



**DOMINION LENDING**  
CENTRES



# The New Home Buyer's Checklist

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Dominion Lending Centers  
Independently Owned & Operated

## Buying Your First Home

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You may be thinking about buying your first home which is no small feat! Buying a home is likely the largest investment you will ever make. Despite the fears you may be experiencing, it should not be something to be scared about!

To help you understand what you need to do as you buy your house, here are a few simple steps to take before considering your first home.

**1 – Review Your Budget.** Many renters believe they cannot save enough money to own a home. Mortgage rates are still relatively low in Canada resulting in a mortgage payment not usually being much more than your monthly rent – with the added bonus that you’re investing for your future.

Over the next 6-12 weeks, review your budget to understand how you currently spend and where you are spending it. Can you reallocate some of that spending towards saving for your home or paying your mortgage? To monitor your spending habits, try using [You Need a Budget](#) (YNAB) or [Mint](#) apps on your iPhone or Android.

Once you get a handle on your spending, and saving, your next step is to get in touch with a mortgage broker to take next steps on what you can do with your savings and making them work for you.

**2 – Understand Your Needs.** Now that you’ve spoken to a mortgage broker, who has provided you with information about your monthly payment options on a home, you can start looking for your home.

Buying a home is often done with the heart, but before you even start looking for your dream home, think objectively to better understand what you want from your home. Are you looking for a place close to

work, or closer to family? Is it an investment home? How long will you live in that home? Do you plan on growing your family in that home? How many rooms do you need? How many bathrooms? Understanding the needs of your home will allow you to make better judgements in terms of size, location and amenities that fit your realistic budget.

A starter home is a good place to start for young professionals. Not only does it offer you an opportunity to build your own equity, but the home could also be a rental property in the future – giving you passive income for years to come. A small home isn't for everybody, but it's a step in the right direction if you're looking to stop renting and begin owning your own home, for the same price.

**3 – Gather Your Down Payment.** Once you have an idea as to how much you can afford to spend on a mortgage payment and the type of home you're looking for, it's time to look for that down payment! For a starter home, a 5% down payment is often enough.

Your down payment can come from several sources, including your Tax-Free Savings Account (TFSA), Registered Retirement Savings Plan (RRSP) or a gift from immediate family, such as parents or grandparents.

### **TFSA**

The TFSA lets you save your extra cash for just about anything – including a new house— without paying any tax on the growth within the account or on withdrawals. Since the TFSA was introduced in 2009, it's estimated that only around half of Canadians have opened one, so be sure to start yours today. Should you use your TFSA for your down payment, you pay no taxes on the withdrawal.

There are many clever ways to make the TFSA and RRSP work together to improve your wealth. Generally, RRSPs are a good choice for longer-term goals such as retirement, while TFSAs work better for more immediate objectives, such as a house down payment.

### **RRSP**

With the federal government's Home Buyers' Plan (HBP), you can use up to \$25,000 of your RRSP savings (\$50,000 for a couple) to help finance your down payment on a home. To qualify, the RRSP funds you're using must be on deposit for at least 90 days. For [first-time home buyers](#), taxes are not paid on withdrawals of your RRSP and the repayment period starts the second year after the year you withdrew funds.

### **Gifted Down Payment**

A Gifted Down Payment is very common for first time buyers. Often this is done because their son or daughter doesn't quite have enough funds saved up for the full 5% down payment. Or, because they want to make sure their child has enough money to make up 20% for a down payment to avoid Canada Mortgage and Housing Corporation (CMHC) premiums.

If you put down 20% or more on your down payment, it can all be from a gift. If you put down less than 20%, part of the money can be a gift, but part must come from your own funds. This minimum contribution varies by loan type. You can only use gift money on primary residences and second homes.

All that is required for documentation is a signed Gift Letter from the parents, which states that the money does not have to be repaid, and a snapshot of the son or daughter's bank account showing that the gifted funds have actually been transferred.

A gifted down payment is viewed as an acceptable form of down payment by almost all lenders. Talk to Max Omar to make sure that your lender accepts “gifts” as an acceptable down payment.

**4 – Get Pre-Approved For A Mortgage.** Now that you know what you want and what you can afford, it’s time to visit your local mortgage broker (i.e. [www.maxomar.ca](http://www.maxomar.ca)) to get yourself pre-approved for a mortgage. Note, that we did not say go to your bank!

A mortgage broker works with banks (including yours), credit unions and other lending institutions to help find you the best rate on your mortgage. Since they work with so many different lending institutions across the country, they are in the best position to approach banks and ask for the best rates – sometimes better than what the same bank would have been able to offer you had you gone in on your own. Best of all, you do not pay a dime for their services – the lending institution does!

To work with a broker, you will need the same documentation you would have to provide your bank so have your documents in order. You will need the following documents:

For a Salaried Employee

- an employment letter/verification of employment
- current/most recent pay stub

For an Hourly Employee

- current/most recent pay stub
- an employment letter/verification of employment
- Two (2) years of your T4 tax slips

For Someone Who is Self Employed

- last two (2) income tax returns

- proof of self-employment

Once you have submitted these details, you are on your way to getting pre-approved for your mortgage and providing yourself with a clear budget on the home you would like to buy.

