



## First Time Home Buyer Tips

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Like many people in Canada, they are looking to buy their first home in 2017. If you follow the tips listed below, you should have no problem purchasing that home you've always wanted.

### Figure out what you can afford

A home is an expensive purchase and finding out what you can afford should always be your first step. Many home buyers will approach the realtor and start to look for houses that are not in their price range. Mortgage rules are constantly changing within Canada and by finding out your price range, you will have a better understanding of the type of home you should be looking for. The general rule of thumb is you should not be spending more than 30% of your gross monthly income on monthly mortgage payments. This is known as your "housing ratios". Some properties such as condos or townhouses, might have extra fees such as monthly condo fees which are not always included in the pricing. Some homes are freehold meaning they require no monthly fees but just the standard mortgage payments. If you're looking to put less than 20% as a downpayment, you will have to be approved through CMHC or Genworth which is mortgage default insurance. These are government backed companies that pay the mortgage if someone was to default or walk away from the house. They charge a premium that will be added on top of the mortgage and spread out over the amortization of the mortgage. Adding this premium to the mortgage will increase your overall monthly fees. Also, you need to consider your closing costs such as legal fees. Generally you should save approximately 1.5% of the purchase value for closing costs.

### Get your credit in order

A bad credit score could negatively impact your chances of a mortgage loan, but there are plenty of ways to stay on top of it. Lenders like to look at three main components of your credit. They will look at your "capacity" meaning what is your balance compared to your lending limit. Most people will assume that lowering your credit limit is actually a good thing but having a

larger gap between your balance owing and your credit limit is actually a positive influence on your credit score.

Another factor is “unsecured debt”. How much of your debt is unsecured. Which means there is no collateral or security attached such as a home or vehicle. Lastly, they look at “escalating debt”. That means you have acquired more credit in the last two years. It’s not always a bad thing if there’s new credit on your credit bureau. Some people purchase new vehicles and homes but if you’re collecting credit cards constantly, that could become a problem. Lenders and Genworth/CMHC like to see you have two trade lines for two years. That means a credit card, loan, line of credit, student loan, etc. Two of those for at least two years. You shouldn’t wait until you’re looking to buy a home before you check your credit. You should be checking it a couple times per year. You can request this through Equifax or Trans Union. They can provide the reports for you.

### **Do your homework and know what you want**

Though many homebuyers will eventually rely on the pros, most are starting out online. The average Canadian only spends a mere 5.75 hours searching for a mortgage. Even though 67% believe getting a mortgage is very important. This study was conducted through Lowrates.ca. Homebuyers are currently spending more time on purchasing a vacation (7.75 hours). There’s more to homebuying than the color of the house or if there’s a fireplace. Buyers should also take into consideration school districts, crime statistics, noise from local transportation or a nearby bar scene and parking, among many other factors. Also take into consideration how long you plan to stay in the home for some, that determines if they should rent or buy. Three in four home buyers get homes they don’t plan to stay in long-term.

### **Organize your documents and be prepared**

Buying a home becomes a lot easier for someone that is pre-approved. By visiting your mortgage broker, sometimes you can have a pre-approval in 24 hours. This will help when you’re up against other competing bids for a property. In order to get pre-approved, home buyers must provide details on their financial history, including credit reports, proof of income, bank statements and assets and liabilities, as well as personal information including Social Insurance numbers and driver’s licences. The benefits of using a mortgage broker, is they have access to over 60 lenders and can get you the best rate and product moving forward. Also, when they send your deal to multiple lenders, your credit is only checked once.

When you’re buying your first home, it can sometimes becoming overwhelming. Having the right people in your corner can make the whole process easier. If you have any questions on the material above or general questions regarding the industry, feel free to contact me.

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