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COLDWELL BANKER

BATTLE RIVER REALTY

CAMROSE HOME PROGRAM

Course Manual

Coldwell Banker Battle River Realty HOME Program

Vision:

To enable people to become homeowners.

The HOME Program encompasses education, counseling and advocacy, referral to service providers, financial assistance and post support. Counseling and follow-up are essential elements of the program, ensuring that households have the resources needed to move towards, achieve and sustain home ownership.

The education component of the program provides essential information, and is open to any individual regardless of their experience or income level. The program is not exclusive to first time home buyers.

Program Overview:

The Coldwell Banker Battle River Realty HOME Program offers four key services:

Education

The education workshop is delivered over approximately five hours and covers topics to help participants understand and evaluate the requirements and responsibilities of home ownership.

The initial presentation provides an informal overview of the home buying process that includes:

- An understanding of the Coldwell Banker Battle River Realty HOME Program and special assistance it can provide,
- How to evaluate home ownership options and establish objectives,
- General information on obtaining a mortgage,
- How to understand credit and credit ratings,
- Information about the local real estate market.

The sessions also provide detailed information on the home buying process that includes:

- Understanding and completing the mortgage application process,
- Developing a team approach to the home buying process,
- Presentations by REALTORS®, Home inspector, lawyer, mortgage broker on selection, and services provided,
- Detailed costs in the various stages of the home buying process,
- The next steps required to move towards and achieve home ownership

Section 1 -Preparing for Homeownership

In Session 1, the objective is to get you thinking about whether homeownership is right for you, and to help you evaluate your needs and identify your responsibilities as they relate to homeownership. It will give you an overview of the various steps required to become a homeowner so that you can identify where you are in the process and what your next step should be.

After completing this section, you should know:

- What you need to consider when determining if homeownership is right for you.
- The costs associated with homeownership.
- Some of the basics of mortgage financing.
- The three major criteria used in qualifying for a mortgage: income, credit, and equity.
- How credit bureaus operate and what you can do to ensure a good credit rating.
- What your next step should be if you want to become a homeowner

The sessions also provide detailed information on the home buying process that includes:

- Understanding and completing the mortgage application process,
- Developing a team approach to the home buying process,
- Presentations by REALTORS®, Home inspectors and lawyers on selection, and services provided,
- Detailed costs in the various stages of the home buying process,
- The next steps required to move towards and achieve home ownership.

1. Factors to Consider in Homeownership

For many, homeownership is a compelling dream. You look forward to the freedom and security of owning your own home, and are more than willing to do what is required to achieve that goal. These include working hard and finding ways to save the funds needed to make your first purchase.

Homeownership is a very personal decision. It will require your best efforts to obtain a home of your own and there will be responsibilities that continue long after you move in.

You need to begin the process by having a full understanding of the advantages and disadvantages involved. Then, you can use that information, along with an assessment of your current and future needs, to evaluate whether homeownership is right for you.

a. Advantages of Homeownership

The advantages of homeownership can be driven as much by how you feel as they are by financial considerations. Your home will be a place of your own, and you will become a part of the community where you choose to live. On the financial side, your house represents an investment and will enable you to grow financially.

You may be thinking there are better investments than owning a house and your best option is to continue renting and invest your money elsewhere. You may be surprised to learn, however, that over the long term one of the best ways to achieve financial security is through homeownership. A house, in essence, forces you to save. Each mortgage payment buys you a larger portion of an appreciating investment. When you have paid off the mortgage, you are left with a sizeable asset. Along the way, you and your family have enjoyed many years of shelter, security and the shared joys a “home of your own” can provide.

b. Responsibilities of Homeownership

The effort to save for and buy a home may require you to make significant changes in your way of life. Owning a home comes with many additional responsibilities. You will not have as much mobility, and you have to make a financial commitment before and after you buy the house. It is important to recognize all the costs so they do not place an undue burden on your finances.

c. Types of Homeownership

There are different ways to own a home. The three common forms of ownership and the advantages and disadvantages of each are summarized below.

- **Freehold**

  You own the home and the land and will be fully responsible for the maintenance and repair on the property.

  Generally, the highest cost of ownership and the highest cost of entry.

- **Condominium**

  You own your individual unit and then share in the cost and maintenance of areas that are common to all the units, e.g., roofing repairs, cleaning of common areas, etc.

Least costly form of ownership and entry but will carry an additional monthly fee.

- **Cooperatives**

  You do not own the property; you own shares of a corporation.

  This is not the same co-op that is meant when people live together in one home.

  Cooperatives may be at market price or subsidized and are not available in all areas.

You should recognize that if you prefer a specific type of home it can affect where you live since not all types are available in all areas

d. Style of Homeownership

Once you have considered the type of homeownership, you need to consider the style of home. Again, your choice of style may have to take into consideration the location you desire and the amount of house you can afford.

i. **Single family detached:** A free standing home which sits on its own lot and is occupied by only one family. This category can include bungalows, bi-levels, split-levels and two-story.

ii. **Semi-detached:** A single family home that is joined together to another one by a common wall.

iii. **Duplex:** Two units, either upper and lower or side-by-side. Each unit can be owned separately although often the owner may live in one unit and rent the other.

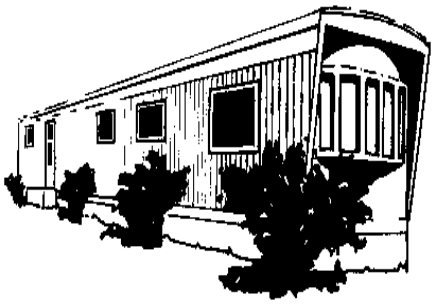
iv. **Row or townhouse:** One of several single-family homes joined by common walls. Townhouse is often identified as a condominium, but these can be set up as condominium or freehold units. Not all row or townhouses are condominiums.

v. **Link or carriage:** These are either condominium or freehold, joined by garages or carports that provide access between the front and rear yards.

Builders sometimes join basement walls so that link houses appear to be single-family homes on small lots.

vi. **Hi-rise or low-rise condominium:** Multi-story residential buildings containing condominium units.

vii. **Mobile or manufactured:** A factory-built single-family dwelling that is transported to your chosen location and placed on a foundation.



e. Your Particular Circumstances

Homeownership is a very personal decision. You will be balancing the things you need (must have) with your personal preferences or wants (would be nice to have). You will then have to balance these with your personal finances and the real estate market in the area where you wish to live.

2. The Costs of Homeownership

It is important to understand all the costs involved to purchase a home now *and* to maintain it in the future. These costs are subject to your own individual needs, desires and abilities. They will be covered in more detail further in the manual, but it is good to have them in mind when you begin to evaluate your ability to buy a home.

a. Upfront Costs

The down payment is only part of the upfront cost of purchasing your home. There will likely also be costs for a home inspection, and for a lawyer to complete the transaction on your behalf and pay any taxes or fees to be assessed. There will also be the costs associated with settling in to your new home. These include actual moving costs, and installation charges for utilities and other amenities (such as internet/TV). You should have a minimum of 1.5% of the purchase price of your home available to cover these costs and many financial institutions will require this when approving your mortgage application.

b. Ongoing Costs

Once you move in, you will have to consider the costs for your mortgage, taxes and insurance, and the monthly payments for utilities and amenities. You also need to be aware of possible costs related to repair and maintenance of the property. The type and style of home you choose will have an impact on many of these ongoing costs.

3. Qualifying for a Mortgage

Before you begin looking for your new home, you will want to know what your financial limits are. Obtaining a mortgage pre-approval lets you know exactly how much house you can afford. Before you look at the specifics of qualifying for a mortgage, it is important to understand some of the terminology and types of mortgages. Over the years, qualification guidelines have become fairly standard within the lending industry. While each institution may have some unique criteria, the basic qualifying criteria are the same. The following section will explain the basic requirements for a mortgage pre-approval.

a. High Ratio vs. Conventional Mortgage

A conventional mortgage is a mortgage where the principal amount of the mortgage does not exceed 80% of the value of the property being financed. A high ratio mortgage is a mortgage where the principal amount of the mortgage is greater than 80% of the value of the property.

All high ratio mortgages must be insured. There is more detail about mortgage loan insurance later in the text. For now, just understand that because the loans must be insured you have to meet the insurer's rules. With respect to qualifying, you may find lenders will allow a greater amount of flexibility with a conventional mortgage than with an insured mortgage.

This section focuses on the current qualification requirements of loan insurers and financial institutions in Canada and is only a general overview. Each situation is unique and needs to be assessed on an individual basis.

b. The Box

If you can fit into the box of traditional qualifying criteria, it will be easier to get a mortgage. To qualify for a mortgage there are three components: income, equity, and credit.

c. Income

What is classified as income for qualifying purposes? Some forms of income that represent revenue to your household may not count as income for qualification purposes. Here are some of the many sources of income and the guidelines for using them to qualify for a mortgage. The important thing when it comes to income is to demonstrate consistency and sustainability.

- **Employment income**

  If you are an employee of a company or corporation, the basic guideline for income eligibility is that you have been employed for one year with the same employer or at least one year in the same line of work with no probationary period on the new employment. If you are with a new company and you are still within a probationary period you may have some difficulty using this income for qualifying purposes. However, there are cases where individuals on probation have still been considered for mortgage financing.

- **Overtime**

  If you want to use overtime for your qualifying income, most lenders will want to see a consistent history. Typically, you will be required to provide a two- or three-year track record of your overtime income.

- **Seasonal**

  Seasonal income is acceptable, but you may be required to demonstrate sustainability by providing a two- or three-year track record. Usually an average of income over these years will be used for qualifying purposes.

- **Self-employed**

  If you are self-employed, you can still qualify, but most lenders will require a track record of consistent income. The standard is a three-year average of your net taxable income. Lenders do recognize that many self-employed individuals will make legitimate tax deductions in order to reduce their taxable income that may not reflect actual expenses. A prime example of this is depreciation or amortization expense, which is a legitimate deduction but does not represent an actual out-of-pocket expense. A trained mortgage professional should be able to review your financial statements and find items that may be allowed to be 'added back' into your income.

- **Spousal/Child Support**

  Spousal or child support can be used for qualifying income in most cases. Lenders will typically want confirmation of the support agreement and may ask for bank history to confirm that support is being received as agreed.

- **AISH and pension income**

  Guaranteed pension incomes are usually acceptable sources of income, although some lenders are hesitant to lend if a borrower's sole source of income is AISH. Your best bet is to have a thorough discussion with your prospective lending institution or your mortgage broker.

d. Income Qualification

The amount of mortgage you may qualify for depends on two things: income and the amount of debt you are carrying. Financial institutions use two different ratios to measure your borrowing ability. The first is your Gross Debt Service Ratio (GDSR). The second is your Total Debt Service Ratio (TDSR).

Gross Debt Service Ratio

Your Gross Debt Service Ratio is the percentage of your gross monthly income that is used toward your housing expenses. The expenses used in this calculation are Principal and Interest, Taxes and Heat, plus half the monthly condo fees, if applicable. These expenses can be remembered by the acronym P.I.T.H., where principal and interest are what makes up your mortgage payment. The following is an example of a GDSR calculation assuming a $150,000 mortgage with monthly payments of $915.59 based on a 25-year amortization.

Principal and Interest	$ 915.59
Heat	$ 75.00
Taxes	$ 125.00
Gross Debt Service	$1,115.59
Gross Monthly Income	$3,500.00
GDS Ratio calculation	$1.115.59/$3,500 = .318or 31.8%

In the above example, the homeowner is spending 31.8% of their household income on housing expenditures.

Please note that while many institutions use a set value per month for heating costs for qualifying, this may not be representative of your actual heating costs. It is best to check with the previous owner or someone you know who lives in a similar dwelling to get an idea of what real heating costs might be.

To qualify for a mortgage, traditionally, most lenders required that your GDSR was at or below 32%. The insurers and some lenders will allow a GDSR of up to 39% in circumstance where a borrower's credit is exceptionally strong. This coupled with the option of extended amortizations, significantly increases consumers borrowing power.

