home with confidence.

When you are pre-approved, it means a lender has looked closely at both your credit report and your income. Then provided a written confirmation of your mortgage pre-approval, with an interest rate hold (up to 120 days) subject to CMHC approval or a satisfactory appraisal of the property.

The Mortgage Professional also collects all of your necessary back up documents up front, so when you write an offer normally all that is required is a copy of the signed offer to purchase and the MLS Listing. In some

circumstances updated documents may be required to complete the file, depending on how long it takes to find a home to purchase.

❖ **Why should I get Pre Approved?** All buyers need to be pre-approved in order to better understand their buying limits, what interest rate they qualify for, how much of a down payment will be required, and what is required for documentation when a formal offer to purchase is executed. You'll know whether you have been through a thorough pre-approval if the Mortgage Professional has collected all your back up documents.

❖ **What advantages do I have with 20% down payment on the purchase vs. less?** The only quantifiable advantage to putting 20% down on a purchase is avoiding mortgage insurance fees from CMHC, Genworth or Canada Guaranty – which can be sizable. However, the mortgage companies may require a full property appraisal prior to approving the financing with a 20% down payment because there is no mortgage insurance from the insurer in place – which can slow down the approval process. Obviously, the higher down payment you use to purchase your new home, the lower your monthly mortgage payment will be.

❖ **How much down payment do I need?** The minimum down payment in Canada required is 5% of your purchase price. For down payment of less than 20%, home buyers are required to purchase mortgage default insurance.

❖ **Can I use a gift letter for proof of down payment?** A gift letter, provided to you by your mortgage specialist, can be signed by an immediate family member (mother, father, brother, sister, grandmother, grandfather, aunt, uncle) can be provided as proof of down payment. The letter will state that the funds are gifted and not required to be paid back. You will also require a copy of your bank statement showing the amount of the gift being deposited to your account to complete the approval process.

❖ **Can I borrow for the down payment? (Flex Down)** In some cases, depending on the criteria of your mortgage company, you may be able to borrow the down payment from a credit card, loan or line of credit. You must however, include the payment for this loan in the calculation of all of your debts and the new mortgage payment to qualify. You will also have to have a good personal credit rating in order to qualify for this option.

❖ **How is the best rate determined?** The best interest rate is generally determined on the credit and employment status of the borrower. If you have a good personal credit history and a good employment history then you should be eligible for the best interest rates available. With some of the recent government changes, certain lenders have other criteria that will

affect the best interest rates, including the loan to value, (amount of down payment vs. mortgage amount), and the credit score.

❖ **Why is it so difficult for a self-employed person to get Pre-Approved?**

If you are self-employed or a business owner, you may be surprised to find that getting a mortgage, is not a simple process.

In the past 3 years mortgage rules have been tightened numerous times. As a result mortgage borrowers are not only required to supply more documents than before, but the criteria to qualify for a mortgage has increased. This is especially the case for those who have their own businesses and don't have the typical documentation required.

Here are some items you need to have or be aware of when you apply for a mortgage.

Two Years Notices of Assessment and T1 General Tax Returns – These are generally used to determine what your income has been over the last 2 to 3 years.

Good Credit – You can keep your credit score healthy by paying bills on time and minimizing your number of loans and credit cards.

On time tax filing – Ensuring that your tax returns are filed on time and that taxes owing are paid will help create a positive picture of your finances.

Mortgage Insurance - for the self-employed or business owners, the mortgage insurance rates at which you will qualify will vary several percentage points between those who have proof of income and those without.

Seek Advice – Getting a mortgage is a complicated process. Work with a mortgage professional to ensure you get a great mortgage product.

So what should you do if you are one of the thousands of successful self-employed Canadians and you want to buy a home?

❖ **Can I borrow for improvements? (Purchase Plus Improvements)**

There are several programs available that will allow a buyer to incorporate the costs of most improvements to the property. This allows you to purchase a home that may need some improvements made to it and put those costs onto the mortgage rather than having to self-finance these costs.

❖ **What is amortization?** The amortization of a mortgage is the number of months that the mortgage is calculated over before it is repaid in full.

❖ **What is a term?** Term is the agreed upon length of time that the mortgage company will guarantee your interest rate.

❖ **Why should I amortize longer/ shorter?** Depending on how quickly you wish to pay off the mortgage in full, you can set your total amortization and payments at a level that is comfortable for you and plan for future changes such as a family addition. If you are putting less than 20% down payment the maximum amortization is 25 years currently. With 20% or more down payment there are some longer amortization periods available with some lenders.