**5 – Find A Real Estate Agent.** Working with professionals makes this large buying decision easier on you. This is likely the biggest investment you will make in your lifetime, so work with a professional to ensure an easy transition. Would you allow an untrained, inexperienced driver take you and your family onto a busy highway? Likely not. So, let yourself be driven around by a professional driver instead and enjoy the ride.

Not only can a real estate agent provide you with valuable insight into the properties you will be viewing, but they also negotiate with the seller on your behalf. They will help you find a property that fits your budget, in the neighbourhood you want and with the space you need over the next few years.

Remember to think of your first house as an investment towards your next home!

## NEW HOME BUYERS' CHECKLIST

Give yourself points on how well you think you're progressing through this checklist.

### REVIEW YOUR BUDGET

1 2 3 4 5	Monitor your spending for 6-8 weeks with useful apps, like <a href="#">YNAB</a> or <a href="#">Mint</a> .
1 2 3 4 5	Ask yourself, "Do I really need this?" when spending. Ask often!!
1 2 3 4 5	Reduce your spending on non-essential items.
1 2 3 4 5	Reduce your spending by bundling, combining service packages.
1 2 3 4 5	Walk or ride the bus, LRT or your bike more to save on fuel. Or other money-saving techniques.
1 2 3 4 5	Calculate the monthly costs you are responsible for and how that might change as a homeowner (maintenance and repairs, property insurance, taxes, etc.).
1 2 3 4 5	I estimate that my monthly costs in my own home will cost approximately \$_____ per month.
1 2 3 4 5	Estimate the amount you will need for a down payment and work towards that goal.
1 2 3 4 5	Plan a goal on how much money you want to save.
1 2 3 4 5	My goal is to save \$_____ from today until _____, 2017.
1 2 3 4 5	Celebrate how much you have saved!

1 2 3 4 5

How much did you save this month/week?

\_\_\_\_\_

1 2 3 4 5

How much have I saved towards my future home since I first began to watch my spending?

\_\_\_\_\_

Total Points : \_\_\_\_\_

When you award yourself a minimum of 40 points in this section, you're ready to continue through to the next list.

## UNDERSTAND YOUR NEEDS

1 2 3 4 5	Outline what you and your family <i>needs</i> in terms of space, not what you dream of.
1 2 3 4 5	Decide if you want your home needs to be close to work or close to family, or both.
1 2 3 4 5	Decide whether or not you need a yard, or if a balcony might suffice.
1 2 3 4 5	Determine the number of bedrooms, bathrooms, etc. you will need now and in the future.
1 2 3 4 5	Understand how your home will need to adapt to your changing family.
1 2 3 4 5	Calculate how large a mortgage payment you can afford each month
1 2 3 4 5	Determine the best neighbourhood for your family.
1 2 3 4 5	Budget for property taxes, which is dependent on your neighbourhood.
1 2 3 4 5	Do you want a condominium or a single-family home?
1 2 3 4 5	Budget for maintenance. An older home may require more maintenance fees.

Total Points : \_\_\_\_\_

When you award yourself a minimum of 40 points in this section, you're ready to continue through to the next list.

### GATHER YOUR DOWN PAYMENT

1 2 3 4 5	Use your RRSPs for the down payment.
1 2 3 4 5	Apply for the government's Home Buyers' Plan.
1 2 3 4 5	Transfer funds from your TFSA for the down payment into your account.
1 2 3 4 5	Transfer gifted funds from your parents' or grandparents' account to your own.
1 2 3 4 5	Write a letter stating the funds are gifted and do not need to be returned.
1 2 3 4 5	Ensure funds are all in one account for easy transfer to your lawyer and/or realtor.
1 2 3 4 5	Determine the amount of your down payment. Will it be 5%, 10% or 20%?
1 2 3 4 5	Explore tax breaks associated with using your TFSA, RRSP and/or gifted down payments. Different amounts qualify for different concessions.

Total Points : \_\_\_\_\_

When you award yourself a minimum of 20 points in this section, you're ready to continue through to the next list.

## MORTGAGE PRE-APPROVAL

1 2 3 4 5	Meet with a mortgage broker, like <a href="#">Max Omar</a> .
1 2 3 4 5	Provide an employment letter.
1 2 3 4 5	Provide verification of the employment letter OR current/most recent pay stub.
1 2 3 4 5	Get pre-approved for your mortgage.
1 2 3 4 5	Remember to budget for the associated costs of buying a home, such as appraisals, home inspection, lawyer fees, etc.

Total Points : \_\_\_\_\_

When you award yourself a minimum of 20 points in this section, you're ready to continue through to the next list.

### WORK WITH A REALTOR

<b>1 2 3 4 5</b>	Find a real estate agent that you get along with.
<b>1 2 3 4 5</b>	Show your realtor what you have identified on your checklist of what you're looking for in your first home.
<b>1 2 3 4 5</b>	Get an appraisal and home inspection for the property you interested in buying.
<b>1 2 3 4 5</b>	Allow the realtor to show you many homes that fit in with what you are looking for.
<b>1 2 3 4 5</b>	Don't feel guilty about not buying the first house you see!
<b>1 2 3 4 5</b>	Allow the realtor to negotiate on your behalf when you are ready to make an offer, to get you the best deal on your new home.
<b>1 2 3 4 5</b>	Enjoy the process, and avoid the stress!

Total Points : \_\_\_\_\_

When you award yourself a minimum of 20 points in this section, you're ready to move into your new home!

Congratulations! (Max Omar would love to be invited to your house warming!)