HOMEBUYER'S GUIDE

HIGHMARK
WELCOME TO THE FAMILY

Benefits Of Owning vs. Renting

MONEY MATTERS

Sound Investment. When you make a mortgage payment each month, you're building equity in the place you own, unlike rent that goes to your landlord. The more payments you make and the longer you stay in your home, the more equity you build.

Ability to move up. Once you build equity, you have more options to either renovate your home to suit future family's needs, or move up to a larger one.

Make it your own. One of the best benefits of homeownership is the ability to personalize your home and make it your own. This is a luxury renters typically don't have.

Make it a second income. Whether it's renting your basement or parking space, you can earn a steady second income to help pay off your mortgage quicker.

Down Payment

MONEY MATTERS

The amount of your down payment will determine if you have a conventional or high-ratio mortgage. Here's the difference...

Conventional mortgage means your down payment is at least 20% of the purchase price of the home.

High-ratio mortgage means your down payment is less than 20% of the purchase price, which means you must get your mortgage insured.

With a high-ratio mortgage, a mortgage insurer such as the Canada Mortgage and Housing Corporation (CMHC) will need to insure your mortgage at an added premium.

Legal fees These are lawyer/notary fees and disbursements that you're responsible for paying during the purchase process. Your lawyer or notary should be involved in the purchase process as early as possible because they will act on your behalf during the purchase and mortgaging of the property, and can give you good insights and advice.

Insurance Premiums The insurance premium will depend on the amount you're borrowing and the percentage of your down payment. Usually insurance premiums range between 0.5% and 3.6% of the mortgage amount. This can be paid at the time of purchase, or

< Back

Down Payment continued >

added to the principal amount of your mortgage. As of 2016, the minimum down payment for new mortgages has been modified to this new breakdown:

- **Homes with a purchase price less than or equal to $500,000, homebuyers must put a minimum of 5% down.**
- **For homes with a purchase price greater than $500,000 and less than 1 million, the minimum down payment is 5% of the first $500,000, plus 10% of the remaining balance.**
- **For homes with a purchase price of 1 million or more, the minimum down payment is 20%.**

How Much Can I Afford?

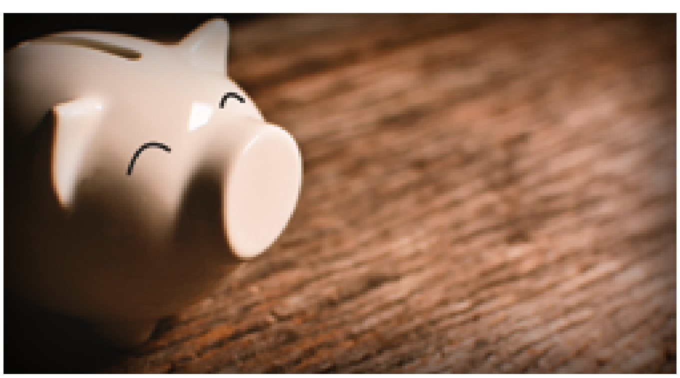
MONEY MATTERS

Here are some things to consider when determining how much you can afford...

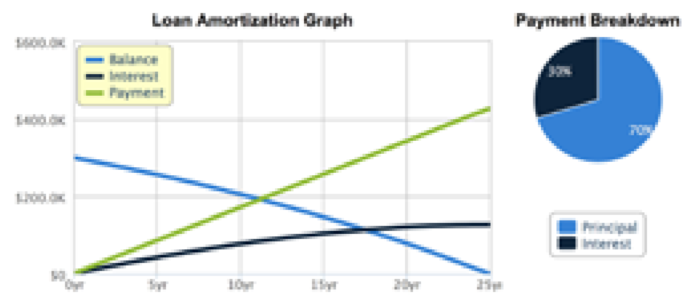
Household annual income Is it steady? Are you expecting it to change in the near future and if so, could this impact your ability to make your monthly mortgage payment?
[Calculator]

Down payment The size of your down payment will affect the size of mortgage you can afford.