❖ **Do I go with a fixed or variable, what are the differences?** Arranging a fixed or a variable mortgage is a personal choice depending mostly on whether you can tolerate your payments changing – up or down. Fixed rate mortgages have traditionally been the more popular choice for those homeowners who preferred to set a payment for the entire term of their mortgage and not worry about the changing interest rate markets. However, within the last 5-10 years the majority of homeowners who opted for a variable rate mortgage have come out ahead. With the right mortgage strategy in place, put together by a mortgage specialist, a variable rate mortgage can be very effective to ensure that you do not pay more interest than you need to.

❖ **How do I determine how much I can afford?** How much you can afford each month is a lifestyle choice. However, the mortgage companies work with ratios to determine affordability. These are called Debt Service Ratios. These ratios are an allowable percentage of your Gross income that the mortgage companies feel is an acceptable amount of your income that you can afford to pay each month for your mortgage payments, property taxes, heat, and other debts. There are mortgage products available on the market to help those borrowers who may not be able to show enough income on paper to qualify with these ratios in mind (service industry staff, commissioned sales people, part time jobs, etc.) Working with a mortgage specialist is vital to properly determine which mortgage product will be the perfect fit for your particular situation.

❖ **How much is your fee? Cost?** One of the many benefits to working with a mortgage broker is the fact that they will provide you with different options available, and, typically whichever mortgage company you decide to put your mortgage with simply pays the broker a commission –in most cases there are no fees or charges whatsoever to working with a mortgage broker.

❖ **How are taxes paid?** Property taxes can be paid one of 3 ways: (depending on the amount of down payment and the lender selected)

1. You can pay in one lump sum annually to the City or municipality.
2. You can have the mortgage company collect your property taxes with your regular mortgage payments and pay the tax bill on your behalf or;

3. You can pay a monthly installment directly to the city, and in some cases the municipality, on what is called the TIPPS program (Tax Installment Payment Program). This is recommended if available as the TIPPS program is the easiest way to handle your tax payments.

❖ **Title insurance – how does that work?** Title insurance has become an excellent way to protect you and your new home against many defects with the property that were caused prior to your possession. This also guards you against someone actually stealing the title to your home. Title insurance can also be a substitution for a survey and zoning memorandum if one is not available from the previous owners.

❖ **Mortgage insurance – How does that work?** Creditor life insurance, and in some cases disability insurance, is available from most mortgage companies. Special programs are sometimes available from the larger mortgage brokerage companies. Like anything, there are many pros and cons to any insurance, however to protect your family and/or others that may be burdened with the mortgage payments in the case of your death, it is always recommended that insurance of some kind is in place when you take possession of your new home.

❖ **What is a cash back mortgage?** A cash back mortgage is a mortgage that has been arranged to have a percentage of the mortgage amount given back to you as a loan. In some cases, the cash back can be used for closing costs, any other purpose you choose, as it is your money (appliances, furniture, landscaping, etc). Cash back cannot be used for down payment, however. While cash back mortgages can be a great choice, there is a cost to them. On average, your mortgage interest rate will be 1 – 1.5% higher for the option of a cash back mortgage. It is very important to work with a mortgage specialist that will calculate everything accurately and clearly present you with your options so you fully understand the cost of a cash back mortgage – now and in the future.

2. Finding a home, working with an agent

❖ **How do I get access to all properties?** All of the properties listed on MLS by all companies allow us access by remote key safe to every property through an appointment process.

❖ **How do I find the best deals?** We have entered your exact criteria in our database to help identify all properties, which include Bank Foreclosures, Distressed sales, and company owned properties. If you want a specific search for these types of properties only, we have the ability to isolate the search to any specific request.

❖ **How do I arrange to view properties?** Simply call your Buyer Specialist from our team and they will arrange to get you into the home at a mutually convenient time.

❖ **Can I see any property?** Yes, simply call your Buyer Specialist from our team and they will arrange this.

❖ **How do I make sure I am not paying too much?** We do a Reverse Market Analysis to ensure that you are aware of any similar properties that have recently sold in the same area for comparable purposes.