Total Debt Service Ratio

Your Total Debt Service Ratio is the percentage of your gross monthly income that is used towards your housing expenses plus your other monthly obligations. The expenses used in this calculation are principal and interest, taxes and heat plus half your monthly condo fees, if applicable, plus student loan payments, credit card payments and car loan payments, etc. The following is an example of a TDSR calculation assuming a $150,000 mortgage with monthly payments of $915.59.

Principal and Interest	$ 915.59
Heat	$ 75.00
Taxes	$ 125.00
Car loan	$ 200.00
Credit card payments	$ 50.00
Total Debt Service	$1,365.59
Gross Monthly Income	$3,500.00
GDS Ratio calculation	$1,365.59/$3,500=.3901or 39%

In the above example, the homeowner is spending 39.01% of their household income on housing expenditures and other debt.

In order to qualify for a mortgage, some insurers and lenders will allow up to 42% TDSR and in the case of a borrower with exceptional credit, may allow for a TDSR of up to 44%.

e. Credit

Credit is a critical component but is also one of the easiest to improve given time. If you do not know your credit status, obtaining a credit report is one of the important steps you need to take.

i. What is a credit bureau?

A credit bureau is a private, for-profit business that gathers and sells your credit information. There are two major consumer credit bureaus in Canada; Equifax and Trans Union.

ii. What is a credit report?

A credit report is a history of how consistently you meet your financial obligations. A credit report is created when you first borrow money or apply for credit. On a regular basis, the companies that lend money or issue credit cards to you (banks, finance companies, credit unions, retailers, etc.) send the credit reporting agencies specific and factual information about their financial relationship with you, including when you opened the account and if you make your payments on time, miss payments or have gone over your credit limit.

Credit bureaus receive this information directly from the financial and retail institutions and retain it to help other lenders make decisions about granting you credit. Your credit report is a history that will help lenders determine what kind of lending risk you are and if you are likely to repay your obligation on time.

iii. What is reported?

Below is a list of the major sections found in a credit report.

- Personal identification: Name, address, date of birth and Social Insurance Number (SIN).
- Consumer statement: Allows the consumer to add a brief comment about any information in the report.

- Credit information: Details of credit accounts, transactions and history of late payments.

- Banking information: Bank account(s) and NSF cheque history.

- Public record information: Secured loans, bankruptcies and/or judgments.

- Third-party collections: Any involvement with a collection agency trying to collect on a debt.

- Inquiries: All organizations or individuals that have requested a copy of the credit report in the past three years.

iv. Credit Rating

A credit rating for each trade item is reported on your credit report. The rating for each individual trade line is made up of the following numbering system:

0 - Too new to rate.

1 - Paid within 30 days, as required.

2 - Over 30 days but less than 60 days.

3 - Over 60 days but less than 90 days.

4 - Over 90 days but less than 120 days.

5 - Over 120 days but not yet sent for collection

6 - There is no number 6.

7 - Making payments under consolidation order or similar agreement.

8 - Repossession.

9 - Bad debt, placed for collection or skip.

v. Credit Score

Your credit score is a statistical formula that translates personal information from your credit report and other sources into a three-digit number. This number is then used to rank your credit worthiness.

If your credit score is low there are things you can to do to improve your ranking. Pay all of your bills on time. Paying late, or having your account sent to a collection agency, has a negative impact on your credit score. Do not run your balances up to your credit limit. Keeping your account balances below 75% of your available credit may also help your score. Avoid applying for credit unless you have a genuine need for a new account. Too many inquiries in a short period of time can sometimes be

interpreted as a sign that you are opening numerous credit accounts due to financial difficulties, or overextending yourself by taking on more debt than you can actually repay.

Most scoring formulas will not penalize you if, for example, you are shopping for the best rate on a mortgage or car loan.

vi. Rebuilding your credit

The best place to start rebuilding your credit is at your bank. The most effective way of re-establishing your credit is to get some creditors to report that you are paying as agreed. In time, these new current accounts will help rebuild your rating. The two easiest types of credit to obtain are RRSP loans and secured credit cards.

vii. Where to get your credit report

There are two sources of credit reports: Equifax and Trans Union..

f. Equity/Down Payment

The minimum required down payment is 5% of the purchase price, with a requirement that the property be owner occupied. The down payment must come from non-borrowed sources unless qualifying under a flex-down mortgage. Below are some of the accepted sources of down payment.

- **Savings**

  A borrower's accumulated savings are an acceptable source of down payment. Most lenders will require three months of bank statements to confirm accumulation of savings. If there is a large lump sum deposit, you may have to explain where the money came from.

- **RRSP**

  RRSP savings are an acceptable source of down payment. Under the Home Buyers' Plan, an eligible applicant can withdraw up to $25,000 from their RRSP, without being taxed on it, as long as the amount is repaid over a fifteen-year period. Please refer to the Canada Revenue Agency Home Buyers' Plan booklet for details. Lenders will require a copy of a recent RRSP statement to verify funds available.

- **Other investments**

  Mutual funds and other investments can be used for down payment. Lenders will require a recent account statement to confirm that funds are available.

- **Gift**

  A parent or other family member can provide money as a gift to be used for a down payment. Lenders will require a signed gift letter from the donor and confirmation that the gifted funds are on deposit in the recipient's bank account.

Section 2 – The Mortgage Process

This section will help you understand what to expect, and what is expected of you, when you want to apply for a mortgage.

After completing this section, you should know:

- Where to look for a mortgage loan.
- The various types and options of mortgages that are available.
- What mortgage insurance is and its associated costs.
- What the application process is.
- How much of a mortgage you qualify for?
- What steps to take if you need to alter your present situation.

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1. Shopping for a Mortgage

You will require a mortgage to buy a house, but where do you start? Your own financial institution is an excellent place to start, but it is certainly not the only source for available mortgage funds. When searching for a mortgage loan that will suit your needs, working with a professional you are comfortable with and can trust is key.

This section outlines some of the different sources of mortgage funds that are available and explains the differences between mortgage products. It also looks at mortgage insurance and the associated costs.

a. Sources of Mortgage Funds

In the increasingly competitive marketplace, there are more mortgage choices than ever for consumers. While the additional competition and choice ultimately result in better value for you, it can also make it difficult to decide which mortgage is best for you.

The table below summarizes the Canadian mortgage market, by market share, as at fall, 2014.

Institution Type	Market Share
Banks	61%
Mortgage Banks	31%
Non-Conforming/Sub Prime	2%
Credit Unions	6%
Total	100%

Source: Bond Brand Loyalty for CAAMP

The chartered banks represent a significant portion of the Canadian mortgage market, but there are also a number of alternative sources to the big banks.

b. The Internet

The Internet can be a valuable tool to help you research mortgage options. However, information published on the Internet is not guaranteed to be accurate and you should be wary of anyone promising deals that sound too good to be true or miracle cures for bad credit for a fee. Also ensure that the information that you are reading is Canadian. Much of the mortgage information published on the Internet will be based on U.S. availability and the Canadian and U.S. mortgage markets are quite different.

c. Banks and Financial Institutions

The largest source of lending is handled through Canada's six national banks. Within most of these institutions there are persons identified as mortgage specialists who have been provided training and will be very familiar with the products available at that institution. Often these individuals will be able to assist you outside of normal business hours.

Selecting an institution that is national will prove beneficial should you need to transfer your mortgage when moving between provinces.

d. Mortgage Brokers

A professional licensed mortgage broker will have first-hand knowledge of all of the different sources of funds that may be available to you and can work with you to decide which will be best to fit your needs. Most mortgage brokers work on your behalf at no cost to you and are paid by the institution that gives you a mortgage loan. Some mortgage brokers may charge for their services. Be sure to ask so this is clear from the start.

The Real Estate Council of Alberta (RECA) is the regulatory body that governs mortgage brokerage activity in the province of Alberta. You can find their website at http://www.reca.ca. You can search the license status of any individual mortgage broker online to ensure licensing is current.

2. The Mortgage Term

The term of the mortgage is the contractual life of your mortgage loan. The term represents the length of time that you and the financial institution are obligated to each other with respect to your mortgage. As you choose your mortgage, the term is one of the decisions you will need to make.

The term of the mortgage is usually shorter than the actual life, or amortization of your mortgage. Once the term has expired, the mortgage is completely open for renegotiation. At that time, you have the right to find a new lender if you wish and your financial institution has the right to re-qualify you before renewing your mortgage. In practice, as long as your mortgage is current and all payments have been made as agreed, financial institutions will often automatically renew your mortgage and not require that you re-qualify.

a. Short Term vs. Long Term

A short-term mortgage is usually for three years or less. Short-term mortgages are appropriate if you believe interest rates will be lower at renewal time.
A long-term mortgage is generally for three years or more. Long-term mortgages are suitable when current rates are reasonable and borrowers want the security of budgeting for the future. This is often important for first time homebuyers.

The key in choosing between short and long term is to feel comfortable with your mortgage payments.

3. Types of Mortgages

It is important to choose the type of mortgage that is right for you, based on your current and future needs. Here are some of the options.

a. Open vs. Closed

An open mortgage is 100% open for prepayment at any time throughout the term of the loan. This means that you have the option to repay any or all of the mortgage balance at any time without penalty. This type of mortgage may be important to you if you can foresee repaying your mortgage loan in the near term. For example, you may be planning to sell your home within the term of the mortgage and paying it out in full, or you may be expecting an inheritance that will allow you to fully repay your mortgage loan.

A closed mortgage has restrictions on how much of the principal you can repay without penalty within the term of the loan. Most closed mortgages will allow you to repay a certain portion of the principal amount every year without penalty. The amount you can prepay depends on the lending institution but usually ranges from 10% to 25% of the original principal amount per year. There may be restrictions on when these prepayments can occur and how many times per year you can make a prepayment. For example, you may be able to only make prepayments once throughout the year on the anniversary date of the mortgage or the prepayment may need to coincide with a payment date. Ask these questions up front as each institution's policies vary widely.

b. Fixed rate vs. Variable Rate

A fixed rate mortgage is where the interest rate is set at the time you get your mortgage loan and will not change for the entire term of the loan. For example, if you take out a 5-year term, fixed rate mortgage at 4.00% you know that your rate is *fixed* at 4.00% for five years and will not change. This type of mortgage offers you security and peace of mind, as you know exactly what the interest rate and

payments will be. You will generally pay a little higher interest rate for a fixed rate mortgage and the rate usually increases with the length of the term.

A variable rate mortgage is a mortgage where the interest rate is tied to and floats with the bank's prime rate. If the prime rate goes up, then your rate goes up. If the prime rate goes down, then your rate goes down. Variable rate mortgages usually offer the lowest available rate because you are taking the risk that rates may rise.

There are many variations of variable rate mortgages. Fully discuss all of the options and consequences of the numerous variable rate products available with your mortgage professional.

4. Other Considerations

a. Payment Frequency

Most lenders allow several options for payment frequency (how often you make your mortgage payments). Most will allow you to make payments either weekly, bi-weekly (every two weeks), semi-monthly (twice a month) or monthly. Deciding which type of payment to make will be a matter of convenience, but there may be advantages to paying more frequently than monthly. When you increase the payment frequency, you reduce the principal faster, pay less interest and pay off the mortgage sooner.

The chart below shows the savings based on payment frequency. The information is based on a mortgage of $100,000 at an interest rate of 4% per annum.

Mortgage Amount: $100,000
Interest Rate: 4%

Payment Type	Payment	Interest Paid During Term	Total Interest Paid	Amortization	Savings
Monthly	$526.08	$18,615.12	$57,803.99	25 years	$0.00
Bi-weekly	$242.57	$18,587.10	$57,662.55	25 years	$141.44
Bi-weekly accelerated	$263.02	$18,307.87	$49,620.60	21.11 years	$8183.39
Weekly	$121.24	$18,574.94	$57,601.42	25 years	$202.57
Weekly accelerated	$131.51	$18,293.30	$49,529.95	21.11 years	$8274.04

As you can see, bi-weekly or weekly-accelerated payments can save you a lot of money over the life of your mortgage. By taking your monthly payment, splitting it in half and paying it bi-weekly you end up making an extra month's worth of payments every year. If you are paid bi-weekly, you likely know that there will be two months out of the year where you receive three pay cheques. The same is true for your mortgage payments. There will be two months of the year where you make three payments and effectively make the equivalent of one month's extra payment each year.

b. Cash backs and Other Incentives

Previously many financial institutions offered cash back and other incentives to attract customers. A cash back offer is usually a percentage of the mortgage amount that is paid to the borrower at, or shortly after, closing. Typically, with a cash back offer, the borrower is required to pay the lending institution's posted rate on the mortgage. This means that there is no discount and you may be paying a higher rate. You should consider the real cost of the incentive. The table below compares the true cost of two different mortgages.

