



Homeguard

FUNDING LTD.

Est. 1983

FIRST



TIME



HOME BUYERS



GUIDE

DEFINITION OF A FIRST

TIME HOME BUYER

Two parts to a First Time Buyer

- 1) True First Time Buyer – Either you or your spouse has never owned a home. Then you are eligible for:
 - a. Land transfer tax rebate if a new home is purchased in Ontario
 - b. Usage of tax-free withdrawal from RSP of up to \$20,000.00 each. Note: this does not have to be used for a down payment.

- 2) First Time Buyer for RSP withdrawal. If you/co-applicant have not owned your principal residence since January 1, 1999. You and co-applicant may still use RSP withdrawal provision (see above 1.b.)

There are no other advantages to being a first time buyer.

A Word of caution regarding Pre-Approval Certificates! It is an industry standard that most lenders issue pre-approval certificates. These certificates are given specifically to be used on information you give to the lender. They are, for the most part, given to you without the lender having done a credit investigation, or receiving documentation on job stability, income and down payment verification sources. In all cases, the subject property must be appraised independently prior to final approval.

A pre-approval certificate usually contains conditions. It should be pointed out that you should not use this as a firm and binding final approval. You can go house hunting, but you should put a minimum 4 day financing condition in any offer to purchase you submit. This is especially important when dealing on a high ratio mortgage with minimum down payment resources.

On the other hand, when dealing with **Homeguard Funding Ltd.**, we make it our business to be very thorough in the pre-approval process especially when dealing with self-employed applicants, credit accidents, contract employees, part-time income, unique down payment sources or non-prime properties. **Our experience will guide you comfortably throughout the buying process.**

FIRST TIME HOME BUYERS

GUIDE

THE FOLLOWING CONCEPTS ARE USED FREQUENTLY WHEN PURCHASING A HOME:

- 1) **DOWN PAYMENT:** It is the amount of money necessary to create your initial investment which, cannot be borrowed - it must come from your own resources - family assistance is acceptable - minimum down payment may be as little as 5% of the purchase price of your home.
- 2) **TERM:** It is the amount of time that your mortgage is initially contracted for; term may vary from 6 months, 1 year, 5 year, 7 year or 10 years. The negotiated fixed rate of interest will not usually change unless a variable or adjustable rate mortgage is specifically requested. We normally do not recommend variable or short term Mortgages for first time home buyers with minimum down payments. If a term of less than 3 years is selected, qualification is based on a 3 year rate.
- 3) **VARIABLE RATE:** It is the concept whereby your interest rate is tied, usually to the Bank Prime movement monthly or quarterly. This type of mortgage is normally more flexible than a fixed rate mortgage is, as to prepayment and conversion privileges.
- 4) **CONVERTIBLE MORTGAGE:** This type of mortgage provides an option whereby you may change the term and/or repayment schedule without cost or penalty or legal expense which is beneficial in down trending interest rate markets.
- 5) **AMORTIZATION:** It is the hypothetical time period that your mortgage would be paid in full provided the interest rate remains constant. Usually a 25 year amortization is selected by most first time home buyers. Shorter and longer amortization periods are available. Amortization periods may be irregular to suit optimum payment plans. e.g. 19 years, 6 months.
- 6) **PREPAYMENT PRIVILEGES:** Usually once in each calendar period you may be allowed to pay an additional amount of \$\$ up to 10, 15, or 20% of the principal balance without cost or further obligation. This reduces your principal dramatically and saves thousands of \$\$ in interest over the life of the mortgage.
- 7) **COSTS:** In most cases for qualified first time home buyers, the only cost in arranging a mortgage are legal fees in registering the mortgage document and an appraisal/insurance fee which normally does not exceed \$235.00. There are usually no brokerage fees or any other costs associated in dealing with **Homeguard Funding Ltd.** provided you are a qualified applicant. The only way a mortgage of 95% can be funded is if the lender is insured against default (usually by CMHC). The cost of this insurance is 3 3/4% of the mortgage amount added on to the mortgage. There is also an 8% PST on the CMHC insurance.

