

FIRST-TIME HOME BUYER

6 Helpful Tips



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Buying your first home is not only an incredibly special milestone, but also one of the biggest investments you will ever make. It is important to recognize that this exciting time can also be challenging and stressful. After all, there are many steps, tasks, requirements, and crucial details involved.

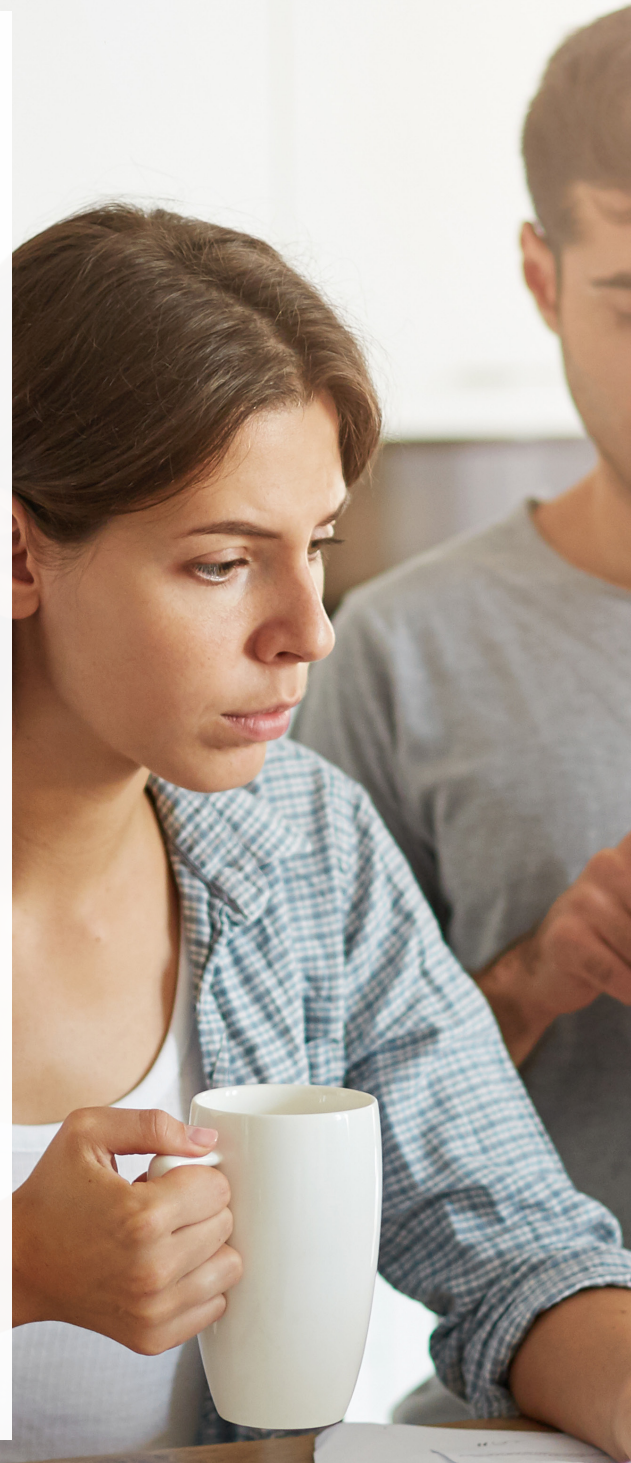
To help ease the overwhelm, I have put together 6 helpful tips for first-time home buyers like yourselves.



1 A Pre-Approved Mortgage Does Not Mean That is How Much You SHOULD Spend

Getting your mortgage pre-approved is a necessity and should always be done before you start seriously looking at homes. Without a pre-approval, you won't know what your budget is and can end up looking at homes out of reach, ending up quite disappointed. Obtaining a pre-approval is quick and easy and there is no cost, so you have nothing to lose!

It's important to remember, however, that the amount you are approved for is the maximum the bank will lend you based on your current financial situation and is not necessarily the amount you should pay for your first home. Many first-time home buyers make this mistake, and they end up spending a major percentage of their income on monthly payments, leaving little left for other costs, such as clothing, entertainment, or vacations. Take some time to lay out your priorities before deciding how much you want to spend on your first home.





Don't Obsess About Interest Rates

Interest rates are continuously fluctuating based on the economy. For the last couple of years they have been at historic lows, but are slowly rising back up to a healthy level. This correction should be welcome after two years of soaring prices and inflation, and should not deter you from buying your first home. The decision to buy your first home should be carefully calculated based on numerous factors, not just current interest rates.

Don't Skip the Home Inspection

Home inspections reveal a home's true condition, including potential future problems and safety concerns that the average person cannot see on their own. The inspection informs you of any costs, repairs, or maintenance the home may need immediately or over time along with any major safety issues, like radon, mold, or faulty electrical. A home inspection can also provide you with an opportunity to add repairs to the conditions or request a price reduction. At the very least, a home inspection can give you peace of mind or an "out" if you are uncomfortable with the outcome.

Although you may be tempted to skip the home inspection to save yourself time and money, this can be a very costly and even dangerous mistake. At the end of the day, the initial cost of a home inspection is minor compared to the risks involved with not obtaining one. Start budgeting for this cost now so you are prepared when we find your perfect home.

*Average Home Inspection
Fee in Canada:
\$250 - \$600*



4 Take Advantage of First-Time Home Buyer Incentives

Here in Canada, the government has special programs in place to help make home ownership more affordable for Canadians.

The Home Buyer's Plan is a program that allows you to withdraw funds from your RRSPs to buy a qualifying home. This plan allows you to pay back the withdrawn funds within a 15-year period.

The First-Time Home Buyer Incentive is a shared equity instrument between you and the Government of Canada. It works by getting an extra 5% or 10% for the down payment on your home from the Government, and then repaying either 5% or 10% of the property's market value at the time of repayment.

The First-Time Home Buyer's Tax Credit is a \$5,000 non-refundable tax credit. If you're buying a home for the first time, claiming the first-time homebuyer credit can get you a total tax rebate of \$750.

Source: Government of Canada



5 Don't Forget About Closing Costs!

First time home buyers often forget about the closing costs associated with the purchase of a home. These costs include legal fees, taxes, insurance, utilities, moving costs, and the home inspection. As a rule of thumb, you should budget for an additional 2.5% of your purchase price to cover these additional costs.



6 Pay Off Your Mortgage Faster

Paying your mortgage off faster can save you thousands of dollars in interest over the years and is definitely worth considering if it's within your means. If you follow a bi-weekly pay schedule, there are 3 months in the year where you receive 3 paychecks in 1 month. Why not use those extra paychecks towards your mortgage? Another option is making bi-weekly mortgage payments instead of monthly. Overall, any extra payments you can make towards your mortgage each year will save you money.



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