The Ultimate MARTELS Homebuying Guide

OUR SOLID PROMISE

AND

COMMITMENT

TO YOU

Lucie Martel and Jacques Martel
Sales Representative, Broker of Record.
Martels Real Estate Inc. Maison de Courtage

"Making Your Home Selling Dreams Come True"

OUR MISSION STATEMENT

To make our Customers feel like they are the most important people in the world, because to us, they are. We accomplish this by delivering exceptional service, going the extra mile, and doing whatever it takes to go above and beyond our customers' expectations. We are committed to endow our clients with confident, comfortable and informed Real Estate decisions. It is our goal to ensure that our clients receive the very best opportunities, whether they are Buying or Selling.

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References: The Canadian Bar Association-Ontario because of its concern for the quality of legal services; CMHC (Canadian Mortgage and Housing Corporation); CREA (Canadian Real Estate Association); OREB (Ottawa Real Estate Board); RECO (Real Estate Council of Ontario); Alan Silverstein of RBC; Robert Riopelle, Groupe Riopelle Group; Nicole Drummond, Dominion Lending Centres; Lucie Martel, Martels Real Estate Inc, 26 years in Real Estate.

INTRODUCTION

IT'S NO SECRET!

THE TIMES ARE CHANGING!

For the past several years the Real Estate market has become highly competitive and extremely aggressive. Consumers need to protect themselves and have on board a trusted, loyal, and hard-working Realtor®, whose sole interest is to look out for the welfare of their client.

As a result of the current furious marketplace, the potential "pit-falls" have increased, so you want someone on your side that can give you solid knowledge so that comfortable and confident real estate decisions can be made.

After all, this is one of the most important investments of your lifetime.

We feel it is our responsibility to caution you to be prudent, to ask the right questions and to demand professional services to guide you through this maze.

After all, you certainly want to come out on top.

We are also seeing today, a number of so-called Real Estate "gimmicks." The Martels do not support any of these tricks and false leads.

After all, you want to avoid any serious disappointments.

THE MARTELS KEEP YOU CURRENT.

THE MARTELS WILL ANSWER ALL YOUR

CONCERNS

The Martels' Homebuying guide has been written and compiled by Lucie and Jacques Martel, Martels Real Estate Inc.
Maison de Courtage based on 26 plus years of material and experience. Our mission is to make our Customers feel like they are the most important people in the world, because to us, they are. We have your interest at heart. We accomplish this by delivering exceptional service, going the extra mile, and doing whatever it takes to go above and beyond our customers' expectations.
We are committed to endow our clients with confident, comfortable and informed Real Estate decisions. It is our goal to ensure that our clients receive the very best opportunities. This guide will walk through the entire home buying process – starting from the decision to buy your own home to well after the keys have been exchanged.

Enjoy!

So, You're Buying A Home!

You've finally decided to fulfill a lifelong dream and buy your own home… how exciting! You will finally have a place to call home and you will have the power to make your own decisions about how to go for home improvement. A home is also an important way for you to grow financially and help you build solid equity. Buying a home is one of the biggest emotional and financial decisions you'll ever make. Prepare yourself by learning about the process of homebuying and the responsibilities of homeownership. The differences between renting and buying a home are vast, and there's a long list of pros and cons for both options. And, remember — there is no one best decision for everyone. Before moving forward, though, here are a few things to think about:

Current market conditions will have a direct impact on your investment	**Mortgage rate trends, present and future, will have a direct impact**
Mortgage Specialists often offer better rates and better terms	**How to calculate GDS/TDS ratios**
What kind of questions to ask a mortgage lender	**The true meaning of a "Hot Market"**
The overall economic situation determines the demand for housing	**Smart and trustworthy Realtor®s® are really great counselors**
Regional market conditions affects the value of your home	**If buying, a target neighbourhood might affect future selling**
Area amenities affects the value of your home	**Compare your home to others to ensure its position on the market**
Cost effective means to make your home more enticing: "pre-sale" tips	**Either buying or selling, consider "seasonality"**
Don't underestimate the value of your home	**Added improvements and "extras" add value to your home**
Look through the eyes of a buyer- make a pro/con list	**A strong and professional "Marketing Plan" will ensure a "Sale"**
Maximum exposure, best price, tough negotiating, best terms in an offer	**Unlike newly constructed homes, your home is HST-free**
If selling and buying, sell first, then purchase with confidence	**Bridge financing may be a short term solution**
Be aware of the perils of "selling it yourself"	**Out of town buyers are most likely to be pre-qualified and ready to buy**
Out of town buyers work with Realtor®s®, who avoid "sell it yourself" properties	**Potential serious legal problems if you strike out on your own**
What you should know with your lawyer	**What are the real costs and disbursements for a lawywer**
What should I ask my Realtor®®	**The Realtor®®, the Broker, the Network…add enormous value**
Terminology & Agreements: Listing Agent, Buyer's Agent, Dual Agency	**The value of the Multiple Listing Service and real estate networking**
The fundamentals of the commission schedule	**The critical need to have skilled negotiators, especially in today's marketplace**
First time buyers don't have to be afraid	**The various house styles and what best suits your needs**
What is the difference between a condominium and a freehold	**Reasons to get a home inspection**
All your legal documents, timely and in-hand	**The costs associated with purchasing & selling**
Professional "backers" and "supporters" will eliminate the frustrations	

WE STRESS THE IMPORTANCE OF KEEPING YOU INFORMED AT ALL TIMES.

What you can expect from the Martels team

We will answer all your questions and concerns with your interest in mind	**We raise the questions, even if you don't- a vital key phase when purchasing**
We ensure that we have an accurate handle on your needs, capabilities & budget	**We ensure that you understand the role of a "Buyer's Agent"**
We ensure that you understand price ranges, home styles, property taxes, fees..	**We ensure that you understand neighbourhoods and future potential for resale**
A "personalized information kit" including maps/guides/advice/tips, etc.	**Complete research of all our computer data bank information and registries**
Complete research of all our real estate publications and news ads	**Access to our personal "vendor's list"**
Written notice to all other "top producers"	**Ongoing prospecting for potential sellers**
We keep you current with the market updates and current listings	**Complete access to the Martels at all times**
To represent and negotiate on your behalf using all our skills and know-how	**We guarantee you "fair value" with a desired "possession date"**
Guide you through the home inspection phase, including a full report	**If possible, we will ensure a "final walk through" prior to possession**
Assist you in interim financing, if necessary	**Refer you to other professionals, if necessary**
Advise you of various Government programs that are available, if necessary	**We will work with the listing agent to ensure the removal of the "sold sign" in front of your property**
We will assist you with any "after purchase services" you might require	**We guarantee that all your legal and final documents are in your possession**
Out of town customers, receive a package by courier. The Martels provide any back-up services required prior to their house hunting trip including pre-booking a legal counselor, mortgage lender and inspector	**We make sure our team is available for you!**

WE ARE HANDS ON TO FIND YOU YOUR DREAM HOME

THE MARTELS WILL ANSWER YOUR QUESTIONS WITH CONFIDENCE AND HONESTY

“Our promise to you” and “beyond the standard”

From Contract To Closing

First-time buyers often complain: "How I wish I'd known at the beginning what I know now!" To avoid that, here's a practical check list of 10 things buyers should do between signing an Agreement of Purchase and Sale and the closing.

1) Choose a lawyer (if not already done) and arrange for the signed offer to be delivered to him/her as soon as possible. Review the fees and disbursements (and HST on both), anticipated adjustments, provincial transfer tax, mortgage deductions and other closing costs. Depending on the province and the property, these items can total 2% of your purchase price - even more for a newly-built home. Also review with your lawyer/notary how you want to be registered on title.