[Mortgage loan insurance – CMHC]
[Using your RRSP]



Debt The lower your debt, the more money you'll likely have to put towards your mortgage. Your debt level will also determine how much mortgage you can qualify for.
Monthly Debt Service Calculator CMHC >



This table shows the amortization schedule for the beginning and end of a $300,000 Mortgage. This is a 25 year loan charging 3% interest (with monthly payments).

Amortization period This means the total length of time it'll take you to pay off your mortgage. The longer you take to pay it off, the more interest you're going to pay. Typically a mortgage can be amortized over a 25-year period. If you want to pay your mortgage off quicker, with less interest, you can choose to pay bi-weekly or weekly, instead of monthly.

Closing costs These are one-time legal and administrative fees associated with buying your new home. These fees are generally provided to the homebuyer for payment three days before the home purchase is finalized. You should try to set aside **roughly 3% of your purchase price** to cover closing costs. Understanding each one of the following closing costs will help you budget accordingly and will lead to a more comfortable home buying experience.

Legal fees These are lawyer/notary fees and disbursements that you're responsible for

< Back How Much Can I Afford continued >

paying during the purchase process. Your lawyer or notary should be involved in the purchase process as early as possible because they will act on your behalf during the purchase and mortgaging of the property, and can give you good insights and advice.

Title Insurance. Your property's title provides legal proof that you are its owner. Title insurance protects you as a homeowner against any challenges that may arise with the ownership of your home such as fraud, survey errors, encroachment issues or existing undisclosed liens.

Pre-paid property tax & utility adjustments You will be required to reimburse the seller of the home for any property taxes or utility bills that they have prepaid for in advance (e.g. If the seller prepaid 3 months of property taxes, you will be required to reimburse them for this amount).

Upgrade fees These fees are usually paid at closing or added into your mortgage. When upgrades are chosen, a 25% deposit is required. Upgrades consist of things such as granite kitchen countertops, hardwood flooring, and coffered ceilings. These fees are usually paid in cash or added to the mortgage proceeds because they increase the purchase price of the home.

Property/fire insurance Your mortgage lender may require proof of property/fire insurance that covers the replacement value of your home and its contents.

Typical housing costs When purchasing a new home, there will always be additional costs you should consider when making a monthly budget. Things like...

Property tax. Your property tax is a levy that you as an owner are required to pay to the governing authority of the jurisdiction in which your property is located. It is usually paid to your municipality (Town of Whitby, for example). You can pay your property tax online, over the telephone, through mail, or in person with most financial institutions.

Property insurance. Your friends, family and neighbours will be able to give you an idea of how much you can expect to pay.

Heating/hydro/water. These rates can vary significantly depending on a number of factors such as the size of your family, frequency of usage and municipality. Asking friends or family with similar size homes will help.

Maintenance/repair. Homeowners must also budget for ongoing maintenance and repairs that their home may require over the years. Things like painting, caulking, eavestrough cleaning, etc. If you're purchasing a condo townhome or condominium unit, you will also have to pay for condo maintenance fees that may cover grass cutting and snow removal.

Mortgage life insurance (OPTIONAL). This insurance protects your family from paying your mortgage if you become ill or get into an accident. Your mortgage life insurance can help pay your mortgage principal amount, accrued interest, or any balances left in your tax account. This coverage is a flexible and low-cost way to protect one of your largest financial obligations.

Other considerations. This includes loans, car payments, credit card debt, gas, TV, Internet, cell phone, child care, groceries, retirements savings, etc. These are costs that every homeowner must budget for in addition to their mortgage.

First Time Home Buyer Program

MONEY MATTERS

The government offers several programs designed to help first time buyers with the purchase of a home. Every first time buyer should take advantage of these programs in order to lighten their load.

