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Home Buying 101:

What eager first-timers need to know

You've saved for your down payment, you've crunched the numbers and you've decided on the neighbourhood where you want to live — but are you really ready to start shopping around?

Buying your first home is one of life's most exciting milestones, but there are lots of steps on the way to crossing the threshold as an owner for the first time. To make sure this process goes smoothly, you'll need to get financing advice right from the get-go and do some work in advance.

Get your down payment and deposit ready

A down payment must come from your own resources, and in most cases must have been held in your account for at least 90 days. Using a gift from your parents or other family member for a down payment? You'll need a letter stating that it is actually a gift and does not need to be re-paid. These funds will likely need to be deposited in your account two weeks before your purchase closing date.

The Home Buyers' Plan is another financing option for first-time buyers. It allows you to withdraw up to \$25,000 (\$50,000 per couple) from your RRSP to buy or build a home.

Keep in mind that when placing an offer, a deposit is usually required. It can be all, or part, of a down payment.

Figure out what you can afford

The best way to do this is by talking to a mortgage broker and getting pre-approved for a mortgage. A mortgage broker can provide examples of what monthly payments and home buying costs will be, to eliminate surprises.

A major benefit of a pre-approval is that most financial institutions will lock-in a rate for up to 120 days. This is very helpful if you're buying in a rising rate environment.

Get in touch with the professionals

Think of home buying as a team sport — a mortgage broker can help you find a good real estate agent, real estate lawyer, home inspector and home insurance agent. Be sure to get in touch with these professionals early in the buying process to avoid last-minute scrambles.

Come up with an offer strategy

In competitive real estate markets, it is common for vendors to put off accepting offers until a particular date. This means buyers may be bidding for a home along with

several other parties. It's easy to get caught up in the emotion, so it is important to decide on a maximum price before bidding and to stick to it.

Choose your mortgage strategy

Ask yourself: Do I want the stability of a fixed-rate mortgage or am I comfortable with the potential rewards and risks of a variable-rate loan? A mortgage broker can help you decide which one makes the most sense for your financial situation, as well as help you understand your payment options and the other features of various types of mortgages.

Get ready to close

When buying a home, it pays to learn about closing costs, which can represent up to three per cent of the purchase price, including land transfer tax, lawyer's fees, appraisal fees, title insurance and home inspection fees. A mortgage professional can help estimate how much these will cost and offer ideas for how you can cover these costs.

A lot of first-time buyers can't wait to get out there and house hunt, but they need to understand that this is not a decision to enter into lightly. But with careful planning and expert advice, you can make your first home — and your first mortgage — work well for you in the long term. **CL**