2) Satisfy any outstanding conditions (such as financing or a home inspection) within the time frame set by the offer. Be sure you fully understand how to keep the contract alive, or cancel it if the conditions can't be satisfied.

3) Once your mortgage application has been approved, have the mortgage commitment sent to your lawyer/notary.

4) Only funds on deposit for at least 90 days can be withdrawn under the Home Buyers' Plan - the RRSP program. So make the maximum contribution to your RRSP as early as possible.

5) Tenants must either cancel their lease or sublease their current premises, if permitted. How much prior written notice is needed? This will vary from province to province, so check it out with your lawyer/notary.

6) Arrange insurance coverage to take effect on closing. Be sure the insurance agent provides your lawyer/notary with a "binder letter" before closing, showing the name of the insuring company, the amount of coverage, its expiration date, and the name of any lenders in the loss payable clause. Coverage should be for the full insurable value of the building only (not the land), on a replacement cost basis.

7) Normally your lawyer/notary contacts the water, hydro and gas departments to have the meters read on closing, new accounts set up in your name, and final bills sent to the seller. Many buyers do a "double-check" a few days before closing, just to be sure. Contacting the telephone and cable tv companies is your responsibility.

8) Arrange for your move as early as possible, whether you are hiring a mover or renting a van. And remember - packing will take more time than you think.

9) Organize who to notify about your change of address - from the post office to magazine subscriptions. And don't forget about the provincial driver's license and motor vehicle department. Failing to do so could mean a fine.

10) Plan to meet your lawyer/notary a day or two before closing to review and sign all closing documents - not the actual closing date, when so many other things must be done. At that time you should deliver the money needed for closing, in certified funds, payable to your lawyer/notary in trust. Be sure to get information about any payments due right after closing - the mortgage, property taxes, or condominium maintenance.

Bonus Tips

What questions do first-time home buyers ask most often? "When and where will the keys be ready for pick up?" For resale homes, normally the keys change hands on closing at the lawyer’s office. To avoid having to wait all day for your keys, make sure to call your bank and lawyer to ask what can be done to speed up the process on closing. Making sure everything is in order in advance, could speed up things a lot! Getting keys for a newly-build home is much easier - usually they are released from the site office once the deal closes. "When can we move in?" Many resale offers now let buyers state by what time the deal must closed by and when the seller is to vacate the house. Otherwise you risk paying extra hours for your mover while you wait for the seller to finish moving out.

Home Ownership; A Great Investment!!

Get Into the Housing Market Now!

Whether you're planning to buy or sell, the market is ripe for action

Article provided by Camilla Cornell

House prices have been rising faster than over leavened bread, averaging almost ten percent growth a year across Canada for the past three years. But while the average $227,261 price of a resale home in Canada may seem outrageous, consider this: According to Bob Dugan, chief economist for Canada Mortgage and Housing Corporation (CMHC), Canadians are still spending less of their household income on housing than they have since the early 1980s. Principal and interest payments for the average home eat up less than 30 percent of household income today, compared to about 47 percent in 1990.

What's more, he contends, there are still opportunities in the wings. The five-year mortgage rate is comparable to rates paid in the early 1950s, and even if it does rise slightly over the next couple of years, to about seven percent by 2007, it will only be approaching 1960s levels. That slight rise in interest rates, though, combined with the fact that there will likely be fewer homebuyers in the market, will likely provide ideal conditions for savvy buyers. Here's what you need to know to take advantage of the opportunities.

Know what you want: Start by looking at your options, from detached to semi, townhouse to condo. This is where lifestyle plays a role. If you're footloose and fancy-free, you might prefer a condo complex with fitness centre or party room, to give you a chance to rub shoulders with other singletons. If you have a family with children who need space, a house in the suburbs may be the perfect option. Keep in mind future needs, too. If you can only afford a smaller house now, consider the potential for building an addition if you're planning to have kids. Or buy a bigger home and rent out part of the space. If you're an older couple, consider a bungalow-style home or one-level condo without a lot of stairs. Halifax real-estate agent John Linders suggests determining a price range first, then compiling a list of minimum requirements (perhaps three bedrooms, an eat-in kitchen and a bit of a yard), as well as your wish list (proximity to work, a deck and air conditioning).

Consider a mortgage broker: Five years ago, Hafeez Merani and his wife, Saufia Merally-Merani, were looking to buy their first home in the Vancouver area. With demanding jobs, they didn't have endless hours to spend meeting with bank managers to discuss interest rates. At the suggestion of their Realtor®, the couple called a mortgage broker and discovered not only that they wouldn't have to pay a fee for the service but that it would also involve a significant savings in time. The result: Hafeez and Saufia got a mortgage at an interest rate a little more than half a percent lower than their nearby bank branch was offering. While that may not sound like much, consider that by paying a half-percent less—4.75 compared to 5.25—on a $200,000 mortgage, the savings is $4,807 in interest alone over a five-year term.

Be sure about the location: Elizabeth and Tom Garel had been fruitlessly searching for an east-end Toronto house in their price range for months. When they came across a nice little two-bedroom semi on a dead-end street, they snapped it up without hesitation. "It was really cute," says Elizabeth. "And better yet, we could afford it." The first time one of the neighbouring couples had a wild fight at 3 a.m. in the middle of the street, the Garels brushed it off as a one-time thing. Unfortunately, says Elizabeth, "it was constant, and it was unbelievable." As if that wasn't enough, the motorcycle club around the corner used the Garels' dead-end street as a place to turn around. "Twice we couldn't get into our house because the tactical unit shut down our street. Eventually the couple sold.

What if you have a house to sell?: With demand for houses outstripping supply in the last few years, "it has definitely been a good time to be a seller," says CHMC economist Bob Dugan. But, he contends, we are definitely at, or at least near, the peak for price growth. The imbalance between demand and supply should even out over the next few years; so if you're looking to cash out, now is a good time. But keep in mind that this is a lifestyle decision as well as a financial one. "Ask yourself why you're selling," advises Lenore Davis, a registered financial planner in Victoria. "If the house is too small, then you don't have an option. And if the upkeep is becoming too much, it's probably a good time. But if you think that you're going to sell your home and make a nice profit because prices have gone up, the reality is if you sell in Victoria and buy in Victoria, you're not going to see much of your profit." In short, before you decide to sell, have a good idea of where you're going to move and what it will cost.

When's the best time to sell?: Spring and early fall are prime times to sell homes, says Gregory Klump, chief economist for the Canadian Real Estate Association. There's a seasonal peak in demand in spring, mainly because it's more appealing to house hunt after winter has gasped its last breath. Early autumn is also a good time, since it gives families a chance "to settle by the time their children's school year is in full swing," claims Klump.

Consider selling privately: Only a small percentage of people opt to sell their home privately. In today's hot housing market, though, some are considering it, the main benefit is cost. You generally pay a real-estate agent anywhere from five to six percent of the price of your home to sell it. On a $200,000 home, that's around $10,000. By comparison, selling privately top-priced package costs anywhere up to $600 for advertising. So why are the majority of Canada's houses sold through real-estate agents? The primary reason, says Winnie Lee, a Vancouver Realtor®, is the exposure. You can't get an ad on the Multiple Listing Service (MLS) without hiring a registered Realtor®; and MLS is by far the largest listing service in the country, attracting almost two million hits a month to its website. Secondly, buyers often prefer to deal with a professional real-estate agent who is licensed and must abide by provincial rules and regulations. Having a third party also makes the transaction more businesslike and less emotional. "Sellers can be unrealistic about pricing their home," Lee says. "It's not about what you spent renovating," adds Linders. "If your home isn't priced right, buyers will reject it." A competent Realtor® will perform a comparative market analysis on your home, looking at the selling price of other homes in your neighbourhood as well as the competition currently on the market.