Ontario land transfer tax credit. Land transfer tax applies to all transfers of land in Ontario. First time homebuyers are eligible to receive a refund for all or part of that tax as a way to encourage home ownership.

How do you qualify?

- **You must be 18 years or older.**
- **You or your spouse cannot have previously owned a home anywhere in the world.**
- **This refund applies to all homes, whether newly constructed or resale.**
- **If you qualify, as of January 1, 2017, you are eligible to receive a maximum amount of $4,000 (based on a home valued at $368,000 or less).**
- **Limitations? If your spouse, parent or other co-signee is not a first time homebuyer, you are only able to claim 50% of the maximum allowable refund.**
  More at government Ontario < need working link

Toronto land transfer tax rebate. First time buyers also qualify for a Municipal Land Transfer Tax Rebate that can be applied to all newly constructed or re-sale home purchases in the City of Toronto. This rebate allows you to claim up to a max of $3,725 (vs. $4,000 for the Province).

How do you qualify?

- **You must be 18 years or older.**
- **You must occupy the home as your principal residence no later than (9) months after the date of transfer.**
- **You or your spouse cannot have previously owned a home anywhere in the world.**
  More at government Ontario < need working link

Homebuyers plan (HBP) – RRSP's. The Homebuyers Plan is a program that allows you to withdraw up to $25,000 in a calendar year from your registered retirement savings plan (RRSP) to buy or build a qualifying home for yourself.
How do you qualify?

- **You must be a first time homebuyer.**
- **You must have a written agreement to buy or build a qualifying home for yourself.**
- **You must intend to occupy the qualified home as your principal residence within (1) year after buying or building it.**
- **Unlike other programs, if your spouse has previously owned a home you may still qualify OR if you have not purchased a home in the past 4-year period, you could qualify as a first time homebuyer again.**

More at government Ontario >

Energy efficient housing. The Canadian Mortgage and Housing Corporation offers a premium refund of up to 25% to borrowers who either buy, build or renovate for energy efficiency using CMHC-insured financing. Visit the CMHC website to find out if you qualify for a 15% premium refund or 25% premium refund.

More at government Ontario >

Mortgages

MONEY MATTERS

Pre-approval. Before you decide on your new home, you'll need to pre-qualify for a mortgage to ensure that your financing can been arranged. You can apply online for a pre-approved mortgage using the CIBC pre-approved Mortgage Certificate or visit your mortgage broker.

Mortgage application checklist. This checklist outlines all the paperwork you'll need to bring with you to complete your mortgage. Check out the CIBC Mortgage Documents Required Checklist.

Open mortgages. An open mortgage allows you to pay off your mortgage in part or in full before the end of amortization period, without any penalty. Although open mortgages come with higher interest rates, it provides you with the flexibility to make large or additional payments and it's a great option if you plan to sell your house in the future.

Closed mortgages. In comparison to an open mortgage, a closed mortgage has a lower interest rate, but less flexibility. However, most lenders will allow homeowners to make a certain amount of additional payments without penalization. This mortgage option is more common among first time homeowners.

Convertible mortgages. A convertible mortgage is similar to an open mortgage, but gives you the option of converting to a longer, closed mortgage at any time without prepayment costs.

Mortgage interest rates. There are two types of interest rates you can choose between when getting a mortgage:

Fixed rate mortgages. A fixed rate is one that will not change for the term of the mortgage. This allows homeowners to have peace of mind knowing that their monthly mortgage payment will remain the same over the term of the mortgage. Typically, a fixed interest rate will be higher than a variable rate.

Variable rate mortgages. In comparison to a fixed rate, a variable rate will fluctuate based on the market interest rate, known as the "prime rate". Typically a variable rate will be lower than a fixed rate so this option could save you thousands in interest costs, but it come with a certain level of risk because it follows the market. If interest rates go up, so will your mortgage payment. If interest rates go down, you will repay your mortgage faster
.