	Amount	Rate	Payment	Cash Back	Term	Interest Cost
Mortgage 1	$100,000	8.00%	$763.22	$3,000	5 year	$37,928.48
Mortgage 2	$100,000	7.00%	$700.42	$0	5 year	$33,069.49
					Difference:	$4,858.98

Due to the higher interest rate, the true cost of the $3,000 cash back is $4,858.98 over the term of the mortgage. This does not mean that a cash back or incentive may not be right for you, but simply serves as a reminder to identify the cost of the incentive.

5. Mortgage Insurance

a. What is mortgage loan insurance?

Mortgage loan insurance, like any other form of insurance, provides for reimbursement of loss to the insured. In the case of mortgage loan insurance, the insured is the lending institution. If a borrower defaults on the mortgage, the mortgage loan insurance will cover the loss to the lender.

b. Why do we need mortgage loan insurance?

According to federal legislation, a bank cannot lend more than 80% of the value of a property, by way of a mortgage loan, unless the loan is insured. Since it is the public's money that is being used for these loans, the government wants to ensure that the funds are not placed at undue risk. Mortgage loan insurance allows for the general public to borrow up to 95% of the value of their home by way of a mortgage. Rental properties can be insured but are treated differently.

One of the other benefits that mortgage loan insurance affords is a high ratio mortgage at attractive first mortgage interest rates. Without mortgage loan insurance, if you only had a limited amount of cash for a down payment, you would have to seek 80% of the value of the home by way of a first mortgage and the balance of funds by way of a second mortgage. A second mortgage is a much riskier investment from a lender's perspective and therefore a higher risk premium is attached to the interest rate.

c. Who provides mortgage loan insurance?

There are a number of insurers in Canada, Canada Mortgage and Housing Corporation (CMHC), Genworth Financial and Canada Guaranty are the major established insurers. There is often very little difference between insurers but because policies and players frequently change, you should consult with your mortgage professional to determine the best insurer for you.

d. Cost of mortgage loan insurance

Mortgage Insurance premiums may vary from insurer to insurer. The table **Fact Sheet 3** outlines the cost of the insurance premium based on down payment and length of amortization.

The insurance premium may be paid out up front or may be included in the mortgage amount. The following example shows how an insurance premium is added to the mortgage.

Purchase price:	$200,000.00
5% down payment:	$10,000.00
Financing required:	$190,000.00
4.00% insurance premium:	$7,600.00
Total mortgage (including premium):	$197,600.00

6. Approval Process

Once you decide which mortgage professional or financial institution to work with, you need to apply for a mortgage loan. This is usually a two-step process. The first is pre-approval, before you begin house shopping, and the second is a firm approval once you have found and made an offer on the house you want.

a. Pre-approval

A solid pre-approval offers a few advantages:

1. You can shop with confidence knowing your financing is secure.

2. You can secure an interest rate that will usually be guaranteed for some time period. Rate holds will vary from institution to institution but typically range from 60 – 120 days.

- **Application submitted**

  Your personal information will be collected and will include your full name, current address, birth date and SIN along with your employment information and information on your current assets and liabilities.

- **Credit review**

  Your mortgage professional will review your credit bureau report and should inform you of your credit status. If there are items on the report that are incorrect, or items that need to be cleared up, then you should take care of them immediately. If this is not possible, talk to a credit counselor or your mortgage representative about the steps to take to correct the situation.

- **Documentation collected**

  Your mortgage representative will collect all supporting documents, including income and down payment verification.

- **Pre-approval complete**

  Once the application and credit report have been reviewed to determine the amount of mortgage for which you qualify, you should receive a mortgage pre-approval, subject to the provision of any outstanding documentation and satisfactory appraisal or mortgage insurer approval of the property you choose. The pre-approval allows you to shop for your new home knowing that your finances are in order.

  If your mortgage professional is unable to issue you a pre-approval you should find out why and work with him or her to change your circumstances and allow you to qualify.

b. Final Approval

- **Insurer approval or appraisal**

  Once you find a property, if your mortgage is a high ratio mortgage and requires insurance, your lender will submit the application (along with the property information) to the mortgage insurer for approval of both you and the property.

If your mortgage is conventional and does not need mortgage insurance, your lender may require an appraisal to ensure the lending value of the property meets their approval.

- **Meeting final conditions**

  Once your mortgage has been approved by both the lender and, if applicable, the insurer, it is time to make sure that you have satisfied all of the lender's conditions on the approval. This may include recent pay stubs, your lawyer's contact information or any outstanding bank forms that need to be signed.

7. Qualification Guidelines

This section is an opportunity to identify your current situation and help you decide if you might qualify for a mortgage loan, based on traditional guidelines. Remember that these are just guidelines and everyone's situation is unique. If it appears that you may not qualify for the amount of mortgage you require, this exercise will help you identify the areas that need to be addressed in order for you to qualify.

a. Income

As discussed earlier the two qualifying ratios used are your Gross Debt Service Ratio (GDSR) and Total Debt Service Ratio (TDSR). Your GDSR is the percentage of your gross income used to cover all housing expenses and includes principal and interest payments, property taxes, heating costs and half of the condominium fees if applicable. Your TDSR is the percentage of your gross income used on your housing costs, as above, and also includes all of your other monthly obligations.

In order to qualify for a mortgage loan, your GDSR cannot exceed 35% and your TDSR cannot exceed 42%.If your credit score is over 680, your GDSR cannot exceed 39% and TDSR cannot exceed 44%.

b. Credit

You need a solid credit rating. Consistent, timely payment will ensure a solid rating.

c. Equity

There are several options available to buyers without a down payment. Qualification requirements and costs vary from lender to lender. If you are providing a down payment of your own, most lenders will require documentation to verify the source of the down payment funds. The following will give you an idea of the possible required documentation for down payment verification:

- **Sale of another property:** If equity is to come from the sale of another property, verification of this equity must be obtained. The lender will require a formal statement of outstanding balance for any existing financing on that property.

- **Gifted down payment:** The lender will require a gift letter stating that the funds are a gift and are not repayable, and a deposit slip showing the gifted funds deposited into the borrower's account prior to closing.

- **Savings:** Three months of bank statements showing accumulation of funds.

- **GIC, mutual fund or term deposit:** A recent statement from your financial institution reflecting the last 3 months history and that identifies you as the account holder and the current value of the account.

- **RRSP:** A recent statement from your financial institution reflecting the last 3 months history and that identifies you as the account holder and the current value of the account.

- **Borrowed down payment (Flex Down):** you do have the option to borrow the down payment. Your credit score needs to be at least 650, but ideally is over 680. This can affect how much of a mortgage you an obtain as the loan payment will need to be factored into your TDSR. You will need to provide a statement reflecting the amount of funds from the loan or line of credit that you have available, the minimum payment and that identifies you as the account holder.

When it comes to qualifying for a mortgage with no down payment, your credit score becomes crucial to the lender's decision. While there are options for 100% financing with weaker credit you will typically have to pay a higher cost for these options. The stronger your credit, the more options you will have available to you for purchasing without a down payment.

8. Improving your Current Situation

If you find that your mortgage professional is unable to qualify you for the mortgage amount that you want, there are steps you can take to improve your situation and possibly increase the amount that you may qualify for.

The first step is to identify the obstacles to approval and to pinpoint the areas that need improvement. From there, you can develop a plan to overcome those hurdles. Here are some tips for improving common blockages to mortgage approval.

a. Income

If your debt ratios are the problem, there are two options for you: increase your income or reduce your debt.

One way to increase your income may be with the assistance of a co-signer. By having someone co-sign for you, you may be able to include their income when calculating the debt service ratios. A co-signer can increase the income for qualifying purposes, but they may also increase the debt on the application. To reduce your monthly debt load, you could arrange a debt consolidation loan. Ask your banker or mortgage professional if this may be an option for you.

b. Credit

Ensure that you always make at least the minimum payment on all of your bills. Every late payment that is recorded on your credit bureau report has a negative impact on your rating.

If you need to rebuild your credit, talk to your banker or mortgage broker for advice. An RRSP loan or a secured credit card is an easy way to start re-establishing your credit.

Credit counseling services can also be of assistance when trying to repair or rebuild your credit.

c. Equity

You may be able to use your RRSP as a savings vehicle. If you are a first-time homebuyer you may be eligible to use up to $35,000 of RRSP savings toward the purchase of a new home under the Home Buyers' Plan (HBP). By saving through your RRSP, you also receive a tax deduction that may give you a refund at tax time allowing you to add even more to your down payment savings pool.

Home Buyers' Plan is a program that allows you to withdraw up to $35,000 from your registered retirement savings plan to buy or build a qualifying home for yourself. You may also withdraw funds from your RRSP for someone else if:

- You acquire a qualifying home for a related disabled person, that is more accessible to, or better suited to the needs of that person; or

- You provide the withdrawn funds to a related disabled person to acquire a qualifying home that is more accessible to, or better suited to the needs of that person.

Withdrawals that meet all applicable HBP conditions do not have to be included in your income, and your RRSP issuer will not withhold tax on these amounts. If

you buy the qualifying home together with your spouse or common-law partner, or other individuals, each of you can withdraw up to $35,000.

Under the HBP, you have to repay all withdrawals to your RRSPs within a period of no more than 15 years. Generally, you will have to repay an amount to your RRSPs each year until you have repaid the entire amount you withdrew. If you do not repay the amount due for a year, it will be included in your income for that year.

d. 'B' lenders

If you do not fit the box of traditional lenders, you may be able to find an alternative lender that will accommodate your current situation. Some lenders will overlook bruised credit Some of these lenders insure the loans themselves, eliminating the need for CMHC or Genworth Financial and allowing for more flexibility. These types of lenders often have a higher interest rate, as they are financing higher risk loans. A good mortgage broker should be able to provide ample information on all of the various sources of funds available and the associated costs of each.

e. Mortgage Assumption

In the province of Alberta, some residential mortgages may be assumed. The rules around assumption change regularly and you should consult with your REALTOR® or Mortgage Professional for current information on assumption policies and legislation. This means that if you cannot qualify for a mortgage, you may be able to assume someone else's existing mortgage. In order to do this, you need to find a seller that is willing to let you assume their mortgage and you also need to have the cash difference between the mortgage balance and the purchase price. As an example,

Sale Price:	$125,000.00
Existing Mortgage:	$ 95,000.00
Cash Required:	$ 30,000.00

In the above example, if the seller is willing to sell you the property for $125,000 and let you assume the existing mortgage of $95,000, you need to come up with the balance of the purchase price in cash. In a strong real estate market, it is difficult to find a high assumable mortgage, because as values rise, the difference between the mortgage amount and the purchase price increases and a larger down payment is required. Your REALTOR® or mortgage broker will be a great resource for you with respect to assumable mortgages.

Section 3 - Finding Your New Home

There are a number of advantages to building a team to support you in the home buying process. Once you are pre-qualified and have your financing in place, you will begin to look for a home. You are not expected to be an expert on property values, real estate law and various other aspects involved in the home buying process. While all decisions will ultimately be yours, using the knowledge and expertise of qualified professionals can save time and help you avoid costly mistakes. A real estate professional will be one of the primary players on your team.

After completing this section, you should know:

- Factors to consider when selecting a real estate sales professional
- Services provided by a real estate professional
- Rules of agency as they apply to buyers and sellers and real estate professionals
- Ways to identify houses that are on the market
- How to evaluate a property
- What is involved in getting to an accepted purchase agreement?

You must remember that there are costs associated with a property after you make the purchase. These include property taxes, utility costs, insurance, and any repairs that will be needed now or in the future.