Close the deal: If an offer you get includes clauses or conditions, go over it with your real-estate agent, and even a lawyer, before signing on the dotted line, suggests Hamilton lawyer Ron Danks. One common clause is that the offer is conditional on the buyer selling his or her house. "Generally with conditional sales, the buyer offers slightly more than the market value to make the final bid more attractive to a vendor," says Realtor® Diane Williamson. "Therefore, vendors may reap a higher price for their house if a conditional sale becomes a final sale." The caveat: "I prefer that the buyer list their property with an agent in MLS to gain more exposure for that home, and even then I'll sometimes visit that home to assure my vendor of the value of the conditional sale." After all, if the buyer doesn't get his asking price for his own home, the whole deal could fall through. If the sale is conditional on an inspection of your home, as it often is, Williamson suggests that the seller be present when the inspector checks out the house. "Sometimes [a home inspector] can latch on to something that has a perfectly legitimate explanation," she says. One example: a water stain that looks like it might have been caused by a bathroom leak but is, in fact, the result of the dog knocking over his water dish. "To sum up," says Williamson, "if you receive an offer with a pre-qualified buyer at the right sale price and with few conditions, you've probably got the right buyer for your home. Congratulations!"

STEP 1 Designing a Home Buying Strategy

According to a Canada Mortgage and Housing Corporation study, resale house prices rose faster than inflation in 23 of 27 major Canadian cities between 1971 and 1994 - years when inflation ran rampant throughout Canada. The principal residence tax exemption makes the capital gains from that increase in prices tax-free, too. And the power of leverage magnifies that return even more, since you've earned those gains on your down payment, not on the purchase price. If you buy a $150,000 house and five years later it's up 5%, you've made 1% a year; but that assumes you paid all cash for your house. With a 20% down payment, you've really earned 4% a year tax-free on the money you invested. And if you buy a house with only 10% down, over five years you annual tax-free return is 10%. Of course, if you can avoid it, never buy a house with the smallest possible down payment, as mortgage interest is not tax deductible. But when tax-free capital gains are added to the power of leverage, real estate remains a good investment. Before shopping for a home, every buyer needs a home buying strategy - a game plan - that reflects his or her unique needs and wants. That means developing a pre-determined shopping list of what a house must provide (the needs) and the "would-like-to haves" (the wants). To properly prepare a home buying strategy, homebuyers must first examine their lifestyles and budgeting priorities. Then do their homework - asking questions, demanding answers, researching everything from closing costs to mortgage financing, and making all the major decisions - before an offer to purchase is ever signed. In fact, signing an offer is the climax to the home buying process, not the first step. When buying a home, preparation and planning are the key to success. With a home buying strategy, the house you buy should satisfy all of your needs and as many wants as possible, and be one you can afford to buy and carry each month.

The Advantages of A Resale Home: While many buyers shy away from used cars, that's not the case with "used" or resale homes. As a resale home exists, you don't have to visualize what it will look like - you see what you get, and get what you see. Also, resale homes are usually sold in more established communities and neighborhoods. That means recreational facilities, transportation links, support services, schools and shopping centers are already in place. Many people believe they get better value buying a resale home, since appliances, light fixtures, floor and window coverings can be negotiated into the deal. Improvements like fences, paved driveways and landscaping automatically go with the house, too. The survey needed by both you and the lender often is available from the seller, but make sure it's up-to-date. And you can reduce the risk of being saddles with hidden defects, by having a home inspector examine a resale home before the offer becomes firm. For buyers on a tight budget, a resale home in move-in condition is always an appealing choice - you even avoid the GST!

Why Buy A Brand New Home?: Newly-built homes have enormous appeal. Buyers are captivated by the enchanting thoughts of a home that's bright, fresh, clean, modern and, of course, new. Buyers can customize it to taste - interior colors, decor and finishes. Often you can choose from a variety of models and styles, instead of having to simple buy "what's there". Unlike resale homes, many brand new homes have a warranty covering defects in materials and workmanship, and leaky basements. And a new survey is almost always available. Buyers can get good value buying from a builder - by including extras, options and upgrades in the price, plus deep discount mortgage financing. But before you purchase a brand new home, be sold on the builder; investigate its reputation, its background, and the quality of its work. Check with the local home builders association or provincial warranty program for information. And don't be afraid to bang on doors and ask other buyers what they think of their builder.

Buy First Or Sell First?: Which comes first - the purchase or the sale - is the greatest dilemma facing homeowners planning to move-up. If you choose to buy first, make sure the offer to purchase is conditional on selling your current house. That way, if you sell your house, both deals proceed; if not, the deal is off, and you won't be stuck with two homes. Selling first, though, will give you considerable peace of mind. Knowing how much money you'll get on the sale will help you establish a price range for the new home. And selling first allows you to negotiate the purchase more vigorously, too, since unconditional offers carry a lot more weight with sellers. Market conditions are another important consideration in deciding which route to follow. In a seller's market, you'll probably do better selling after you've bought. But in a buyer's market, it makes more sense to sell first, and then buy.

Free Money For First-Time Home Buyers!: The key to that fabulous house warming gift from the federal government: The Home Buyers' Plan (better known as the "RSP Program"). It lets first-time buyers (including anyone who hasn't owned a home in the last 5 years) borrow up to $20,000 per spouse from their RRSP interest-free to buy a home (to be repaid over the next 17 years). But only funds that have been in your RRSP at least 90 days can be withdrawn. To get that free cash, take advantage of your unused RRSP limit. Say you've got $3,000 in unused RRSP contributions, and plan to buy a home in the next few months.

THE PLAN: Borrow $3,000 (possibly from family), and deposit it to your RRSP.
Keep it on deposit at least 90 days, remove it when you buy your house, and repay the loan.
If you're in the 40% tax bracket, you'll get a $1,200 income tax refund when filing your next tax return!

Home Tax Buyer credit program Article courtesy of Nicole Drummond

What is the Home Buyers' Tax Credit (HBTC)?: For 2009 and subsequent years, the budget proposes to introduce a new non-refundable tax credit, based on an amount of $5,000, for certain home buyers that acquire a qualifying home after January 27, 2009 (i.e., closing after this date).

How is the new HBTC calculated?: The HBTC is calculated by multiplying the lowest personal income tax rate for the year (15% in 2009) by $5,000. For 2009, the credit will be $750.

Who is eligible for the HBTC?: An individual will qualify for the HBTC if:

- They acquire a qualifying home; and
- Neither the individual nor the individual's spouse or common-law partner owned and lived in another home in the year of purchase or any of the four preceding years.

If you are a person with a disability or are buying a house for a related person with a disability, you do not have to be a first time home buyer. However, the home must be acquired to enable the person with a disability to live in a more accessible dwelling or in an environment better suited to the personal needs and care of that person.

What is a qualifying home?: A qualifying home is a housing unit located in Canada. This includes existing homes and those being constructed. Single-family homes, semi-detached homes, townhouses, mobile homes, condominium units, and apartments in duplexes, triplexes, fourplexes, or apartment buildings, all qualify. A share in a co-operative housing corporation that entitles you to possess and gives you an equity interest in a housing unit located in Canada also qualifies. However, a share that only provides you with a right to tenancy in the housing unit does not qualify. As well, you or the related person with a disability must intend to occupy the home as a principal place of residence no later than one year after buying it.