Mortgage payment options

Amortization period. A mortgage amortization period is the total length of time it'll take you to pay off your mortgage. The longer you take to pay it off, the more interest you're going to pay. An amortization period can be as short as 15-years, but typically a mortgage is amortized over 25-years.

Payment frequency. A mortgage is typically paid monthly, however, you may want to pay your mortgage off quicker, with less interest, so you can choose to pay it bi-weekly or weekly, instead of monthly. Here's an example of the results of accelerating your payments. For a $250,000 mortgage (5% interest rate and 25-year amortization) choosing an accelerated bi-weekly payment over a regular monthly payment ($727 vs. $670) allows you to pay off your mortgage four years faster (21-years vs. 25-years). Accelerated payments usually mean you will have (1) extra monthly payment per year, but you will save almost $30,000 in interest (based on the example above).

Credit rating. A good credit rating will help determine how much the bank or mortgage lender will give you. You can check your credit rating with a credit bureau. They will provide you with a detailed report containing information such as personal identification, your credit history and public records that affect your credit (i.e. your telephone provider). You can get and keep a good credit rating by paying your bills in full and on time, especially credit cards.

Choosing The Right Home

GETTING READY

Here are some differences between the types of homes that are currently available in today's marketplace and some important things to consider when choosing the one that's right for you...

Detached home. A detached home or single-detached home is ideal for families because it's situated on its own lot, often with a front yard, back yard and sometimes even a side yard. A detached home provides more privacy than any other home type because it's not connected to another house.

Semi-detached home. A semi-detached home or semi is also great for families, however, it shares a common wall with a neighbouring house. These homes are often less expensive in comparison to fully detached homes, but still have similar advantages.

Townhome. A townhome or row townhome are homes that sit side-by-side and are joined by common walls on both sides, except end units that only share one wall with its neighbour. These homes offer less privacy than detached or semi-detached homes, but are less expensive. Although they have less privacy, many townhomes still has its own outdoor space.

Stacked townhome. Stacked townhomes are a new trend in construction that is gaining popularity with first time home buyers. These are usually two-storey townhome units that are stacked one on top of the other with direct access to each unit via stairs. This

< Back Choosing The Right Home continued >

concept is one of the most affordable options for first time buyers because it eliminates the maintenance fees associated with the upkeep of amenities, hallways and lobbies that come with mid to high rise condos.

Condominium. A condominium is a building divided into separately owned units or suites with shared common areas. Buyers own their individual units and collectively own common spaces such as lobbies, hallways and amenities. The cleaning and maintenance of common areas are managed by a Condo Board and each unit owner is required to pay a monthly maintenance fee. In luxury condominiums, common areas may include fitness centres, swimming pools and party rooms.

Home Features Checklist – CMHC

How many bedrooms? The number of bedrooms you need will depend on the size of your family or functionality of your home. When you're in the market for a home, plan for the future. Will you be expanding your family, living with extended family, or turning a spare bedroom into an office space when your oldest leaves for school next summer?

How many bathrooms? The number of bathrooms also depends on family size and desired convenience. Can certain bathrooms be shared by your kids? Do you need a master ensuite? A main floor powder room is a really convenient feature that may rank high on your want list.

How many parking spaces? The best way to determine the number of parking spaces you need is to consider your future, rather than your present situation. Will your teenager need a car next year? If you land that local job, can you downsize to one car?

How big of a yard? If you have kids, a dog, or gardening aspirations, you may want to consider a bigger yard. Of course more yard means more maintenance so keep that in mind when you fall in love with that house on the big corner lot. A home close to a park or playground may be a better option.

Air conditioning. Air conditioning units are usually not included when purchasing a new home. If you're buying resale and AC is important to you, make sure the home is equipped with proper HVAC ducting and that the main unit is in good working order.

Finished basements. Most new homes will have an unfinished basement and may include a rough-in for a bathroom. A resale home may or may not have a finished basement. Either way, a finished basement is a great way to add more living space in the form of an extra bedroom, family room, kids play room or office..