❖ **How do I get an inspection done on a home?** We can recommend and provide you with a list of qualified home inspectors and we will make the offer conditional on a home inspection if you decide this is what you would like to do. **Should I get one?** Yes, we highly recommend getting a home inspection. The cost is negligible considering the cost of a home and it provides you with the peace of mind knowing the home has either no flaws or the flaws it has are manageable and acceptable to you. In some cases, for example in a multiple offer situation, you may not be able to secure the home you want to buy if you put this condition in the offer as the best and cleanest offer typically wins the battle. These options will be presented to you at the time of writing an offer from your Buyer Specialist from our team

❖ **How many conditions do I put on an offer?** There are as many as 6 or 7 conditions you can put on an offer. The ones we highly recommend whenever possible are: Financing, Home Inspection, Sellers Property Condition Statement and Water Sample on Rural properties

❖ **How much of a deposit is required when purchasing?** Typically the more the deposit, the stronger the offer. A common number is \$2000 on a \$100,000 offer and \$5,000 on \$200,000, \$10,000 on a \$300,000 property. This is not written in stone and every situation varies. In a multiple offer situation, you may have to provide as much as you have access to in order to make your offer as strong as possible.

❖ **Who does the buyer agent work for?** The buyer agent works exclusively for the buyer. It is assumed when you look at a home that the agent showing it to you is working on your behalf as the agent with the listing works for the seller. The only exception to this is known as Limited Joint Representation where the Broker can act on behalf of both parties. Both the buyer and the seller must consent to this. An explanation of Buyer Agency Relationships was included in the package we gave you as we are

governed by the Manitoba Securities Commission to present this information to you prior to showing you a home.

❖ **What are the best locations/ worst?** Every location is different and the needs of every client need to be identified in order to determine the best and worst locations.

❖ **Can I look everywhere in home?** Yes. You have hired us to represent your best interests and we strongly suggest that you look in every nook and cranny in a home, or have a certified inspector look on your behalf. If appliances are included, you may want to open fridge, stove and any other appliance door to identify the interior condition.

❖ **Can you preview homes for me?** Yes we can, however, unless it is physically impossible for you to do a drive by, we recommend that you do a drive by 1st. Over the years we have brought many people to homes and at 1st sight they don't like the look of the home, location, the neighbors or something just does not work for them. This results in an inconvenience for all parties, but especially for the buyer and seller.

❖ **What do I do if I see a for sale by owner (FSBO)** You have hired us to represent your best interests. This includes strategy and negotiation with a private seller. You should take down any info possible (i.e.) address, phone # and call us. We will call the vendor on your behalf and identify the price and other important terms and conditions of the sale. We will arrange an appointment to view the home for you with "Single Agency Representation" representing your best interests at all times.

❖ **How do I ensure the security of my family?** The security of your children is paramount to us. We will help you identify neighborhoods conducive to the well being of your family.

❖ **Will the house I buy depreciate in value?** Only if all of the homes in Winnipeg depreciate or for a psychological depreciation or neighborhood problem.

❖ **What is the process for negotiation when I find my dream home?** Once you identify your dream home, this becomes an energy filled exciting time, but it can also be a disappointing time. The 1st step is to make your buyer agent aware. They will immediately meet with you to discuss a strategy moving forward. It is imperative that the communication is wide open at this time. If a competing offer is present, your buyer agent will discuss strategy and make you aware of every detail. It is important to keep your emotions in check until the deal is a success or not.

❖ **How does the bidding war work?** A bidding war occurs when there is more than 1 offer present on an individual property. At this time the Sellers agent collects all of the offers and presents them in the order they are received. The seller then gets to identify the best offer through a series of discussions with the Selling agent. None of the buyers know what the other offers are, so if the property being bid on is wanted by 1 or 2 or 3 individuals at any cost, the cost is usually inflated tremendously. This can be a thrilling time for a seller, but unfortunately, there is only 1 winner on the buyer side. It is imperative that the lines of communication are wide open in a bidding war.

❖ **How do I avoid bidding wars?** This strategy is used by many of our buyers. We must simply wait until the "Offers presented" period has passed prior to showing the home. This does not guarantee you won't run into a bidding war, but it will eliminate the potential 80-90% of the time.

❖ **Where do I find the best interest rate at the time of purchase?** Your lender will have provided you with a rate at the time of being pre-qualified. If the rate drops at time of transfer, you get the lower rate.

❖ **How do I get access to the value added discount promised when we met?** The moment you secure a home, we will send you a congratulatory note with information on how to gain access to this wonderful program.

❖ **I am not getting my auto notifications from you on houses for sale, how come?** The auto notification system is a wonderful tool to alert our clients about new listings. We monitor it daily and it lets us know weeks in advance of when a search will expire. In the event you do not receive listings for a period of more than 72 hours, you may want to advise us via e-mail and we will check to make sure all is well. Due to the low numbers of inventory at certain times, it is possible to go a week or 2 without a match. This can be frustrating for all parties involved.

