Are You Thinking of Buying Your First Home?

As a first time buyer, you will have many questions about selecting, financing and buying your first home. How do we start looking for a home? How much money will we require to purchase the home? How much will the mortgage payments be each month and can we afford it? How does the home buying process work and what can we expect along the way? These are just a few of the questions you're bound to have at the beginning of your exciting journey to buying your very first home!

A Coldwell Banker Sales Associate can provide the answers to your questions and walk you through the entire process, from viewing potential homes to making an offer to setting up mortgage financing. Although buying your first home can be overwhelming, you can be confident that your Coldwell Banker Sales Associate will be available to help you every step of the way. Coldwell Banker can make buying your first home simple and straightforward, eliminating any confusion and doubt and allowing you the opportunity to enjoy your first home, worry-free.

Just a 5% Down Payment? The following is an excerpt from the Canada Mortgage and Housing Corporation website under the topic of "Mortgage Loan Insurance": Get into your home sooner. Mortgage Loan Insurance helps you do it. Put as little as 5% down. When you need a mortgage loan that is more than 75% of the purchase price of your home, mortgage loan insurance is required. It protects the lender and, by law, most Canadian lending institutions require it.

Having mortgage loan insurance means that if you, the borrower; default on your mortgage, the lender is paid back by the insurer - CMHC or a private company1. With the risk of losing their money removed, lenders have the confidence to make mortgage loans of up to 95% of the purchase price of the home (subject to price ceilings).

That means your down payment can be as little as 5% of the house price. With mortgage loan insurance, many Canadians who might be unable to obtain a 25% down payment can still buy a home. What does mortgage loan insurance cost? There are two components: an application fee and an insurance premium. The application fee typically ranges from $75.00 to $235.00 and mortgage loan insurance premiums range from 0.5%-3.75% of the amount of your loan (additional charges may apply), depending on the size of the loan and the value of your home.

The premium can be added to your mortgage loan and paid off as part of your regular mortgage payments, or paid off in a lump sum at the time of purchase to save interest charges on the premium itself. Where can mortgage loan insurance be obtained? See your lender, who can obtain mortgage loan insurance from CMHC or private insurer.

CMHC will insure mortgages of up to 95% of the home's purchase price or the market value of the property, whichever is less. (Restrictions may apply, Please Contact your local lender.)

Both new and resale homes are eligible. Here are some of the criteria that must be met: The home must be in Canada and must be your principal residence. Housing payments, including principal, interest, property taxes, heating (P.I.T.H.), the annual site lease in the case of leasehold tenure and 50% of applicable condominium fees, can't be more than 32% of your gross household income (GDS ratio).

Your total debt load can't be more than 40% of your gross household income (TDS ratio). Other criteria apply and are subject to change. For details, please contact CMHC or your local lender. Right now, 3 million Canadians own homes with insured mortgages. Your financial health - your credit and home affordability. Is now the right time financially for you to buy a home?

Would you rate your financial picture as healthy? Is your credit good? While you can always find a lender to lend you money, people with poor credit tend to pay far more to borrow. Some say that you should refrain from borrowing as much as you qualify for because it is wiser not to stretch your financial boundaries.

The other school of thought says you should stretch to buy as much home as you can afford, because with regular pay raises and increased earning potential, the big payment today will seem like less of a payment tomorrow. It is, however, important to stay within your comfort zone. Purchasing a house involves many up-front and ongoing costs, and the stress of worrying about those costs often outweighs the satisfaction that may come from owning a slightly nicer home. To determine how much home you can afford, talk to a lender or go online and use a home affordability calculator.

Good calculators will give you a range of what you may qualify for. Then call a lender. While some may say that the "28/36" rule applies, in today's home mortgage market, lenders are making loans customized to a particular person's situation. The "32/40" rule means that your monthly housing costs can't exceed 32 percent of your income and your total debt load can't exceed 40 percent of your total monthly income. Depending on your assets, credit history, job potential, and other factors, lenders can push the ratios up to 40-60% or higher. While I'm not advocating you purchase a home utilizing the higher ratios, it's important for you to know your options.

How long you plan to live in the home. Selling a home costs money. If you potentially may have to move in the short term, the value of your home may not have appreciated enough to cover the costs of buying and selling.

The length of time that it will take to cover those costs depends on various economic factors. Average appreciation tends to sit at around 5% per year. The recent real estate boom that has been seen in the last number of years in the Red Deer market are now leveling out and correcting prices in the market, therefore you should expect no greater than a 5% increase per year. In this case, you should plan to stay in your home at least 3-4 years to cover buying and selling costs.

The real estate market can be particularly volatile, however, and dramatic swings up and down are not uncommon. How long the home will meet your needs. What features do you require in a home to satisfy your lifestyle now? Five years from now? People tend to remain in homes longer than they initially intend, primarily due to the work and expense associated with moving. Therefore it is worth considering a home with room to grow. Could the basement be turned into a den and extra bedrooms?

Could the attic be turned into a master suite? Having an idea of what you'll need will help you find a home that will satisfy you for years to come. The ongoing costs of home ownership.

Maintenance, improvements, taxes, and insurance are all costs that are added to a monthly house payment. If you buy a condominium or townhouse, a monthly homeowner's association or maintenance fee will be required. If these additional costs are a concern, you can make choices to lower or avoid these fees. Be sure to make your Realtor® and your lender aware of your desire to limit these costs.

If you are still unsure if you should buy a home after making these considerations, you may want to consult with an accountant or financial planner to help you assess how a home purchase fits into your overall financial goals.

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