The right location. As the old real estate adage goes "Location. Location. Location." Location is the most important thing to

< Back Choosing The Right Home continued >

consider when choosing a home. Distance to work, schools, daycare, groceries, shopping, public transit, and friends and family are a critical factor when choosing where you're going to put down new roots. Living on the outskirts of a city may save you money on the purchase price, but gas, vehicle maintenance and time spent commuting are all factors to consider.

Neighbourhood fit. Your lifestyle will dictate the kind of neighbourhood you'll feel comfortable in. If you have kids, you may want to choose a neighbourhood that's quiet, friendly, safe and has lots of parks, playgrounds and green space. Keep in mind the rate of traffic, street lighting, and accessibility to sidewalks.

Accessibility. Having a home that's walking distance or a short drive to life's essentials like grocery stores, schools, restaurants, public transit and outdoor recreation is a huge plus, especially when you have young children. Is there a feeder school close by? Will your kids walk, drive or bus it to school? Considering decisions like this now will have a huge impact on your lifestyle in the future.

Property taxes vs. other areas? The amount of municipal taxes you will be required to pay depends on the current value of your home, as well as the tax rates of your municipality. You may want to view a municipality's tax rates online before buying in a particular area.

Property values. Before buying your first home, you will want to look into the property's potential to increase in value. Is it in a high demand location? Are there nearby existing amenities or new amenities being built? Are there schools, playgrounds, or recreational centres near by? Is there easy access to highways and public transportation? Are you buying in a strong market? Are you able to afford renovations that will help strengthen the value of your home? All of these things will affect how a property's value is assessed in the market.

Condo fees. The cleaning and maintenance of common areas in condominiums are managed by a Condo Board and each unit owner is required to pay a monthly maintenance fee, also known as a condo fee. In luxury condominiums, common areas may include fitness centres, swimming pools and party rooms. Triumph, for instance, is a freehold condo project, which means you own the land your home is on and your condominium corporation jointly owns the road and community landscaping areas. You will be paying a small monthly maintenance fee that covers snow removal of communal roads, private garbage disposal and landscaping of common areas.

< Back   Continue to Choosing The Right Team >

Choosing The Right Team

GETTING READY

Surrounding yourself with the right team will give you confidence to make a smart and informed decision.

Consult with your lawyer, bank or mortgage broker, accountant or financial advisor, builder or contractor, as well as family and friends to provide you with as much information so you can be confident and happy in your new home
.

Lawyer. Having a lawyer on your team will ensure that the buying process goes smoothly, and your legal interests are protected. A lawyer will assist you in reviewing contracts such as the Offer (or Agreement) to Purchase, as well as checking for title and other potential challenges on the property you're interested in. Ensure that your lawyer has real estate law expertise, uses language and terms you can understand, and charges acceptable fees.

Bank/Mortgage broker. Your bank or mortgage broker will help you get pre-approved and can assist you in completing the mortgage application, as well as finding the type of mortgage and interest rate that's best suited for you.

Insurance broker. An insurance broker can help you with your property insurance and mortgage life insurance during the process of buying your home.

Family and friends. Your team should also consist of family and friends because they have your best interest in mind and have likely gone through the home buying process in the past. They will be able to give you insight into how their own process went and things to look out for.

Making An Offer

GETTING READY

So you've found the perfect home and you're ready to make an offer. Here's what you need to make it happen...

Proposed purchase price. This is the price you are offering to pay for the home.

Schedule A. This document is a list of all the items that the seller agrees to include with the sale of the home. For a new home, this may include things like kitchen appliances and whether your yard will be sodded. For resale, it may include things like window coverings, carpets and closet organizers.

Deposit. A deposit is typically 2-5% of the purchase price and is made with the offer or within 24-hours of the seller accepting your offer. The deposit is held in trust by the seller's real estate agent or builder.