If I buy a house, can my spouse or common-law partner claim the HBTC?: Either one of you can claim the credit or you can share the credit. However, the total of both your claims cannot exceed $750. My friend and I intend to purchase a home, and we both meet the conditions for the HBTC. Can we both claim the credit? Either one of you can claim the credit or you can share the credit. However, the total of both your claims cannot exceed $750.

Do I have to register the acquisition of the home under the applicable land registration system?: Yes. The individual's interest in the home must be registered in accordance with the applicable land registration system. Who is considered a person with a disability for purposes of the HBTC?: For the purposes of the HBTC, an individual eligible for the Disability Tax Credit (DTC) is one for whom an amount can be claimed under the DTC for the year in which an agreement to acquire the home is entered into, or could be claimed if costs for an attendant care or care in a nursing home were not claimed for the [Medical Expense Tax Credit].

How will I claim the HBTC?: Beginning with the 2009 personal income tax return, a new line will be incorporated to allow you to claim the credit. Do I have to submit any supporting documents with my income tax return?: No. However, you must ensure that this information is available, should it be requested by the CRA.

Is the HBTC connected to the existing Home Buyer's Plan?: No. Although some of the eligibility conditions for the HBTC and the Home Buyer's Plan are similar, they are not connected. Your eligibility for the HBTC will not change whether or not you also participate in the Home Buyer's Plan. Where can I get more information about the new HBTC?: The CRA encourages taxpayers to check our Web site often - all new forms, policies, and guidelines will be posted here as they become available. Documents are also available immediately at Department of Finance's Budget 2009 for details.

Free Down Payment Mortgage

Did you know there exists a program available to assist you in purchasing a property sooner rather than later? Don't have a down payment? Here is a possible solution. A free down payment mortgage is a mortgage where the participating lender advances 5 % of the property lending value to the solicitor on the funding date, in addition to the mortgage advance. This type of product has different features from a regular mortgage where you put down at least 5 % of the property lending value.

Here are some of the important features:
Term / Rate: Posted rates for 5-year term.
Mortgage Insurance premium: 2.90 % on 25 year amortization and 3.15 % on a 30 year amortization.
Borrower Qualifications: Beacon Score of minimum 680.
GDS / TDS Ratio: Ratios that the lender uses to qualify you for the mortgage CMHC Insured: GDSR N/A, TDSR 44%
GNW and CG Insured: GDSR 35%, TDSR 42%.

Equity Requirements: Borrowers must have, from their own resources, liquid assets of 1.5 % of purchase price to cover closing costs (1 % for GNW and CG insured in Alberta only). These funds should be in place at time of application approval, and cannot be from employer relocation/benefit programs, provincial grants, gifts, etc. The 5 % down payment cannot be included as part of the customer's assets on the application.

Payout Penalties:

- Standard payout terms apply
- Free down payment clawback applies if paid out before expiration of term or if mortgage is assumed, paid out or reduced, by an amount in excess allowable each year under the Bank's standard prepayment options, transferred, rate-blended, or renewed prior to the expiry of the original term.

STEP 2 Buying A Home – Considering The Legal Issues

When it comes to buying a home, there are a lot of things you must consider that you may never even have thought of. First off, your home will likely be the most expensive thing you purchase in your lifetime so you want to get it right. Even if this isn't your first home buying experience, you'll want to get help from a team of professionals. Having the help of professionals will give you experienced and knowledgeable people for reliable information and answers to your questions. These are the people who can help you:

You should surround yourself with an experience and knowledgeable team:

- Get the best knowledgeable real estate agent with many years of experience
- A good lawyer
- A reliable home inspector

1. How to Choose The Right Real Estate Agent

Having a Real Estate Sales Representative involved in the process will help ensure that things go as smoothly as possible. Real estate agents (Realtor®s®) are councilors, educating the Homebuyer through the entire process, through every steps of the way until after keys are exchange, they are matchmakers, bringing buyers, sellers and home together and they are skilled negotiators, negotiating the right price for you leaving the emotion process behind. So buyers need to find before buying the "Right" real estate agent working for them. Agents must be on top of the market - in terms of sales, listings and house prices in the area. They must be up on the latest developments in mortgage financing. They also must be knowledgeable in all aspects of Real Estate transactions including out of town properties, condominium and residential properties, what is important to know, the pros and cons of condominium versus residential, new home versus resale home, latest developments of the environmental matters, the traffic updates.. And they must be skilful, accomplished negotiators. Most important, real estate agents need "People Skills" - the ability to make buyer clients feel at ease. As a service industry, referrals are the lifeblood of a real estate agent's business. A good Realtor®® knows your preferred markets well, and they're good listeners. REMEMBER: To find the right house, at the right price, you first have to find the right agent.

Why a REALTOR®®? By CREA

Maybe you're buying a home for the first time. Or maybe you're selling your old home to move to something new. Whether buying or selling, you're involved in an intricate process requiring many specialists. One of these specialists might be a REALTOR®®, who's responsible for making the transaction as easy as possible for you.

The REALTOR®® Difference

However, not every licensed or registered broker or salesperson is a REALTOR®®. To be a REALTOR®®, the agent must be a member of The Canadian Real Estate Association (CREA). And to be a member of CREA, an agent is expected to be:

- **Committed to the REALTOR®® Code:** The code is the accepted standard of conduct for all real estate practitioners who are REALTOR®S®. It's your guarantee of professional conduct and the quality service. Read more about the REALTOR®® Code.
- **Knowledgeable about developments in real estate:** A REALTOR®® can get you the information needed to make
  An informed decision: comparable prices, neighborhood trends, housing market conditions and more.
- **Actively updating education:** Through courses, workshops and other professional development, a REALTOR®® maintains a high level of current knowledge about real estate.
- **Access:** REALTOR®S® have access to Board MLS® Systems, which facilitate the cooperate sale of properties to Benefit consumers.

Benefits of a REALTOR®®

Whether buying or selling a home, you can trust that your REALTOR®® will ensure the transaction is completed competently and professionally. You don't have to worry about the details – your REALTOR®® can take care of them for you. You can get advice from someone with an intimate knowledge of the local housing market. And you can count on the help of a professional who has committed to serve with integrity and competence.

A. Client Purchaser vs Customer Purchaser **Understand the Real Estate verbiage**

HOMEBUYERS: MAKE SURE TO SIGN AGENCY AGREEMENT WITH YOUR REALTOR®

(The following article was written by Alan Silverstein, a real estate lawyer and author, and was published in the Toronto Star. Mr. Silverstein is currently serving on the RECO Board of Directors.)

Confusion over change mirrors the level of controversy that preceded it. A prime example: the relationship between buyers and real estate agents.

In the early 1990s, sub-agency (where both the seller's agent and the buyer's agent represent only the seller) was denounced in several Canadian cases. Not only was the door opened to buyer agency (agents representing buyers only), but agents were now obligated to disclose to buyers, sellers and other agents exactly who they represented in a transaction, and what services would be provided.

The principle is now embodied in the new Code of Ethics governing all real estate agents in Ontario. Disclosure must be made "at the earliest practical opportunity," but not later than when an agent "accepts an agency" (when their conduct establishes a professional relationship. Agents don't accept an agency simply by answering questions, talking about a property, or showing a listing).

Rule 4 of the code says agents "shall enter into a written representation agreement (listing agreements for sellers, agency agreement for purchasers) with a client at the earliest practical opportunity and in all cases before any offer to purchase is submitted or presented.

Prudent agents won't wait until the offer stage to get these agreements signed, but will seek them much earlier, in other words before "accepting an agency."

Listing agreements with sellers, while technically not needed to sell a property, are essential for agents to claim commission. What happens if a purchaser won't sign a buyer agency agreement? "Can an agent still represent the buyer" And do consumers benefit by signing the document?

