



The Mortgage Centre

First Time Home Buyer

Expert guidance every step of the way

Buying your first home is an exciting journey. As an experienced mortgage professional and veteran of this process, let me tell you my best advice right off the bat: get a mortgage broker. A mortgage broker (like me) will hold your hand every step of the way, from getting your documents to budgeting to rate shopping to getting you approved for the right mortgage. A good mortgage broker works with dozens of lenders and helps solve your unique dilemmas.

To earn your trust, I'm going to give you the most important information about the process right here. Then, when you're ready, let's connect so I can get to work for you.



Stage 1: The Process

- 1. Pre-approval:** Getting a preapproval means we take a rough estimate of your income and debts and see what you're likely to qualify for. We can also hold a rate for you. It gives you realistic expectations of what's to come and what you can afford.
- 2. Home Shopping:** You work within your budget to find the best place for your needs and put in an offer conditional on financing.
- 3. Mortgage Application:** Here we use the documentation from the preapproval and complete a full application including property details and exact price. We submit to lenders and select the one you'd like to go ahead with.
- 4. Funding:** Here you have an approval, engage your lawyer, and prepare financial transactions like your downpayment, closing costs, and other fees. On the closing date, funds will change hands and you will now be responsible for the mortgage and subsequent payments.

Stage 2: Mortgage Terms

Most of the terms surrounding a mortgage are related to decisions you need to make.

For example, you'll decide on a **fixed rate** (the rate stays the same), or a **variable rate** (the rate changes based on the prime rate set by the Bank of Canada). You'll also need to confirm the **term**, which is how long you want to be committed to that rate choice for – with 1, 3 and 5 years being the most common. Both of these choices should be influenced by the current market conditions and how likely rates are to go up or down over the next few years.

You'll also want to consider **pre-payment penalties**, which are fines your lender can charge you if you pay too much on your mortgage. If you want to increase your payment amounts or put a windfall of cash towards the mortgage, consider if and what it will cost you.

Lastly, is the **stress test!** To qualify for a mortgage, you need to prove to A lenders that you'll continue to make your payments should rates and circumstances change. To do that, the lender will calculate your payments at the higher of 5.25% or the rate they offer you + 2%. If you can still make those payments (based on a debt-income ratio), you've passed the stress test. B lenders, credit unions, and private lenders don't impose a stress test.

Stage 3: Government Assistance

As a potential new or first-time home buyer, the Government of Canada has a few options to help you succeed financially.

- **As you save up:** use a First Home Savings account to grow your funds tax free.
- **As you purchase:** use a Home Buyers Plan to access your RSPs tax free (just note you need to repay yourself) and apply for a new housing rebate (if applicable).



Stage 4: Hidden Costs

Of course you need to budget for the cost of the home and the mortgage. Here are some of the lesser-known costs of purchasing a home:

- **CMHC fees:** applicable to anyone with less than 20% as a downpayment, assessed on a sliding scale, and can be paid up front or added to your mortgage amount.
- **Closing costs:** this is a general bucket for legal fees, land transfer taxes, a home inspection, an appraisal and title insurance. You'll need cash to pay these upfront.
- **Home ownership costs:** this includes property taxes, insurance, utilities and ongoing maintenance. You'll need to pay these on a monthly basis or as a lump sum up front.
- **Condo/Strata fees:** if you live in anything but a standalone home, expect another monthly bill to maintain the common areas.

Stage 5: Home Wreckers

There are some common missteps that home buyers take that invalidate their approval and jeopardize their mortgage funding altogether—so here's what NOT to do after you've gotten an approval:

1. **Apply for more credit.** That means no buying a new car, no getting a credit card limit increase, no financing any new appliance purchases.
2. **Changing jobs.** You've been approved based on proving your income, so don't make any changes—not accepting a new job, not going on maternity leave, nothing!
3. **Missing payments.** Any missed payments on existing bills or debts will negatively impact your credit score and in turn will increase your mortgage rate.

I can't emphasize enough how important it is to not borrow any more money until the mortgage deal is signed and funded. Any of these mistakes will put you in a real bind—you may not pass the stress test, you may no longer qualify for a mortgage with your lender of choice, or the amount you need, or any mortgage at all!

Closing

Sometimes this process can feel overwhelming. Honestly, that's why you hired me! I'm here to advise you every step of the way. To take care of the paperwork. To send you reminders and keep you on track. Feel good that you've made a great choice in working with me as there's nothing I want more than to make a home purchase happen for you.