- 8) **REPAYMENT OPTIONS:** Normally most first time home buyers elect to pay their mortgage on a monthly basis. However, semi-monthly, bi-weekly or weekly payments may be arranged to suit your budget which saves you thousands of \$\$ in interest the more frequently you pay your mortgage. Ask our mortgage consultants to provide you with a computerized comparison.
- 9) **CURRENT GOVERNMENT PROGRAMS:** This allows RRSP's to be used for down payment purposes. Ontario Home Ownership Savings Plans may be opened at any sponsoring financial institution which, if effected correctly, will allow income tax credits to first time home buyers.
- 10) **PRE-QUALIFICATION:** The process whereby a prospective purchaser is qualified for a certain mortgage amount given their incomes, credit history, down payment and current obligations.
- 11) **TYPES OF INCOME THAT CAN BE USED TO QUALIFY:**
 - 1) Salary - can be yearly, weekly or hourly. Overtime can be used but only if there is 2-3 years of steady overflow.
 - 2) Pensions including disability if it is permanent.
 - 3) Investment income.
 - 4) Part-time income (if it has been established for 2 years.)
 - 5) In some cases, child tax credits can be included.
- 12) **TYPES OF INCOME THAT REQUIRE MORE DOCUMENTATION OR WILL NOT BE USED:**
 - 1) Commission income - will use net after allowable expenses.
 - 2) Self-employed income - will only use net income.
 - 3) Welfare & Mothers allowance.
- 13) **QUALIFYING RATIOS:**

Payments on the mortgage, including taxes and heat cannot exceed 35% of your qualifying income; this is called **Gross Debt Ratio (GDS)**. Payments on the above plus outside debt payments (loans, credit cards, lines of credit, etc.) cannot exceed 42% of the qualifying income.

Homeguard's mortgage services allow you to review the entire mortgage market in the least possible time in easy to understand terms provided by our experienced, knowledgeable staff. **Homeguard** is locally owned and operated and has served York Region and the surrounding areas for almost 20 years. **Homeguard** has served over 35,000 clients and specializes in assisting first time home buyers make the most important financial decision in their lifetime. Sincere, consistent, reliable service is available to you, normally without direct cost.

Feel free to contact us at any of our local community offices for consultation without cost or obligation.

INTEGRITY

“WE MAKE A LIVING BY WHAT WE EARN.....

.....WE MAKE A LIFE BY WHAT WE GIVE”

THE BIG QUESTION??

HOW MUCH CAN I AFFORD:

1) QUICK METHOD:

a) Take your gross family income from all consistent sources and follow the simple rules of thumb below depending on current interest rates:

<u>Rate</u>	<u>Factor</u>	<u>Income</u>	<u>Mortgage Amount</u>
6%	3.5 x	\$34,000.00	\$119,000.00
8%	3.5 x	\$34,000.00	\$102,000.00
10%	2.5 x	\$34,000.00	\$ 85,000.00
12%	2.2 x	\$34,000.00	\$ 74,800.00
14%	2.0 x	\$34,000.00	\$ 68,000.00

** Assumes taxes & heat at \$ 100/mo.

** Other debts less than or @ \$200/mo.

DOWN PAYMENT: Minimum 5% of Purchase Price.

b) Add your down payment to quick qualified mortgage amount.

c) The total approximate value of the house you can afford on \$34,000.00 income with \$5,350.00 down payment when a current rate is 8% is -
\$ 102,000.00 + \$5,350.00 = \$107,350.00

1ST TIME BUYERS MAY BE -

- 1) Either one (1) applicant's minimum 5% down qualifiers.
- 2) Former buyers who sold house as a result of a marital break up.
- 3) Anyone who sold a previous home as a result of a change in geographic location for employment reasons.
- 4) Anyone who sold principal residence and experienced loss of equity.
- 5) Anyone who experienced a justified hardship situation (explanation required)

NOTE: Multi-unit residential housing up to 4-plex will qualify but in all cases the purchaser must occupy the property as his principal residence.

Multi buyers may co-mingle their incomes to qualify provided they occupy the property. Our Lenders and CMHC understand today's new intergenerational families and new socio-economic partnerships that are becoming more prevalent.