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1. Selecting a Real Estate Sales Professional

The selection of a real estate associate is more than calling a name on a for sale sign or in an advertisement. Your real estate associate will be your access to the real estate market, help you establish value, and play a large role in any negotiating when it comes time to purchase. The more you understand about how the real estate profession works, the more likely you are to feel good about your choice of associate.

a. Licensing requirements

In Alberta, all real estate associates must be licensed by the Real Estate Council of Alberta, the regulatory body. To obtain a license, an individual is required to take specific courses and pass a Provincial Qualifying Exam. In addition, they are required to complete mandatory education requirements to keep them up-to-date on industry issues. This emphasis on education and training means that when you deal with a real estate professional, you are working with an individual who cares about your needs and can provide you with effective, professional service.

There are three levels of licensing.

- Broker: A person, who holds the qualifications of a broker, is licensed by the Real Estate Council of Alberta and is authorized to operate a brokerage and trade in real estate on behalf of that brokerage. There is only one broker per office and he or she will have full authority and responsibility for the operation of that office.

- Associate broker: An associate broker has fulfilled all of the educational and experience requirements of a broker, but chooses to work as an associate.

- Associate: A person who holds the qualifications of an associate, is licensed by the Real Estate Council of Alberta and is employed by or associated with a licensed brokerage in Alberta. Associates work for the broker.

b. REALTOR® or real estate practitioner?

All REALTORS® are real estate practitioners, but not all real estate practitioners are REALTORS®. To be a 'REALTOR®', the licensed associate, associate broker or broker must be a member of a local real estate board. As a member of the local board, the REALTOR® is also a member of the Alberta Real Estate Association and the Canadian Real Estate Association. REALTORS® adhere to a national Code of Ethics and Standards of Business Practices in addition to provincial laws and real estate board rules, which provide you with the highest level of integrity

and service. Only REALTORS® have access to the Multiple Listing Service® (MLS®) system.

Real estate boards have their MLS® systems on computer. By sitting down at a keyboard, the REALTOR® can key in your needs, choice of neighborhoods and price range and immediately come up with a list of suitable properties, including photos, virtual tours or videos.

c. Who pays the real estate associate?

Traditionally, the real estate associate is paid out of the proceeds of the transaction. The seller will contract with an associate in a listing contract to sell their property for a specific commission, usually a percentage of the sale price.

d. Some questions to ask when selecting an associate

Since you will be working closely with the REALTOR® through the home buying process, it makes sense to choose one you feel comfortable with, someone who listens to what you have to say, asks intelligent questions and shows a genuine interest in helping you. You may want to interview two or three REALTORS® to make a comparison. Here are some questions to consider asking potential REALTORS®:

- **How long have you been an associate?**

  If you find a brand-new associate that you want to work with, make sure they have resources within their office so that you get the benefits that come with experience.

- **Are you a full-time real estate associate?**

  You want an associate that will be working in your best interest and is considered a real estate professional.

- **What types of properties do you sell and what areas of the city/town do you generally work in?**

  Look for an associate that is familiar with the areas and types of housing that best meet your needs.

- **How many other buyers and sellers are you currently representing?**

  You want an associate with enough time to serve you properly.

- **What will you do for me?**

  You will want to be very clear about what services the associate will provide.

- **Who do you represent?**

  Make sure you and the associate discuss agency and the client-agent relationship.

2. Representation and the Agency Relationship

REALTORS® are required to disclose whom they are representing in a real estate transaction. REALTORS® work within a legal relationship called agency. Agency relationship means that the associate has the authority to represent the client in dealing with others. Associates are obligated to protect and promote the interests of their clients as they would their own interests. This is called fiduciary duty and includes such things as loyalty, obedience, confidentiality, reasonable care and skill, and full disclosure. The client also has duties towards the associate including compensation and duty to disclose material facts.

The agency relationship exists between you (the client), and the brokerage (your associate). This means that the brokerage, the broker and all associate brokers and associates registered to the brokerage represent you.

a. Types of agency relationship

Sole Agency is a relationship in which the brokerage or industry member acts as the Agent for only one party in a trade. The essence of the agency relationship is that the Agent has authority to represent the Client in a real estate transaction.

Common Law Agency In common law your agency relationship is with the brokerage. If the other party to a potential transaction is represented by the same brokerage that represents you, the brokerage has a conflict of interest. In common law the brokerage cannot represent both parties because of the conflict it creates to the Agent's duties to both clients. In sole agency, the brokerage cannot represent the competing interest of two parties in the same transaction. Specifically, the conflict arises from the brokerage's obligation to be loyal, disclose all relevant facts, and maintain confidentiality of personal information for you and the other party in the transaction. Several options exist to resolve this conflict, including dual representation brokerage, customer status and a referral to another brokerage.

Designated Agency If a brokerage operates under designated agency; your agency relationship is with the industry member and not with the brokerage. Should the other party to a potential transaction be represented by another industry member in the same brokerage, there is no conflict, as each industry member will be in sole agency with their respective clients. This is a key difference between common law agency and designated agency. If you choose to work with an industry member who is associated with a designated agency brokerage, you will need to sign a written service agreement. This document explains the nature of the agency relationship in detail and confirms your choice of agency representation. A designated agency relationship allows your designated agent to fulfill his or her full duties and obligations to you when the other party to a transaction is represented by another industry member of your brokerage.

Transaction Brokerage Transaction brokerage occurs when one or more industry members in the same common law brokerage, or the same designated agent from a designated agency brokerage, represent both the buyer and seller in the same real estate transaction. Transaction brokerage is permitted with the fully informed, voluntary and timely consent of both parties to the transaction. The industry member must obtain your written informed consent to transaction brokerage before this relationship may occur and before any offer is presented to buy or sell a property. If the other party to the potential transaction is represented by the same Agent (brokerage) that represents you, unless otherwise agreed to by the parties, the industry member needs to discuss the *Agreement to Represent both Buyer and Seller* with you at the time and seek your informed party change from representation to facilitation.

b. Agency Relationship Guide

REALTORS® must disclose the type of agency relationship in order to comply with the *Real Estate Act* and the REALTOR® Code of Ethics of the Canadian Real Estate Association. They require that the agency relationship be discussed at the earliest possible opportunity. To facilitate this, an Agency Relationships Guide was developed by the Alberta Real Estate Association to be used by REALTORS® in discussions with buyers and sellers. It helps the REALTOR® explain the agency relationship and written acknowledgement of its receipt is required. The guide is not a contract and does not impose contractual obligations.

c. Written Service Agreements

Changes in The Real Estate Act in 2014 require that when a person becomes a client of a real estate agent that relationship must be in writing. This is generally referred to as a Written Service Agreement and in the case of a relationship with a buyer it is a Buyer Brokerage Contract. It specifies your obligations; the services offered by the brokerage and should include remuneration for the associate. One of

the options in the Buyer Brokerage Contract is that the brokerage will be paid the Buyer's Associate's portion of the commission set out in the Listing Contract. You will also have the option to pay the associate directly. If you do so, remember the amount of remuneration is not fixed by law and is always negotiable.

You should also be aware that contracts are with the brokerage, not the individual associate because only the brokerage has the authority to receive and disburse commission monies through its trust account. Generally, associates sign a compensation agreement with the brokerage to which they are registered. These agreements vary from brokerage to brokerage as does the type of agency.

3. Services to Expect from a REALTOR®

Your REALTOR® should get to know you and understand your specific circumstances. The REALTOR® uses that information, along with knowledge of the current real estate market, to help guide you through the buying process. The REALTOR® will be able to answer your questions and will constantly communicate with you so that everything is clear. He or she will identify properties for sale and view those properties with you. Working with only one real estate associate will mean you have to explain what you are looking for only once. Keep in mind that while an associate will be able to advise you, a good associate will never make a decision for you. Ultimately any decisions are up to you. The communication skills of the associate will also be important when it comes time to make a purchase offer.

REALTORS® have considerable knowledge of market values, the properties available in your price range and homes that will match your individual needs. They can tell you about financing and property taxes, as well as schools, places of worship and services in the neighborhood. When you work with a REALTOR®, you have direct access to a vast library of information and experience. More specifically, he or she will:

- Review your list of needs and wants in a home and help you determine the price range of homes you can consider.
- Answer your questions about the market(s) you are interested in and help you compare homes from one neighborhood to the next. It is the REALTOR's® responsibility to know these markets thoroughly and to stay on top of new listings as they occur.
- Introduce you to a broad range of possible homes. REALTORS® have direct access to the MLS® which provides details on a wide variety of properties in your market.
- Preview properties so you are shown only those homes that fit your budget and match the list of needs and wants you have prepared (a great time saver!).
- Make appointments to show homes that meet your criteria and answer your questions about the property and the neighborhood.

- Draw up a legally binding contract and represent your best interests in the transaction.
- Assist you with all the details required to complete the transaction successfully.

You can expect competent service from your REALTOR®, knowing that he or she is bound by ethics and the law to be honest and thorough in every real estate transaction.

4. Ways to Identify Houses on the Market

For most buyers the REALTOR® will likely play the leading role in finding possible homes. There are a number of other resources that can also help with your search.

a. REALTORS® and the MLS®

The Multiple Listing Service® (MLS®) is a service of the local real estate board that works because of the cooperation between REALTORS®. Generally, more than 90% of the resale homes in the area can be found in the MLS®. Your REALTOR® has access to new listings as soon as they are posted. If you have access to the Internet visit www.realtor.ca. This website provides an opportunity to look at properties on your own, you will continue to develop a better idea of what looks good to you, and you will begin to get a feel for market prices.

b. “For Sale” signs

When driving or walking through neighborhoods you are likely to begin to notice 'For Sale' signs. If you have a REALTOR®, you should ask him/her to obtain information on your behalf for properties you are interested in. If you do call the associate listed on the sign and you are already working with a real estate associate be sure you tell the associate you call so that there is no misunderstanding about who is representing you. If the property is a 'For Sale by Owner', you may still want a REALTOR® to advise you before proceeding with an offer on the property.

c. Publications

Classified ads in the local newspapers and a number of homebuyer’s guides are another source. In some areas, the local real estate board may publish a newspaper or guide that allows associates to promote their services and advertise properties for sale. Remember that it might take one to three weeks for a property to get into the publication. By then, the property may already be sold.

d. Word of mouth

Tell everyone you know that you are beginning to look for a house. Someone may hear of a home that is just coming on the market or will be available in the near future.

e. Social Media

Follow Coldwell Banker on Facebook and Instagram for new listings and real estate related info.

5. Evaluating a Property

Once you determine that you are seriously interested in owning that particular home, you need to negotiate the purchase. Your REALTOR® should provide a comparative market analysis on the property to help you determine how much to offer for the property.

a. Listed or asking price

This is the price advertised by the associate or by the owner of the property. It is not always more than the final contracted price. In an extremely active market, properties sometimes sell for more than the listed or asking price due to competition between buyers. This kind of market would be termed a seller's market. In a stable market there may be a gap between the listed and sale price, and in a slow market (a buyer's market) that gap may be significant. Your REALTOR® will be able to tell you about the current market in your area.

b. Market value

Market value is the most probable price a property will bring in a competitive and open market under conditions of a fair sale (assuming the price is not affected by undue or special circumstances).

c. Appraised value

Financial institutions may require an appraisal before committing to a mortgage loan to ensure the value of the property matches or exceeds the contracted purchase price. In some cases, the seller may have already obtained one. A specialist or professional appraiser writes an objective report that deals with estimates of value. Appraisers do not set or establish value. They only study the market and the historical data and attempt to predict the probable selling price. It is important to know that value is always changing so an appraisal is an accurate opinion at the specific time it is performed.

d. Assessed value

The assessed value is what the city uses to determine the amount of property tax due. The city uses a multiplier called mill rate when they do tax calculation. Remember that although there is some relationship between market value and assessed value you cannot make a direct correlation. Variations in assessed value are caused by two main factors

i) the most recent date of property review on the part of the city, and

ii) whether or not the city presumes to assess the property at full market value.

e. Establishing value of the property

A number of other factors will also directly affect your decision about what is a fair price for the property. These include the general condition of the property, the circumstances surrounding the sale, any special financing terms that might be available and what you can reasonably afford.