I posed those questions to Allan Johnston, manager of complaints, compliance and discipline at the Real Estate Council of Ontario, whose mandate it is to enforce the Code of Ethics.

At the outset, Johnston drew a critical distinction between buyers who are "clients" of an agent, and buyers who are simply "customers."

"Agents owe clients the highest level of fiduciary duties – competence, diligence, full disclosure, obedience, loyalty, confidentiality and complete accounting. Agents shall endeavour to protect and promote the best interests of a client." He commented.

Being a customer ranks well below client status. Agents only must deal fairly, honestly and with integrity with customers, and not mislead them about a property or a transaction. When acting for customers, agents need only exercise reasonable care and skill, to ensure answers given or information provided is complete and accurate.

"Written representation agreements are mandatory if an agent is to represent a consumer as a client. If buyers won't sign agency agreements, they can only be treated as customers, not clients," Johnston explained.

Buyers then lose the full arsenal of fiduciary duties available to clients. So when no buyer agency agreement is signed, confidentiality is out the window.

"Anything the buyer tells his or her agent can and must be divulged to the vendor (i.e. how much the buyer is prepared to pay for a property), as the agent is not working under a buyer agency agreement."

Nor should the buyer expect undivided loyalty from his or her agent, as customer status means the tainted sub-agency rule governs their relationship, not buyer agency.

"Clearly," Johnston emphasized, "it is in a buyer's best interests to sign a representation agreement. IT allows them to benefit as a client from the full set of fiduciary duties. However, what creates concern for consumers are the terms and conditions of that contract." What should a buyer agency agreement contain? According to Johnston:

- The role and nature of services to be provided (and if dual agency will be allowed).
- An obligation by the agent to make the buyer aware (and vice versa) of any properties meeting the buyers' criteria.
- The term of the agreement (generally not to exceed 6 months).
- The commission arrangement (including a promise to rebate or reduce commission)
- Any other expectations of the client/obligations of the agent

B. Who Is The Real Estate Sales Person Working For?

Many changes are happening very quickly in the real estate industry. For years, though buyers would use a real estate agent, that agent was legally working for the seller. Why? The outdated idea that loyalty could only be owed to the person paying the commission - the seller. That left buyers very exposed and totally confused. Realtor®s in Ottawa and across Canada are now required to disclose their involvement in all real estate transactions to ensure that you, our Client/Customers are made fully aware of how we do business. Now agents must disclose to buyers, seller and other agents exactly who they represent, and get a written acknowledgment of disclosure. Basically, all this says is that everybody must know who is working for whom and that knowledge must be put in writing. You may have bought or sold a house before, but you'll notice some differences this time. Since January 1, 1995, your real estate professional must take a few minutes to discuss with you the nature of the services we can now offer you. Realtor®s work within a legal idea called Agency. A Realtor® is legally obligated to look after the best interest of the person they are working for. The Realtor® must be loyal to that person. That means buyers will finally be owed the same "Fiduciary Duties" by an agent that sellers have enjoyed - loyalty, confidentiality, full disclosure and accountability. How will brokers be paid? Buyers can pay them directly, though it's more likely they will be paid by the seller from the sale proceeds, as was done in the past. While growing pains can be expected, buyers will benefit from having their real estate agent working only for them.

Seller's Agent, who has signed an agreement and listed their house for sale, is expected to tell the vendor anything that may influence his/her decision to sell. The Realtor® must keep confidential any information discussed and tell the seller if the purchaser will pay more than offered. The seller's agent should consider best closing date, best amount sufficient for deposit (to protect seller), best negotiating strategy and bargaining talents in seller's best interests, buyer's position, best financing terms and disclose if there are any bonuses. A purchaser can expect this Realtor® to be fair, honest, helpful and give all known facts about the property to the purchaser.

Buyer's Agent, is established through a written contract between the Purchaser and a Realtor®. This contract will outline the agreement in detail. For instance, a typical buyer's agreement will commit a purchaser to work exclusively with that Realtor® for a specified period of time, Guaranteed Service Plan applies. This means that the buyer's agent must be totally loyal to the buyer. He/She must disclose to the buyer everything that he/she is able to find about any seller such as bankruptcy, foreclosure, property overpriced, negative features of the property etc. Consulting a lawyer, neighbors or the municipality is strongly recommended in order to find out any important details about the property and its surroundings. He/She must keep any personal information about the buyer strictly confidential such as the reason for buying, what price will be accepted. The buyer agent's responsibilities also include searching for the best properties for buyer to inspect, suggesting terms in buyer's best interest and minimum deposit amount, top negotiation skills and bargaining strategy to benefit buyer, offering any specific information about listings in the area and general sales information. It is up to the buyer to decide what, if any, of the above information can be shared. The buyer's agent must be honest and thorough in representing the buyer. This service has not previously been recognized in our area and is proving to be a desirable option. The agent's and buyer's options will be clearly defined.

Dual Agency (Multiple representation), is another new term which allows a company (agent) to give extended services to both a buyer and a seller on the same property. Under this relationship, a Realtor® is obligated to look after the best interest of both the buyer-client and the seller-client’s. However, the Realtor® in this case must keep confidential any information revealed by either the buyer or the seller that would harm one party's bargaining position and benefit the other party. This agreement shall not prevent the Realtor® from disclosing to the buyer any important facts about the property or any other matter that must be disclosed by law and/or regulation. As always, we want to know **who pays for these services.** Nothing must has changed in this respect. In most cases, the Realtor®'s fee will be paid from the proceeds of the sale. So we might say that both the seller and the buyer have some input. The seller signs the form but the buyer must bring the dollars to the table before any fees are paid.

C. Client And Customer Level Service

The following chart points out the differences between Client Level Service and Customer Level Service:

CLIENT LEVEL SERVICE	**CUSTOMER LEVEL SERVICE**
Loyalty Confidentiality Full disclosure defects Obedience of legal instructions Accountability Reasonable care and skill in providing service	Fairness Honesty Disclosure of material Good customer service Submission of offers to the seller in a timely manner

Client Purchaser

Here is what the Salesperson can do for the Client Purchaser:

- Explain the buying process thoroughly to the Purchaser;
- Provide Purchaser with clear and accurate information so that Purchaser can make intelligent and educated decisions;
- Help Purchaser articulate wants and needs;
- Help Purchaser with money matters related to purchase;
- Introduce Purchaser to available properties, advise the Purchaser to consult a lawyer, neighbours or the municipality to find out any important details or facts about the property and its surroundings;
- Give full disclosure of any discovered facts that might influence their decision;
- Provide Purchaser with market information about all properties that are for sale and all comparables that have recently sold;
- Identify any other expenses that the Purchaser may encounter during buying process;
- Treat Purchaser fairly and honestly. Provide Purchaser with good service and loyalty;
- Negotiation of lowest deposit possible;
- Help Purchaser draft offer and make reasonable decisions about counter offers. Negotiate lowest price available, keep Purchaser informed about any information as to selling motivation and other information that will aid in negotiation of position;
- Encourage Purchaser to seek the aid of experts when needed;
- Protect Purchaser's interests at all times;
- Treat all information from the Client Purchaser as confidential.

A Client Purchaser relationship can be established between the Purchaser and the Realtor® through a written contract. This agreement will explain exactly what services the Realtor® will provide the buyer, who will pay for those services and what obligations that the buyer will have. For instance, a typical Purchaser Agency Agreement will commit a Purchaser to work exclusively with that Realtor® for a period of time.