2) PERSONAL WORK SHEET:

i) Calculate gross family annual income:

- Personal Taxable Gross \$ _____
- Spousal Taxable Gross \$ _____
- Additional family member \$ _____
- Additional family member \$ _____
- Other income (investment, part time, net rental, etc) \$ _____

TOTAL ANNUAL INCOME \$ _____

ii) Apply GDS qualifier -

(32% of gross total income) x .32 = \$ _____

This amount is available to service principal, interest, taxes, heat, 50% of condo maintenance.

iii) Apply TDS qualifier -

(40% of gross total income) x .40 = \$ _____

This amount is available to service GDS plus all other debts (installment loans, credit cards, support payments, lines of credit, etc.)

iv) Property Details (GDS)

- Annual Taxes - \$ _____
- Annual Heating - \$ _____
- Annual Condo Fees @ 50% - \$ _____
- Annual 1st Mortgage Payment - \$ _____
- Annual 2nd Mortgage Payment - \$ _____

TOTAL \$ _____

v) Other Debts (TDS)

- Annual Car Loan (Lease) - \$ _____
- Annual Installment Loans - \$ _____
- Annual Credit Card Payments - \$ _____
- Annual Other - \$ _____

TOTAL \$ _____

vi) Insure GDS/TDS totals do not exceed maximum allowable calculated in (ii) + (iii) respectively. You must be comfortable with your lifestyle using a common sense approach.

Feel free to consult with your
CONSULTANT to obtain a pre-qualification certificate at a guaranteed rate which
 will allow you to negotiate a property purchase with confidence!

MORTGAGE PRE-QUALIFIER

Personal Information

Personal Income #1	\$34,000.00
Personal Income #2	\$ - 0 -

Total Annual Personal Income	\$34,000.00
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Other Debts

Other Debts #1	\$ - 0 -
Other Debts #2	\$ - 0 -
Other Debts #3	\$ - 0 -

Total Annual Other Debts	\$ - 0 -
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Mortgage Details

Interest Rate	6.00%
Amortization	25 years
Actual GDS	32.00%
Actual TDS	40.00%
% Down Payment	5.00%

Allowable GDS	32.00%
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Property Details

Annual Taxes	\$1,200.00
Annual Heating	\$1,200.00
Annual Condo Fees (50% has been used to qualify)	\$ - 0 -

Total Property Costs	\$2,400.00
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Mortgage Qualifications

Maximum Payment	\$791.67
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Maximum Mortgage Amount	\$123,735.30
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**** Note: CMHC insurance must be included in the pre-qualified amount.**

**** Note: The maximum allowable GDS under CMHC guidelines is 35% of the total annual income.**

The Final Week Before Closing

First Time Home Buyers Check List:

- 1) Property Appraisal Completed \$ _____
- 2) Professional Home Inspection Satisfactory \$ _____
- 3) Land Survey Cost (if necessary) \$ _____
- 4) Land Transfer Tax \$ _____
- 5) Property Tax Adjustment \$ _____
- 6) Utility Adjustments \$ _____
- 7) Legal Costs \$ _____
- 8) Misc. Office Disbursements \$ _____
- 9) Brokerage Fee Costs \$ _____
- 10) Government Registration Costs \$ _____
- 11) House Insurance Premiums \$ _____
- 12) Lease Penalties or Sublet Costs \$ _____
- 13) Life Insurance Premium \$ _____
- 14) G.S.T. Payable (if applicable) \$ _____
- 15) Interest Adjustment Costs \$ _____
- 16) Balance of Down Payment \$ _____
- 17) Movers Costs \$ _____
- 18) Cleaning Costs \$ _____
- 19) Paint & Repair (if necessary) \$ _____
- 20) Time off Work \$ _____
- 21) Fast Food Costs For The Day \$ _____

*****GOOD LUCK*****

**“You miss 100% of the shots you never take”
(Wayne Gretzky)**

GIVE OR SEND INFORMATION TO:



“FIRST TIME BUYER MORTGAGE SPECIALISTS”

HEAD OFFICE (905) 895-1777, Toll Free 1-800-225-1777