You must remember that there are costs associated with a property after you make the purchase. These include property taxes, utility costs, insurance, and any repairs that will be needed now or in the future.

6. Offer and Acceptance

If this is the first time you have purchased a home, you have probably never seen a purchase contract, let alone drafted one. The REALTOR® is knowledgeable about this subject and will prepare your offer, taking into account all the factors that are important to you.

Fortunately, REALTORS® do not have to reinvent the wheel every time a contract needs to be drafted. A standard Purchase Contract is used by REALTORS® and it contains the terms common to almost every real estate transaction in the province. The wording on this form is broadly accepted, having been thoroughly reviewed and tested.

That does not mean, however, that your specific offer cannot also include special conditions you want. Every sale is different and your offer will contain the wording that suits your needs.

a. The Offer

Your REALTOR® will help you prepare an offer to purchase that includes all details of the sale. Your offer will include: possession date, chattels, terms, conditions (such as home inspection and financing), buyer and seller contact info, etc. There will also be a number of time factors involved in the offer including the date for completion, how long your offer will remain active, and dates that are attached to terms and conditions of the offer.

b. Terms

A term in the contract is a commitment that must be honored or an event that must take place before the completion of the agreement. Some of these will be looked at in the section on the legal aspects of the purchase. Most terms are in the wording of the standard Purchase Contract. Some that are not standard will be added by you or the seller. For example, repair work might have to be completed by the seller prior to you taking over the property. It is critical that every component of the offer is in writing.

Your REALTOR® will explain all the details of the Purchase Contract to you. If you still have any concerns or questions, consider taking the document to your lawyer. Once you sign the offer presented on the Purchase Contract, it is a legally binding document.

c. Conditions

Conditions are used when a transaction will not be completed unless some event(s) takes place that may be under the control or partial control of a third party. Dates for termination of the contract in respect to these conditions must be stated on the contract and whoever was to benefit from the condition will have the right to waive or remove it. The most common examples of conditions deal with financing and home inspections. In the purchase of a condominium, a review of the condominium documents is also a recommended condition. If a condition is not met to your satisfaction, then the original deposit will be refunded.

d. The Deposit

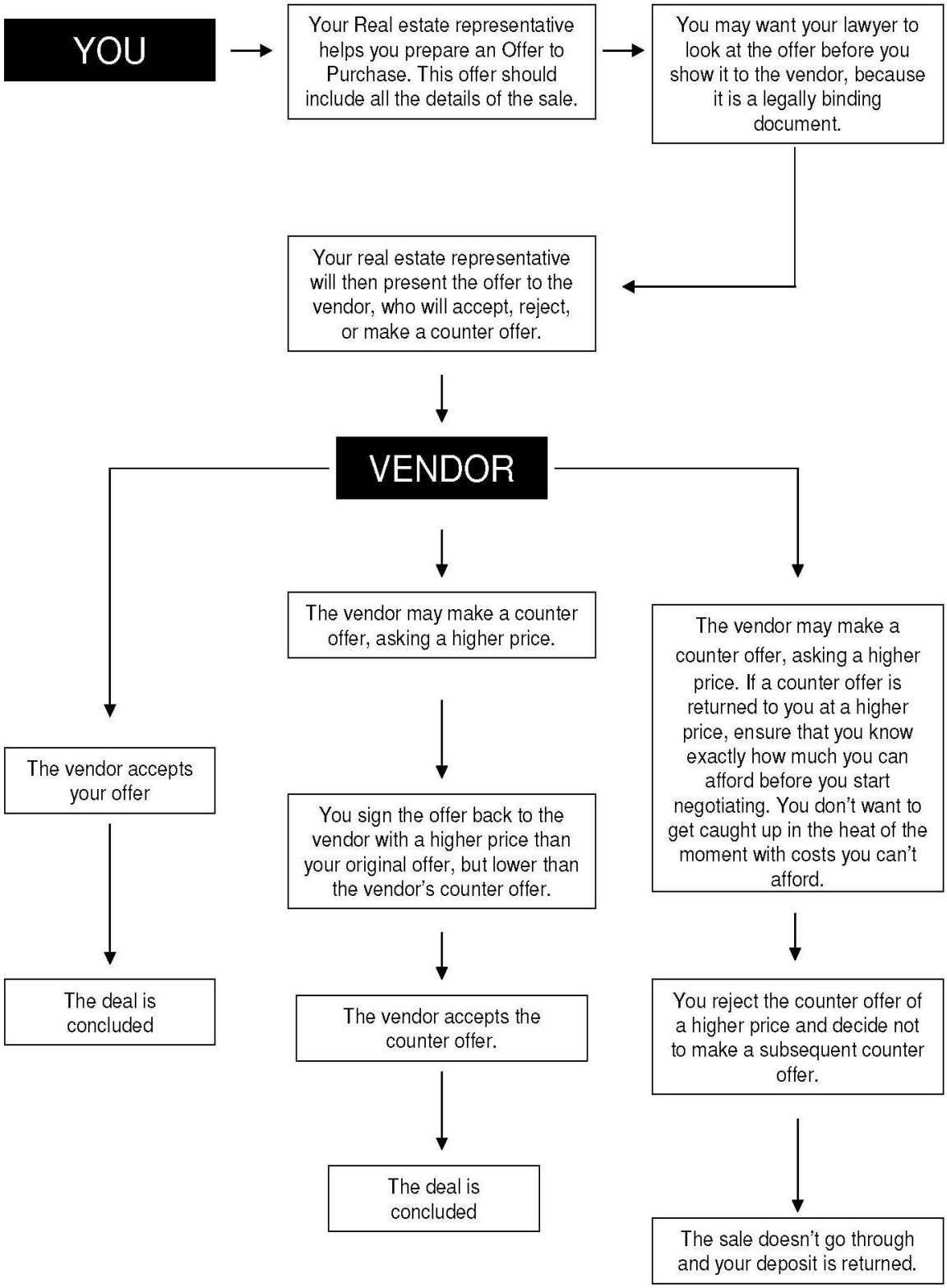
When you submit an offer, normally you are requested to include a deposit to demonstrate you are serious about your intent to buy the property. This deposit will usually be in the form of a cheque, or bank draft payable to the brokerage. They will place the deposit in trust until the deal is completed or terminated. Your deposit provides the seller with some assurance that you will go through with the sale when the day of completion arrives. You will need a deposit to accompany the offer. The deposit goes towards the purchase price and if the offer is not accepted the deposit will be refunded to you. You can determine the amount of the deposit.

There is no minimum or maximum requirement. There will also be a number of time factors involved in the offer including the date for completion, how long your offer will remain active, and dates that are attached to terms and conditions of the offer.

Deposit and Identification

Depending on how the offer is structured, the initial deposit may not represent the total amount of your down payment. The offer will state if there is any additional deposit to be made after all conditions are fulfilled or waived. If there is a balance of down payment still due, you will take it to your lawyer when you meet before the closing date.

There are now in place regulations on REALTORS® imposed by the government of Canada that will require they verify your personal information and keep that information on file in their office. (FINTRAC)


YOU
Your Real estate representative helps you prepare an Offer to Purchase. This offer should include all the details of the sale.
You may want your lawyer to look at the offer before you show it to the vendor, because it is a legally binding document.
Your real estate representative will then present the offer to the vendor, who will accept, reject, or make a counter offer.
VENDOR
The vendor accepts your offer
The deal is concluded
The vendor may make a counter offer, asking a higher price.
You sign the offer back to the vendor with a higher price than your original offer, but lower than the vendor's counter offer.
The vendor accepts the counter offer.
The deal is concluded
The vendor may make a counter offer, asking a higher price. If a counter offer is returned to you at a higher price, ensure that you know exactly how much you can afford before you start negotiating. You don't want to get caught up in the heat of the moment with costs you can't afford.
You reject the counter offer of a higher price and decide not to make a subsequent counter offer.
The sale doesn't go through and your deposit is returned.

SECTION 4 – Completing the Purchase

The roles and responsibilities of your mortgage representative and REALTOR® have already been covered. This section provides information on other members of your team, such as a home inspector and a lawyer, and summarizes the actions and costs required to purchase a home.

After completing this section, you should to be able to:

- Explain the importance of obtaining a professional home inspection,
- Understand the role of a lawyer in the closing process,
- Understand what your part will be in the closing process, and
- Clearly identify the steps and costs involved in a home purchase.

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1. The Home Inspection

One of the conditions in your offer to purchase should be a satisfactory home inspection report. You cannot know everything about the many components of a home, so you will want an expert to take a critical look at the property. A home inspection *before* you purchase a property gives you the security of knowing what to expect and helps you make an informed decision about the value of the home and the costs of future upkeep. If a major problem is discovered, you can bring it to the seller's attention before waiving any conditions on your offer to purchase. Typically, the buyer pays for the home inspection, but it is well worth the cost in terms of peace of mind and protection.

a. How to select an inspection company

The Canadian home and building inspection industry consist mostly of home/property inspectors and public or municipal building code officials. Some 7000 individuals work in this industry. Try to find an inspector who is a member of a professional home or building inspection association or who is licensed in a building-related field (architects or structural engineers). Your REALTOR® may be able to recommend several to choose from. You may want to avoid inspectors who are also renovators, since their reports may not be objective.

Changes were made in 2013 related to the licensing of professional home inspectors in the Province of Alberta. Home Inspectors need a provincial license under these new rules. To obtain a license, inspectors have to complete an approved training program and pass a test inspection. These new rules also require businesses to carry insurance that covers mistakes and negligence, post a security to cover consumer losses if the regulation is not followed, and ban contract clauses that limit the liability of the business and inspectors.

With the support of the Canada Mortgage and Housing Corporation (CMHC), a national organization, the Canadian Association of Home and Property Inspectors (CAHPI) was formed to provide consumers across Canada with access to home and property inspection services that conform to a national standard of practice and code of ethics. Visit the Alberta chapter of CAHPI at **www.cahpi-alberta.com** or CMHC's website at **www.cmhc.ca** for more information.

b. Dollars and sense

When looking for a home inspector, do not look only for the lowest price. You are hiring someone to inspect what is probably the biggest investment of your life. You want to get the best possible service. Price should be a concern, but do not overlook other important factors: the qualifications of the inspector, quality of the report you will receive, and the scope of the inspection itself. You will want to be sure the inspector has errors and omissions insurance. This means that if you buy a home that requires a costly repair that was unreported, the inspector may be held financially responsible for the cost of the repair.

You may want to consider the following questions with regard to home inspectors and inspections:

- How long have they been working as home inspectors?
- What qualifications (training and education) do they have?
- Do they belong to an industry association?
- Can they provide references?
- What does the inspection include?
- Is the inspection strictly visual?
- Can the client accompany the inspector during the inspection?
- Are there re-inspections, if necessary, to inspect repairs?
- Do they also do renovation work?
- Are they working on behalf of a real estate agent?
- Will a written report be provided?
- When will the report be provided?
- Will they identify current problems as well as those that are imminent?
- Do they have errors and omissions insurance?
- Do they have any disclaimers or limitations as part of their contract?

c. What does the inspection include?

A qualified inspector will encourage the buyer to attend the home inspection. Take the time to join the inspector during the process, as this is a great opportunity to learn how your prospective new home works and to have questions answered first-hand. The information you receive will also help after you move in. The report details the general condition of the electrical, heating and plumbing systems, exterior/interior, roof, foundation, structure, insulation and more. The inspector should provide you with a written report that summarizes the inspection and points out defects. A pre-purchase home inspection will inform you about needed repairs and can be a crucial element in deciding if the house is right for you.

d. What a home inspection is not

The home inspection is not a market value appraisal. It does not pass judgment on the sale price of the home or the value of the property. The inspection is meant to show the current conditions (both structural and mechanical) and set forth what

repairs may be anticipated in the future and how they can be either remedied or perhaps prevented.

e. What happens if a problem is detected?