Customer Purchaser

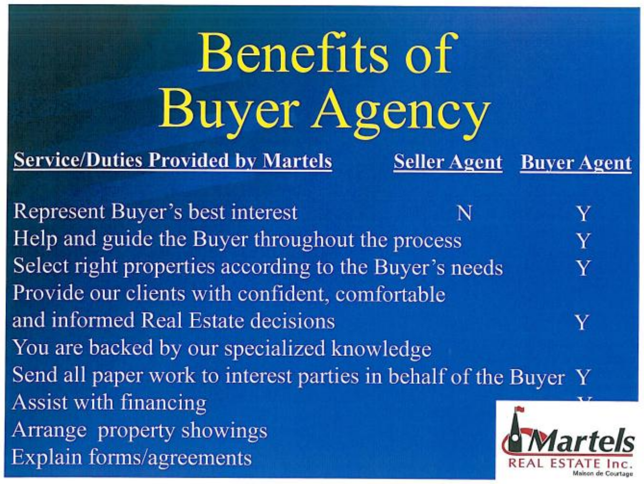
Here is what the Salesperson can do for the Customer Purchaser:

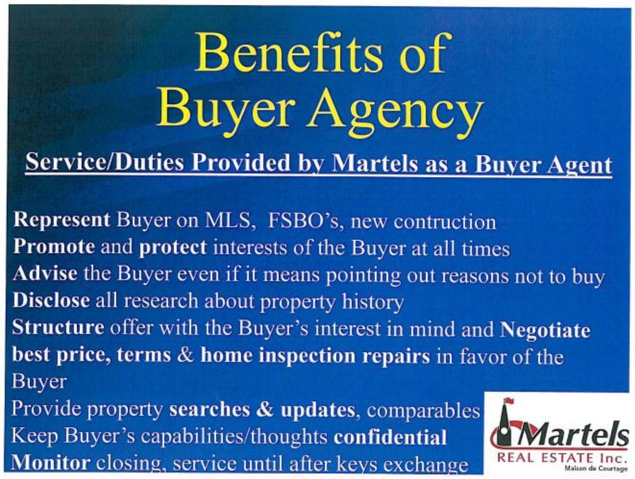
- Explain the buying process thoroughly to the Purchaser;
- Provide Purchaser with information so Purchaser can make intelligent and educated decisions;
- Help Purchaser articulate wants and needs;
- Help Purchaser with money matters related to purchase;
- Introduce Purchaser to available properties, disclose pertinent facts about the property;
- Provide Purchaser with market information about all properties that are for sale;
- Identify any other expenses that the Purchaser may encounter during buying process;
- Treat Purchaser fairly and honestly. Provide Purchaser with good customer service;
- Help Purchaser draft offer and make reasonable decisions about counter offers;
- Submit all offers to the Vendor in a timely manner.

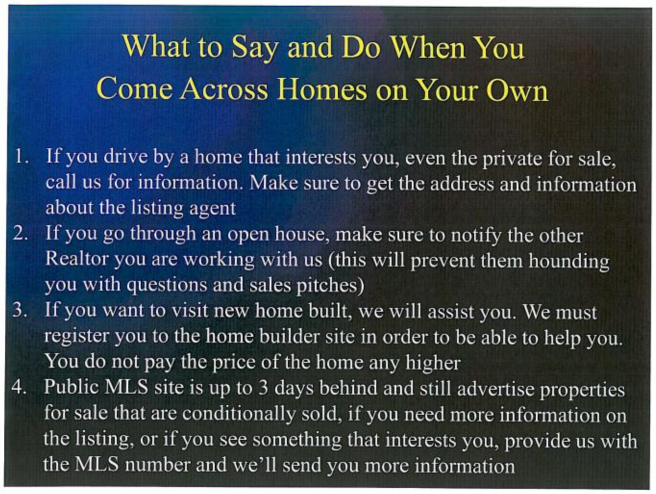
Here is what the Sales Person cannot do for the Customer Purchaser

- Disclose how much the Purchaser will ultimately pay for the property;
- Disclose how much the Vendor is willing to accept;
- Disclose the Vendor's motivation for selling;
- Act as though the Sales Person is representing the Purchaser;
- Give advice to Purchaser on "Offer Price".

Before any real work is done, your real estate professional will ask you to sign a widely used information pamphlet just to say you've had this discussion.







D. Buyer Representation Agreements- RECO (Real Estate Council of Ontario) & CREA (Canadian Real Estate Association)

When you are buying your home,

A real estate broker or salesperson may ask you to sign a representation agreement. A representation agreement defines the nature of the relationship between you and the brokerage, including the broker or salesperson. Representation agreements can be written, oral or implied. However, your broker or salesperson is required by law to reduce the agreement to writing and provide it to you for your signature. The agreement should be in writing in order to protect the interest of all parties.

Before You Sign

Your broker or salesperson wants to provide you with the best service he or she can. To make the most of this relationship, it's important to clarify your needs and expectations. To avoid misunderstandings later on, it's important not to make any assumptions. You should also take time to ask what the broker or salesperson expects from you and what your obligations are. Discuss all of the services that will be provided. Take the time to clarify the fees and costs related to these services and make sure the written agreement is clear. If you choose not to sign an agreement, the brokerage is still responsible for outlining the services

What If You Don't Sign?

The Code of Ethics clearly states that loyalty ultimately rests with the client and that a broker or salesperson must protect and promote the client's best interests. However, the Code also requires that a broker or salesperson deal fairly, honestly and with integrity and provide conscientious service to all clients and customers. You can decide to be a customer, rather than a client, but should be aware that the obligations of the brokerage will differ.

OREA Ontario Real Estate Association

Buyer Representation Agreement
Authority for Purchase or Lease

Form 300
for use in the Province of Ontario

This is an Exclusive Buyer Representation Agreement

BETWEEN:

BROKEREAGE: MARTELS REAL ESTATE INC. , Tel.No. (613)742-5057

ADDRESS: 16 - 5300 CANOTEK ROAD

OTTAWA K1J 1A4 Fax.No. (613)742-0073

hereinafter referred to as the Brokerage.

AND:

BUYER(S): ...., hereinafter referred to as the Buyer,

ADDRESS: ....

The Buyer hereby gives the Brokerage the **exclusive and irrevocable authority** to act as the Buyer's agent

commencing at..................... a.m./p.m. on the.............................day of..............................., 20............,

and expiring at 11:59 p.m. on the.............................day of..............................., 20.............(Expiry Date),

{ Buyer acknowledges that the time period for this Agreement is negotiable between the Buyer and the Brokerage, however, in accordance with the Real Estate and Business Brokers Act of Ontario (2002), **if the time period for this Agreement exceeds six months, the Brokerage must obtain the Buyer's initials.** }

(Buyer's Initials)

for the purpose of locating a real property meeting the following general description:

Property Type (Use): All MLS, private for sales and new homes built

Geographic Location: All Ottawa properties and surrounding

The Buyer hereby warrants that the Buyer is not a party to a buyer representation agreement with any other registered real estate brokerage for the purchase or lease of a real property of the general description indicated above.

1. **DEFINITIONS AND INTERPRETATIONS:** For the purposes of this Buyer Representation Agreement ("Authority" or "Agreement"), "Buyer" includes purchaser and tenant, a "seller" includes a vendor, a landlord or a prospective seller, vendor or landlord and a "real estate board" includes a real estate association. A purchase shall be deemed to include the entering into of any agreement to exchange, or the obtaining of an option to purchase which is subsequently exercised, and a lease includes any rental agreement, sub-lease or renewal of a lease. This Agreement shall be read with all changes of gender or number required by the context. For purposes of this Agreement, Buyer shall be deemed to include any spouse, heirs, executors, administrators, successors, assigns, related corporations and affiliated corporations. Related corporations or affiliated corporations shall include any corporation where one half or a majority of the shareholders, directors or officers of the related or affiliated corporation are the same person(s) as the shareholders, directors, or officers of the corporation introduced to or shown the property.