❖ **Can I visit open houses?** Yes, please do. Please remember that you have hired us to represent your best interests, so it is important to tell the agent upon entering a home that you are represented by The Michael Leclerc Team and they will respect that and not hound you trying to sell you this home or others. Please keep in mind; visiting private sale open houses puts you in a weak bargaining position unless we accompany you. Please call us to join you through a private sale property.

❖ **Can I preview the home prior to Possession date?** Unless you insert that request in to an offer to purchase, the vendor of the home you

purchased is not obligated to ever let you back in until the transfer of keys. It is not uncommon for a follow up showing to occur, but it is not always tolerated. We suggest writing it into the offer whenever possible.

❖ **Will the builder contact me for my new home pre occupancy inspection?** Yes, the builders representative will call you, or us to help arrange a pre occupancy inspection to determine deficiencies You can not take possession of your new home until a pre occupancy inspection occurs.

❖ **Is my possession date guaranteed on my resale home?** Yes, with the exception of a problem with the monies being transferred or a problem with paperwork. On a new home purchase? NO, the builders have a clause in their contracts spelling out conditions of possession. We have seen possessions delayed as much as 9 months on the extreme side.

❖ **Is GST payable on a Resale Home Purchase?** NO. **On my New HomePurchase?** Yes, you will have a rebate from the Federal Government either factored into the contract or a check upon processing. **On vacant Land Purchase?** Yes and No, yes if the person you purchase it from is a developer and no if it is a private transaction.

❖ **When should I read the utility meters?** The moment you take possession.

❖ **When should I get home insurance?** Prior to taking possession.

3) The Legal Process – Answers

❖ **I just bought a home, what next?** What will happen initially is the real estate agent will forward to the lawyer a copy of your contract. Many times there are items in the contract that you want to discuss with your lawyer and we would be happy to do that.

❖ **Which lawyer should I use?** In selecting a lawyer to assist you in the purchase of real estate, make sure you select a lawyer that is familiar with that area of law and practices regularly in that area. If you already have a lawyer that you familiar with and communicate well with, we do not intent to interfere with that relationship. However, if you are looking for a law firm that does a large volume of real estate and prides itself in the quality of its service, please contact us at Tacium Vincent & Associates

❖ **What is cost? Legal Fees?** The cost of purchasing a home is fairly straightforward from a legal perspective. Please visit <https://www.taciumvincent.com/purchase>

There are a number of other disbursements involved that lawyers pay on your behalf and it is necessary to go through that with your lawyer.

❖ **How do I know a lawyer acts in my best interest?** □A lawyer when taking on a client is obliged by the Law Society to act in the best interest only of their client. A lawyer always represents their respective client and promotes their interest exclusively unless he has permission in writing to represent more than one party.

❖ **How much money do I need at closing?** This is always a very important question that every purchaser needs answered as soon as possible. Many times it depends on the amount of mortgage money that you are receiving from your financial institution so it is necessary for the lawyer to wait to receive that information before contacting you and reviewing all of the closing costs. To see a summary of closing costs visit: <https://www.taciumvincent.com/purchase>

❖ **How are taxes paid?** Taxes are paid dependent on what municipality you are purchasing in. In Winnipeg, there are two methods of paying taxes: you can start on a program called TIPP whereby the taxes are paid on a monthly basis commencing January 1st, continuing 1/12 of the tax bill being paid each month throughout the year. Another method of paying the tax bill in Winnipeg is to pay the entire bill at the end of June covering the period from January 1st to December 31st.

❖ **When is my first mortgage payment?** Mortgage payments are unlike rent payments where you make a payment and then it covers you into the future. Any payment made on a mortgage covers you to that day to be current, in other words, it covers the past. Your first mortgage payment depends on the date your mortgage started. The date your mortgage started depends on how long it takes land titles to process the change of title and the lawyer report to the bank that everything is fine. Whenever the mortgage commences then the payments commence thereafter. If you are on a two-week payment structure, it would be two weeks from the date of advance to the lawyer. If you are on a monthly basis, normally the financial institution wants the payments to come out on the first of the month so there may be an irregular payment of the smaller amount the first month, but then the full payment will commence the month thereafter.

❖ **What happens if the house is not in the same condition as possession as it was when I looked at it?** In your contract there is a provision which states that the vendor is responsible to keep the house in the same condition as when you viewed it and made your offer. Obviously the purchase price reflects the value of the house at the time you were

viewing it so if anything substantial has changed since that time between the time you made the offer and when you take possession, the vendor is responsible. Your lawyer will assist in writing a letter to the seller's lawyer outlining any changes in the condition and between lawyers, the matter usually is negotiated through either money or replacement or items that are missing or damaged.