Your REALTOR® can be present for the home inspection. If problems are detected that you were not aware of at the time you negotiated the purchase price, you will need to look at how this affects the desirability and value of the home. The home inspection is not a negotiating tool, but when problems are detected, you can identify the problem and request the seller correct or compensate you for the defect.

2. The Lawyer

There are a number of legal matters involved in the sale and transfer of a property. The lawyer acts on your behalf to make sure the provisions of the Purchase Contract have been met. The lawyer is also responsible for the documents that will record the property in your name. As with all members of your team, you should be looking for professionalism and expertise.

a. How to select a lawyer

Spend enough time to select the right lawyer. While lawyers are licensed to practice law, they are not licensed in any specific type of law. Make sure your lawyer has a background in real estate practice. The practice of conveyancing (the transfer of property). If you don't have a lawyer you are familiar with, as with choosing most professionals, one of the best ways to find a lawyer is to ask the people you know and trust – family, friends, your real estate agent or business associates – for names of lawyers whose practices include substantial real estate experience. Perhaps your friends recently bought or sold a home and were pleased with the legal services they received. If not, maybe they know of someone you can call for a recommendation.

You will not *need* the lawyer until you are ready to purchase, but it is a good idea to select one early. That way, when you are ready to make an offer, your lawyer can answer any questions or concerns. The lawyer may not be able to give you an exact cost for the entire closing process, but should be able to give you a close estimate that includes their fees. When seeking quotes, ensure the lawyer distinguishes between their fee and the estimated closing costs, or disbursements, associated with the transaction. The fees lawyers charge may vary with the type of mortgage arrangement and the overall complexity of the transaction.

Is the lawyer equipped to cope with problems if they develop? Ultimately, you will weigh their responses against your own feelings about their attitude and

willingness to help you. Fees should not be the only deciding factor. There is often no relationship between fees and experience. Go with the lawyer who gives you the feeling that they have the right experience and are genuinely interested in providing professional service.

b. How your lawyer will help

Lawyers earn their fees in real estate transactions, taking care of many of the complicated, time-consuming things most of us either cannot or are not prepared to do. When you find the home you want to buy, consider having your lawyer review your offer before you sign to make sure it is legally complete and accurate. Once an agreement has been reached with the seller, your lawyer should provide a number of services including:

- Making sure you will have valid title (proof of ownership) to the property and that it is described correctly in every document,
- Investigating whether there are any claims registered against the property and ensuring these are cleared before you take title, unless you have agreed to assume these (e.g. assuming the mortgage),
- Checking with the appropriate municipalities to find out if taxes are owed on the house, or (in the case of a new home),
- Calculating the registration costs at Land Titles that you will be required to pay when you complete the transaction, as well as any adjustments necessary to compensate the seller for prepaid taxes and utility bills,
- Drawing up the mortgage documents, and
- Reviewing any available Real Property Report with your (e.g. no encroachments such as decks or garages).

Your lawyer will be an important participant in the home buying process. Do not be intimidated by the aura that surrounds the legal profession. Rely on your lawyer's services and guidance and ask questions if you do not understand something. Make sure problems are anticipated and prevented *before* the transaction is completed, not later when you are sitting in your new home.

3. Closing

After the offer has been accepted and all conditions met, it is time to think ahead to the closing. Generally, the closing date and move-in date will be the same. You need to give notice to your landlord if you are renting, determine how and what you need to move, notify utilities and the post office of the change of address, and arrange for property insurance.

Closing dates are not always absolute despite the best efforts by the lawyers involved. In processing a new mortgage, paying off an old one, and registering your name on title it is not uncommon for the actual closing date to change. However, this should not affect your move. The lawyers will arrange to make sure you have possession of the property as stated on the contract. Sometimes this involves a short-term lease.

a. Property insurance and mortgage life insurance

To protect their interests, the lending institution requires you take out property insurance on your home. Property insurance is not the same as mortgage loan insurance (which you have already learned about) or mortgage life insurance. Property insurance covers the replacement costs of the home, so the cost varies.

If you have an automobile, consider using the same insurance company. There may be special incentives or discounts available when you purchase home and auto insurance from them.

Mortgage life insurance gives your family coverage if you were to die before the mortgage is paid off. Mortgage life insurance is not mandatory. Lender supplied mortgage life or property insurance may be more expensive than if purchased from an insurance broker.

b. Meeting with the lawyer

A week or more before the closing date you will meet with the lawyer to go over the final details and sign the mortgage paperwork. If there is a balance owing on your down payment, you will be advised to bring it to the lawyer's office, usually as a bank draft. You will also be expected to pay the lawyer's fee and any adjustments at the same time.

c. Adjustments

Adjustments are what the lawyer does to reconcile the balance sheet in a transaction, such as adjustment of property taxes. Tax adjustments vary depending on the time of the year and type of tax payment agreement. The tax adjustment determines what the seller has already paid on the current taxes and whether or not they have made any payments in advance. Prior to your final meeting, the lawyer will tell you if there will be an adjustment for taxes that requires additional money.

d. Closing costs and fees

Other fees include registration of the property and property transfer. These are referred to as closing costs or disbursements. Your lawyer will explain these costs in detail.

e. Real property reports, title insurance, and compliance

To ensure the house and buildings you are purchasing are not infringing on other properties, consider having the seller provide a Real Property Report (RPR). A good RPR reflects the current state of the improvements on the property. For example, if the owner has an RPR that pre-dates the building of a deck or fence, the RPR would have to be updated.

The Purchase Contract requires that the RPR be reviewed by the city for compliance. This ensures that the buildings and structures on the property meet current city requirements. If it complies, then everything is acceptable. If it does not comply, it may be non-conforming, which means it was acceptable at an earlier time, and therefore will be allowed, or it will be non-complying, which means it is unacceptable, and must be corrected. Two of the most common types of compliance problems are decks or additions that were built without the proper permits or fences or garage roofs that are beyond the boundaries of the property (often infringing on city property).

Some sellers decide not to provide a RPR and instead ask the buyer to obtain title insurance. Title insurance is designed to protect you against the types of things that an RPR would have disclosed to you. If you are offered title insurance instead of an RPR, you should ask why. It is always best to know exactly what you are buying. Sometimes, problems have been identified that would be costly to remedy but might not be required to be fixed. Title insurance may protect you if, at a future date, you are asked to remedy the problem. Be sure to find out all the conditions and exclusions on any title insurance policy you choose to buy. Your lawyer can help you review the risks and your options. However, it can be difficult for your lawyer to reopen negotiations and change your agreement with your seller.

4. The Big Day Arrives

Completion day can be almost anti-climactic. There is usually no need for you to meet with the lawyer again or to be present at the closing. The lawyers for both parties exchange documents, and move funds, and then register the title and mortgage. The lawyers then notify the REALTOR® that keys can be released.

Congratulations! You can now call yourself a homeowner.

You've just been through several weeks of stressful events - finding your home, arranging financing, making lots of decisions, writing cheques and moving - all leading up to a large, long-term commitment. Give yourself some time to relax and experience the sense of pride and accomplishment you should feel about owning your own home.

Thank you for your time! We hope that the program has been of assistance as you moved forward and can continue to be a resource for you as a new homeowner. We will continue to stay in touch with you and offer you information, to make your transaction to home ownership a success.

TERMS AND CONDITIONS

1. Participants must stay for the whole day training and sign paperwork/evaluation at the end of the course in order for financial assistance for the purchase of their home.
2. Participants will have one year (12 months) to purchase a home with a participating Coldwell Banker Battle River Realty Realtor® to obtain financial assistance. If the participant has lapsed, the course will have to be re-taken by the participant. *This will be dealt with on a case-by-case basis.*
3. Funds will be delivered to the buyer after purchase and all monies have been transferred to the laywers trust account and key are released on possession day.
4. Financial assistance of up to $1000 will be given to the participant to help with home ownership costs. but will not constitute a down payment from Coldwell Banker Battle River Realty.
5. Financial assistance is calculated at 25% of the commission earned by Coldwell Banker Battle River Realty to a maximum of $1000.
6. Any Realtor can be hired to help you purchase your home, however only a Coldwell Banker Battle River Realty Realtor will be part of this program. This is an exclusive program and only Coldwell Banker Battle River Realty HOME Program participants will be credited financial assistance after their purchase.

COLDWELL BANKER
BATTLE RIVER REALTY

Glossary of Terms

Adjustments: Normally refers to those items requiring apportionment as of the date of closing a transaction. Such adjustments include rent, mortgage interest, or local improvement rates.

Agency: The legal relationship between the client (you) and the agent (the brokerage). The essence of agency relationships is that the agent has the authority to represent the client in dealings with others. Agents are obligated to protect and promote the interests of their clients as they would their own and also owe certain fiduciary duties to their clients (see Fiduciary duty).

Amortization: The number of years it takes to repay the entire amount of a mortgage.

Appraisal: An estimate of a property's market value, used by lenders in determining the amount of the mortgage.

Assumable mortgage: A mortgage held on a property by the seller that can be taken over by the buyer, who then accepts responsibility for making the mortgage payments.

Broker: A person, who holds the qualifications of a broker, is licensed by the Real Estate Council of Alberta and is authorized to operate a brokerage and trade in real estate on behalf of that brokerage.

Closed mortgage: A mortgage that has restrictions on the amount and timing of principal to be repaid without penalty during the term.

Closing: The real estate transaction's completion, when the parties involved agree that all legal and financial obligations have been met, and the title to the property is transferred from the seller to the buyer.

Closing costs: Expenses in addition to the purchase price for buying and selling a property.

Completion date: The date on which the title and keys to the property are transferred from the seller to the buyer and the money is paid.

Condition: Making the completion of the transaction conditional on some event/action that may be under the control or partial control of a third party (e.g. a lender).

Conventional mortgage: The principal amount of the mortgage does not exceed 75% of the value of the property being financed.

Conveyancing: The process of transferring the title of land from one person to another.

Credit report: A report on the credit position of the borrower in conformity with the federal *Consumer Reporting Act*.

Deposit: Money that is paid by the buyer to the seller. It is held in a trust account by the real estate brokerage.

Down payment: The difference between a property's purchase price and the amount financed.

Dual agency: A situation where the brokerage (including the broker, all associate brokers and associates registered to it) enters into an agency relationship with both the buyer and the seller in order to act on behalf of both parties in a real estate transaction. Dual agency must be acknowledged in writing by the parties.

Equity: The difference between the price for which a property can be sold and the mortgage(s) on the property. Equity is the owner's 'stake' in a property.

Exclusive buyer agency: The practice of representing only buyers and never sellers in a transaction. The company never lists a seller's property and thus always has the buyer as a client.

Fiduciary duty(s): The duties of loyalty, loyalty, obedience, confidentiality, reasonable care and skill, full disclosure, and full accounting that are required by law of any agent relative to his or her client.

Fixed rate mortgage: A mortgage where the interest rate is set at the time the mortgage is taken. This rate will not change for the entire term.

Gross Debt Service Ratio (GDSR): The percentage of gross monthly income used toward housing expenses. The expenses used in this calculation are principal and interest, taxes and heat, plus half of the monthly condo fees (if applicable).

High ratio mortgage: The principal amount of the mortgage is greater than 75% of the value of the property.

Long-term mortgage: A mortgage with a term of three years or more.

Market value: The highest possible estimated price which a property will bring if exposed for sale in the open market, allowing a reasonable time to find a knowledgeable buyer.

Mill rate: A measure used to indicate the property tax rate.

Mortgage: A contract between a borrower and a lender. The borrower pledges a property as security to guarantee repayment of the mortgage debt.

Mortgage broker: A licensed person who brings together a borrower in search of a mortgage and a lender willing to issue that mortgage.

Mortgage loan insurance: Government-backed or private-backed insurance protecting the lender against the borrower's default on a high ratio or other types of mortgage.

Mortgage term: The length of time a lender will loan mortgage funds to a borrower. Most mortgage terms run from six months to five years, after which the borrower can either repay the balance of the remaining principal of the mortgage, or renegotiate the mortgage for another term.

Multiple Listing Service® (MLS®): A cooperative listing system operated by a real estate board to relay information to REALTORS® about properties for sale.