Down Payment. This is how much money you'll be paying up front to obtain a mortgage. Are you reaching the 20% down payment requirement? If not, you will not have a high ratio mortgage and will have to pay an insurance premium to move forward.

Finances. What is your annual household income? What are your current monthly expenses? Are you able to put money into savings? How much debt do you have? How much can you afford to pay monthly when you consider all of these factors?

Closing date. The closing day is the date you take possession of your home. If you are buying resale it could be as soon as 30 days after you sign your Agreement of Purchase & Sale (APS), however, if you are buying a new home in a new development during pre-con-

< Back Making An Offer continued >

struction, your closing date could be 12-18 months after signing your APS.

Offer time period. This is the time period in which the offer is valid. After this date/time, the offer becomes null and void.

Conditions of the offer. These are conditions that have to be met before the offer becomes final. This may include things such as an approval of mortgage financing and a satisfactory home inspection report.

Agreement of Purchase & Sale (APS). This is a legally binding contract that outlines the terms under which a buyer decides to buy a house, and a seller agrees to sell. When signed by both parties, it binds those people to the terms and conditions within the document.

FINTRAC. FINTRAC stands for the Financial Transactions and Reports Analysis Centre. It's been put in place by the Government of Canada to ensure the purchase of your home, from deposits to financing is accounted for. Many builders require new home purchasers to provide a copy of legal ID and sign a FINTRAC form at the time of purchase to ensure all things financial are handled in a professional and safe manner.

Associated Costs & Fees

GETTING READY

Legal fees & related expenses. Ask your lawyer to confirm that his or her quote includes all related expenses and disbursements, as well as legal fees. Make sure your lawyer is protecting your interests by walking you through your Offer to Purchase before signing.

HST. Always ask whether or not HST will be charged on your new home before signing the offer. Typically newly built homes/communities include the HST in your purchase price. If your new Highmark Home is your principal residence, HST is included in the listed price.

Title insurance. Your property's title provides legal proof that you are its owner. Title insurance protects you as a homeowner against any challenges that may arise with the ownership of your home such as fraud, survey errors, encroachment issues or existing undisclosed liens.

Insurance for high-ratio mortgages. This is a one time insurance premium on your mortgage if your initial down payment was less than 20% of the purchase price of your home. You can choose to pay this premium prior to closing or add it to the principal amount of your mortgage.

< Back Associated Costs & Fees continued >

Interest adjustments. You will need to pay interest on the gap between the closing date of the purchase of your home and the first payment date of your mortgage. To avoid paying this interest, ask your bank and lawyer to have your first mortgage payment exactly one payment period after your closing date

Prepaid property tax and utility adjustments. You will be required to reimburse the seller of the home for any property taxes or utility bills that they have prepaid for in advance (e.g. if the seller prepaid 3 months of property taxes, you will be required to reimburse them for this amount).

Home insurance. Getting home insurance will provide you with protection for your home and its contents against things life theft, fire and flooding.

Mortgage life insurance. The purpose of this insurance is to provide you and your family with peace of mind in the event of your premature death or illness. Mortgage life insurance will provide a maximum of $750,000 (CIBC) towards paying off all or a portion of your mortgage. (*Please consult your financial institution to confirm the coverage amount they offer). The insurance costs may vary, but it can be easily added to your regular mortgage payments to protect you and your family's financial security.

Preparing For Possession

POST-PURCHASE

Offer accepted! You've just bought a new home. So what's next?

*Content from Highmark Customer Care Program to be added

As part of our Family First Customer Care program, we'll be there when you need us. If you have questions about anything, give us a call, we'll be happy to help.

In the meantime, we'll send you regular updates on the construction progress of your new home and when it's ready, we'll take you on a Frame Walk.