❖ **What is land transfer tax? How much does it cost?** Land transfer tax is usually the most significant disbursement. This tax is paid by every purchaser to the provincial government when you purchase property, but not when you sell property. The tax is calculated as a percentage of the value of the property that you are buying and different percentages are applied to each part of the fair market value. The higher the value of the home, the higher the percent owing for land transfer tax. The fees presently are a base fee for any property \$30,000.00 or less is \$69.00. Any value between \$30,000.00 - \$90,000.00 is .5%, any value over \$90,000.00 - \$150,000.00 is 1%, anything over \$150,000.00 - \$200,000.00 is 1.5%, anything over \$200,000.00 is at 2%.

❖ **Do I need a Survey Certificate & Zoning Memorandum?** It is not essential that you require a Survey Certificate and Zoning Memorandum. Most financial institutions do have that as a requirement or in substitute for that title insurance. Survey & Zoning confirms what you bargained for in your contract which is that the property that you are buying will not encroach on your neighbour's property and that it has the proper alignments as to side yard, front yard and backyard. It also will reveal if anyone is encroaching on your property, as it is a legal survey showing where all the structures are and your boundaries. It is helpful many times to have a Survey & Zoning in the event that you are planning an addition to the property or wanting to build a fence or deck in furtherance of the property. Title insurance is another cheaper option. Survey Certificate and Zoning Memorandum usually cost about \$425.00 if the property is within Winnipeg city limits. Title insurance is around \$229.00 and it does not physically give you a diagram of your property and the boundaries, but it does cover all of the issues relating to by-laws for side, front and backyard. In addition to covering you for the possibility that those are incorrect, it also covers off many other things such as if the seller made renovations to the property and did not get the proper building permit and there are items that are not up to code. If this is discovered it can also be covered through title insurance.

❖ **What is a Tax Certificate?** A tax certificate is evidence that the taxes are current to the year in question and the municipality verifies that there are no outstanding taxes in arrears.

❖ **Do I need to do title searches?** Yes. It is essential in buying a property you search the title. The title discloses to the purchaser many things. The purchaser is made aware of any mortgages, liens or judgments that the vendor may have that have to be removed that are attached to that property. The title search also discloses any other types of agreements that relate to that property.

❖ **Why am I paying interest to the seller at possession date?** This is often the most confusing part of a purchase transaction. If you are getting a new mortgage the lender may not advance monies under the mortgage until they can verify the title is in your name and the lenders mortgage is property registered against your title. Therefore your mortgage does not commence many times on possession date, it takes the 14-28 days for the lawyer to report to the bank then the bank will advance the mortgage. The date the mortgage monies are received by the lawyer is the date your mortgage commences, however, the vendor wanted to have the money from the sale of their home on possession date. Therefore, you owe interest on your mortgage amount not to the bank but to the seller who never received the money. You never pay interest to both the bank and the seller at the same time, it is essentially interest paid to the seller until your bank is prepared to advance the mortgage money. Normally our firm collects 30-40 days of interest based on your mortgage amount which is more than enough to handle the registration delay and many times we refund money based on the mortgage taking only 2-3 weeks to get through land titles.

❖ **I took possession 2 months ago and still have not made a bank payment, why? What do I do?** The reason you have not made a bank payment is because of what we discussed earlier which is that there is a delay in getting your money from the bank until we can prove that title is in your name and their security is in place. That means that the bank is not essentially lending you money for about a month after you have moved in. Once the bank has lent you money, it does not require an immediate payment. It waits the term of first payment amount and then requires a payment, so that if you are making monthly payments there is a further month delay in order to make your first payment. Therefore, you could be in your home 2 months without having made a mortgage payment, however, you would have paid interest to the seller for the first month while your mortgage money was still waiting to be advanced and then the reason the delay is for a further month is because the bank requires a payment at the end of the first month. You may want to contact your bank to know exactly when your payments will start.

❖ **What is the cost of registering a title?** The cost of registering a title is basically the land transfer amount, which we have discussed. It is a tax

paid to our provincial government when registering the property based on the fair market value of that property. Again, there is a base of \$69.00 for any property \$30,000.00 or less, then between \$30,000.00-\$90,000.00 the tax is .5% of the value, over\$90,000.00 - \$150,000.00 is 1%, anything over \$150,000.00 - \$200,000.00 is 1.5%, anything over \$200,000.00 is at 2%