Open mortgage: A mortgage that can be prepaid or renegotiated at any time and in any amount without penalty.

Real property report (RPR): The legal outline of the property and location of all buildings on the land (formerly called the surveyor's certificate).

REALTOR®: Real estate professionals who are members of a local real estate board, the Alberta Real Estate Association and the Canadian Real Estate Association. Only these professionals can use the trademark 'REALTOR®'.

Short-term mortgage: A mortgage with a term of three years or less.

Term (in mortgage): See Mortgage term.

Term (in contract): Anything that the parties to a Purchase Contract want to have happen in their contractual relationship. Most terms are contained in the standard wording of the contract. Those that are not standard are added by one party or both.

Total Debt Service Ratio (TDSR): The percentage of gross monthly income used towards housing expenses, plus other monthly obligations.

Variable rate mortgage: A mortgage for which payments are fixed, but whose interest rate changes in relationship to fluctuating market interest rates. If the market rate goes up, a larger portion of the payment goes to interest. If rates go down, a larger portion of the payment is applied to the principal.

Obtaining Your Credit Report

EQUIFAX
National Consumer Relations
P.O. Box 190, Station Jean-Talon
Montreal, Quebec
H1S 2Z2
Tel: 1-800-465-7166
Fax: (514) 355-8502

www.equifax.ca

Fact Sheet 1 – Obtaining your Credit Report

REQUEST TO OBTAIN MY FREE CREDIT REPORT

PLEASE PRINT

Name:

LAST NAME | FIRST NAME | INITIAL | SUFFIX (Sr., Jr., etc.)

Current Address:

STREET ADDRESS | APT. | CITY | PROVINCE | POSTAL CODE

PREVIOUS ADDRESS(ES) (within last 3 years)

STREET ADDRESS | APT. | CITY | PROVINCE | POSTAL CODE

STREET ADDRESS | APT. | CITY | PROVINCE | POSTAL CODE

Date of Birth: _____ MONTH/DAY/YEAR

Social Insurance Number: _____ (OPTIONAL)

The name and last 4 digits of a major credit card (optional):

* You must provide copies of 2 pieces of government-issued identification (such as a driver's license, health card, birth certificate or passport). If neither piece of government-issued identification shows your current home address, you must also submit a copy of an additional document that shows your address (such as a recent telephone or utilities bill, or a bank or credit card statement). You may black out transaction details on a bill or statement, as long the copy clearly shows the date of the document, the sender, your name and address, and your account number.

** Equifax will use the information you provide to confirm your identity and current home address. We will cross-reference the information you provide with our own records. If any part of your name, date of birth or address in our records is different from the information you provide, we will update our records to reflect the correct information. The information you provide to confirm your identity will not be used to update or change your financial or credit history information.

If you provide your Social Insurance Number, we will cross-reference it with our records to ensure that we disclose the correct information to you. Knowing your SIN helps us avoid delays and confusion in case another individual's identifying information (such as name and address) is similar to your own.

We will keep a copy of the information you provide to demonstrate that we complied with our obligation to obtain reasonable identification from you.

*** We may use the personal information you provide to update our records. The information may also be disclosed to our customers as part of your credit report.

**** Equifax will send a copy of your credit report by mail to your confirmed home address. You should receive it within 5 to 10 days.

***** Please note that if any corrections are necessary, you must complete the credit report update form enclosed with the credit report sent to you. That form - Consumer Credit Report Update Form – can also be found on-line at www.equifax.ca under Credit Education and "How can I correct an inaccuracy in my Equifax report?"

PLEASE SEND YOUR COMPLETED FORM WITH PHOTOCOPIES OF YOUR IDENTIFICATION TO:

Mail: National Consumer Relations;
P. O. Box 190, Station Jean-Talon
Montreal, Quebec H1S 2Z2

Fax: 514-355-8502

SIGNATURE

There is another credit reporting agency in Canada that provides this service.

Trans Union of Canada, P. O. Box 338 L.C.D.I. Hamilton, Ontario L8L 7W2, Telephone: 1-800-663-9980 Telephone: 1-877-713-3393 (for Quebec)

Fact Sheet 2 - Credit Card Payments

	Creditor Balance	Store Card Rate	Payment		Creditor Balance	Store Card Rate	Payment		Creditor Balance	Store Card Rate	Payment
1	$ 5,000.00	28.90%	$ 150.00	1	$ 5,000.00	28.90%	$ 150.00	1	$ 5,000.00	28.90%	$ 160.00
2	$ 4,970.42	28.90%	$ 149.11	2	$ 4,970.42	28.90%	$ 150.00	2	$ 4,960.42	28.90%	$ 160.00
3	$ 4,941.01	28.90%	$ 148.23	3	$ 4,940.12	28.90%	$ 150.00	3	$ 4,919.88	28.90%	$ 160.00
4	$ 4,911.78	28.90%	$ 47.35	4	$ 4,909.10	28.90%	$ 150.00	4	$ 4,878.37	28.90%	$ 160.00
5	$ 4,882.72	28.90%	$ 146.48	5	$ 4,877.32	28.90%	$ 150.00	5	$ 4,835.85	28.90%	$ 160.00
6	$ 4,853.83	28.90%	$ 45.61	6	$ 4,844.79	28.90%	$ 150.00	6	$ 4,792.32	28.90%	$ 160.00
7	$ 4,825.12	28.90%	$ 144.75	7	$ 4,811.46	28.90%	$ 150.00	7	$ 4,747.73	28.90%	$ 160.00
8	$ 4,796.57	28.90%	$ 143.90	8	$ 4,777.34	28.90%	$ 150.00	8	$ 4,702.07	28.90%	$ 160.00
9	$ 4,768.19	28.90%	$ 143.59	9	$ 4,742.39	28.90%	$ 150.00	9	$ 4,655.32	28.90%	$ 160.00
10	$ 4,739.43	28.90%	$ 142.18	10	$ 4,705.61	28.90%	$ 150.00	10	$ 4,607.43	28.90%	$ 160.00
11	$ 4,711.40	28.90%	$ 141.34	11	$ 4,689.96	28.90%	$ 150.00	11	$ 4,558.39	28.90%	$ 160.00
12	$ 4,683.52	28.90%	$ 40.51	12	$ 4,632.43	28.90%	$ 150.00	12	$ 4,508.17	28.90%	$ 160.00
13	$ 4,655.81	28.90%	$ 139.67	13	$ 4,593.99	28.90%	$ 150.00	13	$ 4,456.75	28.90%	$ 160.00
14	$ 4,628.28	28.90%	$ 138.85	14	$ 4,554.63	28.90%	$ 150.00	14	$ 4,404.08	28.90%	$ 160.00
15	$ 4,600.88	28.90%	$ 138.03	15	$ 4,541.32	28.90%	$ 150.00	15	$ 4,350.15	28.90%	$ 160.00
16	$ 4,573.65	28.90%	$ 137.21	16	$ 4,473.04	28.90%	$ 150.00	16	$ 4,294.91	28.90%	$ 160.00
17	$ 4,546.58	28.90%	$ 136.00	17	$ 4,430.76	28.90%	$ 150.00	17	$ 4,238.35	28.90%	$ 160.00
18	$ 4,520.01	28.90%	$ 135.00	18	$ 4,387.47	28.90%	$ 150.00	18	$ 4,190.42	28.90%	$ 160.00
19	$ 4,493.95	28.90%	$ 134.00	19	$ 4,343.14	28.90%	$ 150.00	19	$ 4,121.10	28.90%	$ 160.00
20	$ 4,468.18	28.90%	$ 133.00	20	$ 4,297.73	28.90%	$ 150.00	20	$ 4,060.35	28.90%	$ 160.00
21	$ 4,442.78	28.90%	$ 132.00	21	$ 4,251.24	28.90%	$ 150.00	21	$ 3,998.14	28.90%	$ 160.00
22	$ 4,417.78	28.90%	$ 131.50	22	$ 4,203.62	28.90%	$ 150.00	22	$ 3,934.42	28.90%	$ 160.00
23	$ 4,392.88	28.90%	$ 131.00	23	$ 4,154.86	28.90%	$ 150.00	23	$ 3,869.18	28.90%	$ 160.00
24	$ 4,367.47	28.90%	$ 131.06	24	$ 4,104.92	28.90%	$ 150.00	24	$ 3,802.36	28.90%	$ 160.00
25	$ 4,341.59	28.90%	$ 130.25	25	$ 4,053.78	28.90%	$ 150.00	25	$ 3,733.93	28.90%	$ 160.00
26	$ 4,315.90	28.90%	$ 129.48	26	$ 4,001.41	28.90%	$ 150.00	26	$ 3,653.86	28.90%	$ 160.00
27	$ 4,290.38	28.90%	$ 129.00	27	$ 3,947.78	28.90%	$ 150.00	27	$ 3,592.10	28.90%	$ 160.00
28	$ 4,264.69	28.90%	$ 127.94	28	$ 3,892.85	28.90%	$ 150.00	28	$ 3,518.61	28.90%	$ 160.00
29	$ 4,239.45	28.90%	$ 127.18	29	$ 3,836.61	28.90%	$ 150.00	29	$ 3,443.35	28.90%	$ 160.00
30	$ 4,214.37	28.90%	$ 126.43	30	$ 3,779.01	28.90%	$ 150.00	30	$ 3,366.27	28.90%	$ 160.00
31	$ 4,189.44	28.90%	$ 125.68	31	$ 3,720.02	28.90%	$ 150.00	31	$ 3,287.35	28.90%	$ 160.00
32	$ 4,164.66	28.90%	$ 125.00	32	$ 3,659.81	28.90%	$ 150.00	32	$ 3,206.52	28.90%	$ 160.00
33	$ 4,139.95	28.90%	$ 124.20	33	$ 3,597.74	28.90%	$ 150.00	33	$ 3,123.74	28.90%	$ 160.00
34	$ 4,115.48	28.90%	$ 123.46	34	$ 3,534.39	28.90%	$ 150.00	34	$ 3,038.97	28.90%	$ 160.00
35	$ 4,091.11	28.90%	$ 122.73	35	$ 3,469.51	28.90%	$ 150.00	35	$ 2,952.16	28.90%	$ 160.00
36	$ 4,068.91	28.90%	$ 122.00	36	$ 3,403.06	28.90%	$ 150.00	36	$ 2,863.26	28.90%	$ 160.00
37	$ 4,042.86	28.90%	$ 121.29	37	$ 3,335.02	28.90%	$ 150.00	37	$ 2,772.21	28.90%	$ 160.00
38	$ 4,018.93	28.90%	$ 120.57	38	$ 3,265.34	28.90%	$ 150.00	38	$ 2,678.96	28.90%	$ 160.00
39	$ 3,995.15	28.90%	$ 119.85	39	$ 3,193.96	28.90%	$ 150.00	39	$ 2,583.50	28.90%	$ 160.00
40	$ 3,971.52	28.90%	$ 119.15	40	$ 3,120.90	28.90%	$ 150.00	40	$ 2,485.71	28.90%	$ 160.00
41	$ 3,948.01	28.90%	$ 118.44	41	$ 3,048.06	28.90%	$ 150.00	41	$ 2,385.58	28.90%	$ 160.00
42	$ 3,924.66	28.90%	$ 117.74	42	$ 2,969.42	28.90%	$ 150.00	42	$ 2,283.03	28.90%	$ 160.00
43	$ 3,901.43	28.90%	$ 117.04	43	$ 2,890.94	28.90%	$ 150.00	43	$ 2,178.01	28.90%	$ 160.00
44	$ 3,878.35	28.90%	$ 116.35	44	$ 2,810.56	28.90%	$ 150.00	44	$ 2,070.47	28.90%	$ 160.00
45	$ 3,855.41	28.90%	$ 115.56	45	$ 2,728.25	28.90%	$ 150.00	45	$ 1,980.33	28.90%	$ 160.00
46	$ 3,832.60	28.90%	$ 114.98	46	$ 2,643.95	28.90%	$ 150.00	46	$ 1,847.54	28.90%	$ 160.00
47	$ 3,809.92	28.90%	$ 114.30	47	$ 2,557.63	28.90%	$ 150.00	47	$ 1,732.04	28.90%	$ 160.00
48	$ 3,787.38	28.90%	$ 113.82	48	$ 2,469.22	28.90%	$ 150.00	48	$ 1,613.75	28.90%	$ 160.00
49	$ 3,764.97	28.90%	$ 112.99	49	$ 2,378.69	28.90%	$ 150.00	49	$ 1,492.62	28.90%	$ 160.00
50	$ 3,742.85	28.90%	$ 112.28	50	$ 2,285.96	28.90%	$ 150.00	50	$ 1,388.58	28.90%	$ 160.00
51	$ 3,720.51	28.90%	$ 111.62	51	$ 2,191.03	28.90%	$ 150.00	51	$ 1,241.52	28.90%	$ 160.00
52	$ 3,698.49	28.90%	$ 110.95	52	$ 2,093.80	28.90%	$ 150.00	52	$ 1,111.42	28.90%	$ 160.00
53	$ 3,578.61	28.90%	$ 110.30	53	$ 1,994.23	28.90%	$ 150.00	53	$ 978.19	28.90%	$ 160.00
54	$ 3,654.98	28.90%	$ 109.65	54	$ 1,892.25	28.90%	$ 150.00	54	$ 847.75	28.90%	$ 160.00
55	$ 3,633.23	28.90%	$ 109.00	55	$ 1,787.83	28.90%	$ 150.00	55	$ 702.02	28.90%	$ 160.00
56	$ 3,611.73	28.90%	$ 108.35	56	$ 1,680.88	28.90%	$ 150.00	56	$ 558.93	28.90%	$ 160.00
57	$ 3,590.36	28.90%	$ 107.71	57	$ 1,571.36	28.90%	$ 150.00	57	$ 412.39	28.90%	$ 160.00
58	$ 3,569.12	28.90%	$ 107.07	58	$ 1,459.21	28.90%	$ 150.00	58	$ 262.32	28.90%	$ 160.00
59	$ 3,548.00	28.90%	$ 106.44	59	$ 1,344.35	28.90%	$ 150.00	59	$ 108.64	28.90%	$ 160.00
60	$ 3,527.01	28.90%	$ -	60	$ 1,226.73	28.90%	$ -	60	$ (48.75)	28.90%	$ -
	Total Payments		$ 7,489.17		**Total Payments**		$ 8,850.00		**Total Payments**		$ 9,440.00
	Cost of Borrowing		$ 6,016.08		**Cost of Borrowing**		$ 5,076.73		**Cost of Borrowing**		$ 4,440.00