Frame Walk. Highmark offers its homebuyers' an opportunity to do a frame walk through once the framing, electrical and plumbing has been completed. This is to ensure all your requested structural changes have been implemented. We'll also show you how your roof system works before it gets covered by insulation and drywall. This frame walk helps ensure your PDI goes smoothly and fewer deficiencies need to be noted.

Pre-delivery inspection (PDI). This is one of your first opportunities to view your completed home. Your builder will guide you through an inspection and demonstrate how to operate home systems such as plumbing and heating. Any items that contain deficiencies will be noted on the builders PDI form to verify that these items will be taken care of before move in or shortly thereafter. You will be asked to sign this form once the inspection is complete.

< Back   Preparing For Possesion continued >

What does my Tarion warranty look like? The primary purpose of your Tarion warranty is to protect you by ensuring builders abide by the provincial building legislation. Tarion warranty remains with the property so if you sell your home, the new owner is still covered.

One-Year Warranty. For a one-year period, beginning on the date of possession, your new home is to be free from defects in material and fit for habitation. At this stage, Tarion also protects you from unauthorized substitutions and against Ontario Building Code violations.

Two-Year Warranty. For a two-year period, beginning on the date of possession, Tarion warranty protects you from the following...

- **Water penetration through building envelope, the basement or foundation walls.**
- **Defects in materials and workmanship that affect windows, doors, and caulking.**
- **Defects in work or materials in the electrical, plumbing and heating delivery and distribution systems.**
- **Defects in work or materials that result in the detachment, displacement or deterioration of exterior cladding.**
- **Against violations of the Ontario building code that affect health and safety.**

Seven Year Warranty. For a seven-year period, beginning on the date of possession, Tarion warranty protects you from major structural defects such as failure of a structural load bearing element of the building or a major crack in the foundation wall.

Emergency Situations. Certain severe conditions constitute an emergency situation including total loss of heat, electricity, water supply, major plumbing leak, major water penetration or collapse of interior wall. In these situations, call the emergency contact number provided by your builder. If the issue is not corrected in 24 hours, you should contact Tarion for further assistance

You can visit tarion.com to learn more about what's included as defined in the 'Ontario New Home Warranties Plan Act'.

I've got an emergency. **Click Here** for a list of Highmark's Emergency Contacts

- Content from Highmark Customer Care Program to be added

- On-site service
- Deficiency reporting procedure
- Emergency support

Closing day. Closing day is the day you finally take legal possession of your home. There are many things to prepare for on your closing day. Here are some things to remember...

Hire a mover. About one month prior to closing, schedule a mover for the day your home closes. Your lawyer must pay the vendor (builder) and register your home in your name. This typically takes some time so you may not get your keys from the site super until mid afternoon so be prepared with snacks and drinks for a long, but exciting day.

Utilities. About 4 weeks prior to closing, you should have organized and set up your utilities like, Internet, cable, etc. If you try to do this after you've moved in, you will likely have to wait several days before a technician is available and before everything is installed.

Lawyer. About 2-5 days prior to closing, your lender (financial institution) should be providing your mortgage money to your lawyer/notary. You are responsible for giving your lawyer the down payment (minus the deposit), as well as all the related closing costs that are outlined in your APS. On closing day, your lawyer can then...

- **Pay the vendor**
- **Register the home in your name**
- **Give you the deed and keys to your new home**

Enjoying Your New Home

POST-PURCHASE

There are a lot of joys that come from home-ownership - freedom to make the space your own, making new friends, growing your family, making an investment for your future, and so much more.

Even after you've moved in, don't be afraid to ask questions. Your team of professionals (builder or real estate agent, mortgage broker, lawyer, friends and family) should be more than happy to give you insight and advice.

Although homeownership comes with a lot of new responsibilities, it should be one of the most exciting times in your life, so don't forget to stop, step back and enjoy the experience. Here are some great resources that'll help you on this exciting journey.

CMHC Home Maintenance Calendar >

Tarion Homeowner Information Package >

< Back

Back to Start >