2. **COMMISSION:** In consideration of the Brokerage undertaking to assist the Buyer, the Buyer agrees to pay commission to the Brokerage as follows: If, during the currency of this Agreement, the Buyer enters into an agreement to purchase or lease a real property of the general description indicated above, the Buyer agrees the Brokerage is entitled to receive and retain any commission offered by a listing brokerage or by the seller. The Buyer understands that the amount of commission offered by a listing brokerage or by the seller may be greater or less than the commission stated below. The Buyer understands that the Brokerage will inform the Buyer of the amount of commission to be paid to the Brokerage by the listing brokerage or the seller at the earliest practical opportunity. The Buyer acknowledges that the payment of any commission by the listing brokerage or the seller will not make the Brokerage either the agent or sub-agent of the listing brokerage or the seller.

INITIALS OF BROKERAGE: **INITIALS OF BUYER(S):**

7. CONSUMER REPORTS: The Buyer is hereby notified that a Consumer Report containing credit and/or personal information may be referred to in connection with this Agreement and any subsequent transaction.

8. USE AND DISTRIBUTION OF INFORMATION: The Buyer consents to the collection, use and disclosure of personal information by the Brokerage for such purposes that relate to the real estate services provided by the Brokerage to the Buyer including, but not limited to: locating, assessing and qualifying properties for the Buyer; advertising on behalf of the Buyer; providing information as needed to third parties retained by the Buyer to assist in a transaction (e.g. financial institutions, building inspectors, etc...); and such other use of the Buyer's information as is consistent with the services provided by the Brokerage in connection with the purchase or prospective purchase of the property.

The Buyer agrees that the sale and related information regarding any property purchased by the Buyer through the Brokerage may be retained and disclosed by the Brokerage and/or real estate board(s) (if the property is an MLS® Listing) for reporting, appraisal and statistical purposes and for such other use of the information as the Brokerage and/or board deems appropriate in connection with the listing, marketing and selling of real estate, including conducting comparative market analyses.

9. CONFLICT OR DISCREPANCY: If there is any conflict or discrepancy between any provision added to this Agreement and any provision in the standard pre-set portion hereof, the added provision shall supersede the standard pre-set provision to the extent of such conflict or discrepancy. This Agreement, including any provisions added to this Agreement, shall constitute the entire Agreement between the Buyer and the Brokerage. There is no representation, warranty, collateral agreement or condition, which affects this Agreement other than as expressed herein.

10. ELECTRONIC COMMUNICATION: This Buyer Representation Agreement and any agreements, notices or other communications contemplated thereby may be transmitted by means of electronic systems, in which case signatures shall be deemed to be original. The transmission of this Agreement by the Buyer by electronic means shall be deemed to confirm the Buyer has retained a true copy of the Agreement.

11. SCHEDULE(S):.. attached hereto form(s) part of this Agreement.

THE BROKERAGE AGREES TO REPRESENT THE BUYER IN LOCATING A REAL PROPERTY OF THE GENERAL DESCRIPTION INDICATED ABOVE IN AN ENDEAVOUR TO OBTAIN THE ACCEPTANCE OF AN AGREEMENT TO PURCHASE OR LEASE A PROPERTY ON TERMS SATISFACTORY TO THE BUYER.

.... DATE........................ ....
(Authorized to bind the Brokerage) (Name of Person Signing)

THIS AGREEMENT HAS BEEN READ AND FULLY UNDERSTOOD BY ME AND I ACKNOWLEDGE THIS DATE I HAVE SIGNED UNDER SEAL AND HAVE RECEIVED A TRUE COPY OF THIS AGREEMENT. Any representations contained herein are true to the best of my knowledge, information and belief.

SIGNED, SEALED AND DELIVERED I have hereunto set my hand and seal:

.... (Seal) DATE........................ ....
(Signature of Buyer) (Tel. No.)

.... (Seal) DATE........................ ....
(Signature of Buyer)

DECLARATION OF INSURANCE

The broker/salesperson LUCIE MARTEL..
(Name of Broker/Salesperson)

hereby declares that he/she is insured as required by the Real Estate and Business Brokers Act (REBBA) and Regulations.

....
(Signature(s) of Broker/Salesperson)

2. What Should You Expect From Your Lawyer

For most people, buying a house is an exciting and major event, but it can also be a confusing and worrisome experience because of unknown real estate, legal and financing knowledge. Having a professional and experienced real estate sales representative to guide you through the process, a lawyer to do the legal work for you, a mortgage specialist and other professionals linked to the real estate are not only necessary, it is the only way you can be sure all details are handled properly and as required by provincial laws. However, before you engage or even look for these professionals to do this, you should know what they are supposed to do for you in the process of buying your home, what questions to ask and how much you are likely be charged.

Lawyers - Not Just Anyone Will Do: Buying and selling real estate has become very specialized the last few years. So when looking for a lawyer/notary, make sure it's a real estate lawyer/notary - one who spends most of the time closing real estate deals. And don't wait until after the deal is struck before choosing a lawyer; then you lose the valuable input he or she can provide scrutinizing the offer before your pen hits the paper. Since a lawyer's role is part advisor, part confidant and part nursemaid, a good rapport with your lawyer is a must. How can you find a good real estate lawyer? Ask friends, family, and your real estate professional or banker, too. Never choose a real estate lawyer just because their fees are the lowest. As with any other professional, quality and experience is the key, not just the price.

Before you sign (Unless there is a condition upon the lawyer to view the agreement): When you make an offer to purchase a house through a real estate agent, the agent will normally fill out and have you sign a standard Real Estate Board "Offer to Purchase" form. Whether your offer is made on that or some other form, it becomes a binding contract the moment the seller accepts your offer. Because it becomes binding on both you and the seller, you should check with your lawyer first if you have special concerns or questions that you think it should be included in the agreement of purchase and sale. You and your lawyer should also discuss ways of financing your purchase, the extras to be included and the money you will have to pay for such things as search costs, land transfer tax, registration, survey, costs of mortgages, searches other than Registry Office searches as well as certain practical matters such as obligations which you would like the seller to carry out. **Once the agreement is made** and as soon as the transaction becomes firm, your lawyer will begin a thorough and complete series of investigations to check that you are really getting everything that is in your contract. All of the following things must be checked:

1. Title - this must be checked to see if the seller owns the house and whether anyone has filed a claim or debt on the property you want to buy, for which you might be liable;
2. Taxes, hydro and other utility accounts. IT IS VERY IMPORTANT, your lawyer call all the utility companies and request the arrears certificate of each to ensure they had been fully paid by the Sellers. Taxes are to be adjusted on closing;
3. Particular requirements such as getting a copy of building survey from the title office, any guarantees, permit concerning the swimming pool, extensions, deck, insulation, etc;
4. Property will be adequately insured;
5. Zoning by-laws;
6. Status of previous corporate owners;
7. Status of mortgages being assumed or discharged;
8. Compliance with agreements and restrictions;
9. Rights of creditors over things such as furniture, fixtures, stoves, fridges (chattels) which are included in the purchase price;
10. All arrangements necessary to ensure that your financing will be adequate and in place upon closing;
11. Papers prepared by the seller's lawyer.

If the land or lot on which the house is located has not been measured and its boundaries determined (surveyed), you should ask your lawyer to order a survey to be made. The results all local zoning by-laws. If anything is found wrong in any of this, your lawyer will have to do additional work to put everything should be examined when the drawing is received to check that the house is located entirely within the lot lines and that there are no fences, eaves or buildings belonging to someone else overlapping the land you are buying. As well, the building, as constructed, complies with in order.

