

FIRST TIME HOME BUYERS: THE DO'S AND DON'TS

INFORMATION GUIDE

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Thinking of buying your first home? It's quite normal to feel a little overwhelmed. After all, it's the biggest purchase you'll likely ever make. In an effort to remove some stress from the equation, here are a few tips.

What to do when you're a first-time home-buyer:

Get pre-approved for a mortgage

Some real estate agents won't even work with you until you've been pre-approved for a mortgage. This is an important first step in the home-buying process. You need to know how much house you can afford.

In addition to this there may be problems with your credit that you don't even know about.

Your credit rating is one of three factors that will be considered before you get approved for a mortgage. The other two are income and the size of your down payment.

The bigger the down payment, the smaller your mortgage (and overall interest charges) will be. One way to help boost your down payment is to borrow money from your RRSP. First-time buyers can pull out \$35,000 tax-free and have 15 years to pay it back. If you're buying with your partner, you can contribute \$50,000 together.

Find a real estate agent.

While having a real estate agent is not necessary when buying a home, it is recommended, especially if it's your first time going through the process. Having someone who is knowledgeable about your local market leading you through the process could take a big weight off your shoulders.

Stay on track with your budget.

One of the biggest things you have to consider in this decision is your lifestyle and what that requires from a cost perspective. Buying a home and keeping up with a home is a very large financial undertaking.

You may be able to afford your own home but you're also going to have to realize that you might be giving up some of your lifestyle habits that you've become accustomed to.

A great question to ask yourself is this... if you lost your job and weren't working for three months, would you be able to afford your home?

You should also keep that in mind during your home search that just because a bank approves you for a certain amount, it doesn't mean you have to spend it all. It's very tempting to want to find a home in the maximum range of what you were approved for.

Be flexible and open.

We've all seen the real estate shows with the gorgeous multi-million dollar properties. Your first home will most likely look nothing like that.

Wallpaper can be removed, walls painted and cupboards changed. The things you should be more concerned about are the size, layout, along with the condition of the roof, windows and doors, furnace, plumbing and hot water tank. Basically the bigger ticket items that get costly if you need to replace them.

What not to do when you're a first-time home-buyer:

Don't think you'll be in that home forever.

The reality is, on average, people only live in their first two homes for seven to ten years. So remember that not everything has to be 100 per cent as you'd always imagined. They call it a "starter home" for a reason.

Don't be too emotional.

This can be quite common with first-time buyers. Check the emotions at the door and think with your head. Always keep in mind the re-sale value of the home you want to purchase, and remember that in real estate it's all about location, location, location

Don't make big purchases before getting approved for a mortgage.

That may seem fairly obvious, but you'd be surprised.

Just remember that an approval is contingent upon your current income, credit and savings remaining the same. Do yourself a favor and halt on the spending until after you close on your house.

Don't forget about your closing costs.

Closing costs can add up. The CMHC recommends putting aside anywhere from 1.5% to 4% of the purchase price to cover them. Also don't forget to also save for a rainy day, you never know when that furnace could break down.

I look forward to helping you with any of your first time home buyer questions so please contact me.

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