Fact Sheet 3 – Mortgage Insurance Premiums

CMHC, Genworth and Canada Guaranty's Premiums

Premium on Total Loan	Premium on Increase to Loan Amount for Portability and Refinance	
Loan-to-Value	Standard Premium	Standard Premium
Up to and including 65%	0.60%	0.60%
Up to and including 75%	0.75%	2.60%
Up to and including 80%	1.25%	3.15%
Up to and including 85%	1.80%	4.00%
Up to and including 90%	2.40%	4.90%*
Up to and including 95%	3.60%	5.65%*
90.01% to 95% -Non-Traditional Down Payment ***	3.85%	*

Canada Guaranty Self Employed Advantage

Standard Premium Rate Chart		
LTV	**Premium Rate**	**Top-up Premium**
Up to 65.00%	0.90%	1.75%
65.01 – 75.00%	1.15%	3.00%
75.01 – 80.00%	1.90%	4.45%
80.01 – 85.00%	3.35%	6.35%
85.01 – 90.00%	5.45%	8.05%

Fact Sheet 4 – Additional Considerations for Condominium Buyers

Much of the information presented in this manual on buying a single-family home will apply to purchasing a condominium. However, there are a few significant differences you should consider. Buying a condominium can be more complicated, so be sure to enlist the help of a REALTOR® and a lawyer who is well versed in condominium law. Here are some things to consider.

- **Location:** As with the purchase of any type of property, check out the surrounding area thoroughly to be sure you'll enjoy living there, and that the residences around you will enhance your condominium's value.

- **The building:** The general appearance of the common areas will speak volumes about how well the property is managed. If you're interested in a resale unit, look for obvious signs of disrepair, such as concrete deterioration or badly kept landscaping. Ask what major repairs have been done recently and whether any are planned for the near future. Then find out whether there are sufficient reserves to pay for these repairs. If not, you may have to come up with several hundreds (or perhaps thousands) of dollars to help replace a roof or air conditioning system. Hire an independent inspector to do an audit of the building and its major systems, or ask to see the building's own recent inspection audit and make your offer conditional upon a satisfactory report.

- **Management:** This is perhaps the most important consideration when contemplating a condominium purchase. Find out if the complex is managed by a competent property manager. If not, who is managing and what is their track record? Talk to other building residents; they can provide you with a wealth of information about the entire development. Ask to see the minutes of the last annual meeting of owners and the minutes of any board meetings held during the past 12 months.

- **Security:** Many condominiums have 24-hour concierge services and key or cardkey access systems. Find out how well the systems are managed and maintained. Did you find it easy to bypass security? If so, others will too. A well-run security system can be a definite plus at resale time.

- **The unit:** In addition to standard considerations like square footage and the direction your unit faces, check out the soundproofing between units. Not all buildings are constructed with the same care. In high-rise buildings, floor level is important too. Units on higher floors cost more to buy, but are more popular when you decide to sell. How close are you going to be to noisy areas like elevators and garbage chutes? Are there individual meters for electricity, heat and water, or are these costs included in the condominium fee? How recently was the fee increased and by how much?

- **Parking:** Street parking is often at a premium around a condominium. Is a parking space within the building included in the purchase price? Depending upon the condominium, parking spots are purchased, leased or allocated. Your best bet is to own your parking spot. Discuss this with your REALTOR®. Also find out how much guest parking is available.

- **Recreational areas:** Find out what facilities are available and how well they are maintained. Be sure the use of these areas is included in the purchase price, and that only owners and their guests have access. Sometimes recreational facilities are also open to the public. You end up paying a separate membership fee and competing with non-owner members or residents of neighboring condominium buildings for the use of the facilities.

- **Owners vs. tenants:** Ask how many units are occupied by owners rather than tenants. Many investors purchase condos for income-producing purposes. Overall pride of ownership is higher when the majority of units are owner-occupied; a pride that will be reflected in the way the complex is maintained. If you ever plan to lease out your unit, be sure the condominium corporation places no restrictions on this right.

- **Insurance:** Condominiums are covered by two different types of insurance policies: (1) the policy you purchase to cover your unit and its contents, and (2) a master policy held by the corporation to cover the common areas. Be sure your unit's policy includes everything not covered by the master policy, particularly as it relates to public liability. For example, all damages caused by a fire that starts in your unit, even if the fire spreads beyond your walls, are your responsibility. Damages caused by a fire that starts in a hallway and spreads into your unit are covered by the master policy.

- **Important documents:** Ask the developer or Management Company for an information package. This package outlines the condominium fees levied on the unit, any anticipated increases, and whether or not the current owner is in arrears.

  The package will also provide detailed information about the development's finances, bylaws, rules, insurance and management agreements, giving you a good overall picture of the development's state of health. Since several of these documents govern your use and enjoyment of your condominium, it's essential you understand them *before* you purchase the property. Ask your lawyer to review these documents as well, and to make sure there are no legal actions against or by the condominium corporation, the liability for which could be transferred to you at purchase. A condition can be added to your offer, making the seller responsible for the cost of any prior actions.

- **Document Review Company:** In larger centers companies now exist that will perform a review of the condominium documents and provide a report for the purchaser. You may also be able to locate a solicitor and accountant who will provide assistance. The fee for these services will vary depending on the amount of detail requested.

- **Mortgage financing:** Most lenders will write mortgages on condominiums, though restrictions may apply. For example, some may require a larger down payment than they would for financing a single-family home. Remember that the condominium fee is figured in your debt service ratio, but is *not* financed by the mortgage. Lenders often add clauses that protect their interests in the property, and you and your lawyer should review these before you sign the commitment. In the case of new condominiums, developers often arrange attractive financing packages, sometimes with lower-than-market interest rates or lower down payment requirements. First-time buyers should investigate these options too.

Fact Sheet 5 – New Home Sales

Much of the information presented in this manual on buying a single family home will apply to purchasing a newly built home or to having a home custom built. If you are considering this you may still be able to access the assistance components of the Canadian Home Program and you should speak with the Program Coordinator for your area. Here are some things to consider:

- **Participating REALTORS® and New Home Builders**: In many locales an agreement is already in place between the local real estate board and the new homebuilders. The agreements will allow you to use the services of a Participating REALTOR® in the purchase process even if you are custom building.

- If considering new built homes you should select a Participating REALTOR® prior to visiting show homes or talking directly with the new homebuilder.

- Financing of a completed new home will follow closely the information and choices identified in the manual and program materials. Custom built is often financed using a "draw" mortgage. If you are considering a custom built home the Financial Coordinator for your area will be glad to explain this type of product.

- The Canadian Home Program recommends that even with new construction you should obtain the services of a home inspector

Fact Sheet 6 – Breaking Down the New Mortgage Rules

CHANGE #1 - INCREASED STRESS TESTING
FIRST THINGS FIRST: UNDERSTANDING THE MORTGAGE QUALIFYING RATE
Before we get into the whole concept of stress testing, we first have to understand the term "Mortgage Qualifying Rate". Also known as the "Benchmark Rate", this is essentially the average of all the major banks' 5-year posted rates (the mortgage rates you see on their websites). This number is calculated by the Bank of Canada and is, on average, 2% higher than the rate you would pay on a 5-year fixed
mortgage.

Since 2010, the Department of Finance has required banks to "stress test" high ratio buyers (or buyers with less than a 20% down payment) by making sure they qualify under the Mortgage Qualifying Rate. This stress test was reserved for homebuyers who were applying for variable rate mortgages, or fixed mortgages with terms that were less than five years. If you were a high ratio borrower applying for a five-year fixed mortgage, you were exempt.

The ultimate purpose of the stress test was to ensure buyers weren't caught off guard if rates went up—either during the term of their variable rate mortgage, or upon renewing their fixed rate mortgage.

WHAT'S CHANGING?
On November 30, 2016, the government is broadening the stress-test requirements. Effective on that date, all insured borrowers (both low and high ratio) will be required to qualify under the Mortgage Qualifying Rate—even those applying for five-year fixed mortgages.

IMPORTANT INFORMATION TO NOTE ON LOW RATIO MORTGAGES
On January 1, 2017, low ratio borrowers (or those with more than 20% down) that don't require insurance must qualify with a Mortgage Qualifying Rate that is 2% above their interest rate.

CHANGE #2 - INSURANCE RESTRICTIONS FOR LENDERS
To acquire insurance for conventional (or low ratio) loans, lenders will have to meet an unprecedented number of eligibility requirements. This means a home must be owner-occupied, with a maximum 25-year amortization, and a maximum purchase price below $1,000,000. The buyer's credit score must be at least 600, maximum gross debt service (GDS) 39%, and total debt service (TDS) of 44% based on the Mortgage Qualifying Rate. Also, refinances no longer qualify—only mortgage loans for purchases and renewals can be bulk insured.

If a lender can't qualify for insurance, they're going to be less likely to take on certain loans. Or, the cost for those loans will increase, which means increased rates for the consumer.

CHANGE #3 - NEW REPORTING RULES FOR PRIMARY RESIDENCE SALES
Right now, if you make money off of selling your primary residence, you do not have to report it as income—and the capital gains tax is waived. While this is still the case, as of this tax year individuals who sell their primary residence must report the sale to the Canada Revenue Agency at tax time. This move is designed to deter foreign buyers from illegally claiming a primary residence tax exemption for homes that aren't their primary residence.

HOW WILL ALL OF THESE CHANGES IMPACT YOU?
For many homebuyers—particularly first-time buyers— qualifying for a mortgage just got more difficult. With access to many different lenders and extensive mortgage knowledge, your mortgage broker can help you navigate this new terrain.

NOTES

COLDWELL BANKER

BATTLE RIVER REALTY