JUST BEFORE CLOSING: Your lawyer will prepare a written statement, required by provincial laws, which imposes tax on the purchase of land or other things **such as a stove, fridge, etc.,** which are called chattels. You will be required to confirm this document by taking an oath and by signing it. As well, you must sign any mortgage documents necessary to receive the money you need and have arranged to get. Your lawyer will then complete the purchase and you will confirm that enough money will be available to complete the purchase and the recording of all the papers with the government at its Land Registry Office. Another group of papers, prepared by the seller's lawyer (among them a Statement of Adjustments), are sent to your lawyer who will check them. If these papers are correct, and if the seller's lawyer has answered all of your lawyer's requirements and questions, a final time on the closing date to complete the purchase and close the deal is arranged. If the mortgage lender requires post-dated cheques or any special papers, these will be completed before your purchase is closed. If the money is not paid directly to the person from whom you are buying the house, your lawyer must prepare the cheques in the amounts requested by the seller of the property from them money your lawyer has held in trust for you. NOTE: The cheques required are to be certified. A day ahead of closing you will have to sign papers and bring 2 certified cheques (lawyer’s fees and closing costs and down payment).

ON CLOSING: On the specified day, once your purchase is completed and closed, your lawyer will:

1. Bring the search of title and the search for claims up to date;
2. Check all the documents received from the seller's lawyer;
3. Check all the documents offered in support of adjustments made on the Statement of Adjustments, ea: municipal taxes, insurance, fuel oil,..
4. Ensure that the house is vacant, subject to any special arrangements;
5. Deliver the cheques to the seller's lawyer and, if included in the contract, give the mortgage back to the seller;
6. Get the keys and all necessary papers for completion of the contract, such as promises and instructions from the seller's lawyer;
7. Your lawyer will receive any service contracts to be transferred to your name;
8. In the case of homes covered by the Ontario New Homes Warranty (HUDAC), your lawyer will confirm that the builder has forwarded the Certificate of Completion of Possession (a list of items to be completed), completed by the buyers before closing;
9. Your lawyer will also make sure any money needed to clear mortgages on the property which are not being assumed by you are paid;
10. Guarantees from builders or contractors and service contracts which are transferred to you will be received when your deal closes and your purchase is completed;
11. If everything is correct, your lawyer will register your deed and at this time, pay the retails sales tax on the furnishings etc. you have purchased (chattels), the land transfer tax, and the registration fee.

AFTER CLOSING: After your purchase is completed and the deal is closed, your lawyer will confirm with you that **the purchase has been completed and that the keys to your house are available. Note: Usually not before 1700 hrs.** After closing, your lawyer will also:

1. Alert you of any tax payments or mortgage payments which will be due in the near future;
2. Discuss with you any special parts of the transaction
3. Confirm the change of ownership to the Assessment Department, Tax Department and any person whose mortgages you have assumed and, where applicable, the Condominium Corporation;
4. Arrange to get and have registered the discharges of the mortgages which were paid from the funds due on closing
5. Confirm the completion of any promises that you or your lawyer have given on closing;
6. Make sure that the seller's promises are completed.

All your documents will be compiled and mailed over to you weeks after you moved in. When the Land Registry Office has finished its recording, your lawyer will send you copies of all registered documents and all other papers signed by you. Your lawyer will then give you a written report.

If you have agreed to buy a condominium, your lawyer's job is even more complicated: In addition to checking all the items above, your lawyer will have to make additional inquiries because the home you have agreed to buy is part of a condominium. A condominium is subject to certain by-laws and rules which set out the way in which the condominium is governed and the rules which all owners must obey. In addition, a condominium project is governed by the Condominium Act of Ontario and your lawyer must know all about the provisions of that Act. For instance, as the owner of a condominium, you are a member in the corporation and you are expected to participate in governing the corporation by attending meetings of the owners, voting for the Board of Directors and voting on all major rules, regulations and proposals affecting the condominium and your home. The by-laws and rules are approximately one hundred pages in length and your lawyer must review them carefully so that you can be informed of any special circumstances with respect to the condominium project in which you have bought. For example, if you own a pet, you would certainly want to know if the by-laws allow you to keep it on the premises or not.

3. What Should You Expect From Your Home Inspector

Not Just Anyone Will Do: If you're buying a resale home and don't want to inherit the seller's headaches, a home inspection is a must. Usually the offer to purchase is conditional on the buyer being satisfied with the inspection - so if the house fails the grade, there's no deal. Home inspectors examine the major systems in the house - plumbing, electrical, heating - plus the roof, foundation and insulation - and give the buyer a written report. **The cost?** Home inspector fees are generally in the $500 range, depending on the size and condition of the home. Several hundred dollars, a small price to pay for the information provided. It’s important to hire a knowledgeable, experienced and competent home inspector. But there's one problem with the home inspection industry; it's unlicensed, ungoverned, and unregulated. Anyone can establish a home inspection business with absolutely no training or credentials. So before hiring a home inspector, check out his or her background and expertise as carefully as the inspector will check out the house. Such as provincial or industry association holds an accreditation that demonstrates training and experience, provides inspection reports, carries insurance, provides references and has strong experience with the type of home to be inspected... Ask friends, family or your Realtor® for a referral. And make sure the inspector has liability insurance just in case a mistake is made; such as a hole in the roof or a leaky basement being overlooked. The home inspector’s role is to inform you about the property’s condition. The home inspector will tell you if something is not working properly, needs to be changed, or is unsafe. He or she will also tell you if repairs are needed, and maybe even where there were problems in the past. A home inspection is a visual inspection:

•	Foundation, roof, exterior walls and attics	•	Ceilings, walls and floors, doors and windows
•	Plumbing and electrical systems (where visible)	•	Heating and air conditioning systems
•	Insulation (where visible) and Ventilation	•	Septic tanks, wells or sewer lines (other inspector)
•	Any other buildings such as a detached garage	•	The lot, incl. drainage away from home, slopes..
•	Overall opinion of structural integrity of the home	•	Common areas (in condominium or co-operative)

4. What Should You Expect From Your Lender Or Mortgage Broker

Many different institutions lend money for mortgages — banks, trust companies, credit unions, caisses populaires, pension funds, insurance companies, and finance companies. Different institutions offer different terms and options — shop around! Mortgage brokers don't work for any specific lending institution. Their role is to find the lender with the terms and rates that are best for the buyer. Finding a Lender or Mortgage Broker. Ask around. Your Realtor®, another professional, family members, or friends may give you helpful suggestions.

5. What Should You Expect From Your Insurance Broker

An insurance broker can help you with your property insurance and mortgage life insurance. Lenders insist on property insurance because your property is their security for your loan. Property insurance covers the replacement cost of your home, so the size of your premium depends on the value of the property. Your lender may also suggest that you buy mortgage life insurance. Mortgage life insurance gives coverage for your family, if you die before your mortgage is paid off. Your lender may offer this type of insurance. In this case, the lender adds the premium to your regular mortgage payments. However, you may want to compare rates offered by an insurance broker and by your lender. Don't confuse property insurance, mortgage life insurance, with mortgage loan insurance.

6. What Should You Expect From The Appraiser

Your offer should be made conditional upon being appraised by a bank appraisal to ensure the property is worth what you paid for. This will help ensure that you are not paying too much and make sure you will not have to come up with additional money on top of your original down payment. In order to complete a mortgage loan, your lender may ask for a recognized appraisal. Ask your Realtor® or your lender to help you find an appraiser.

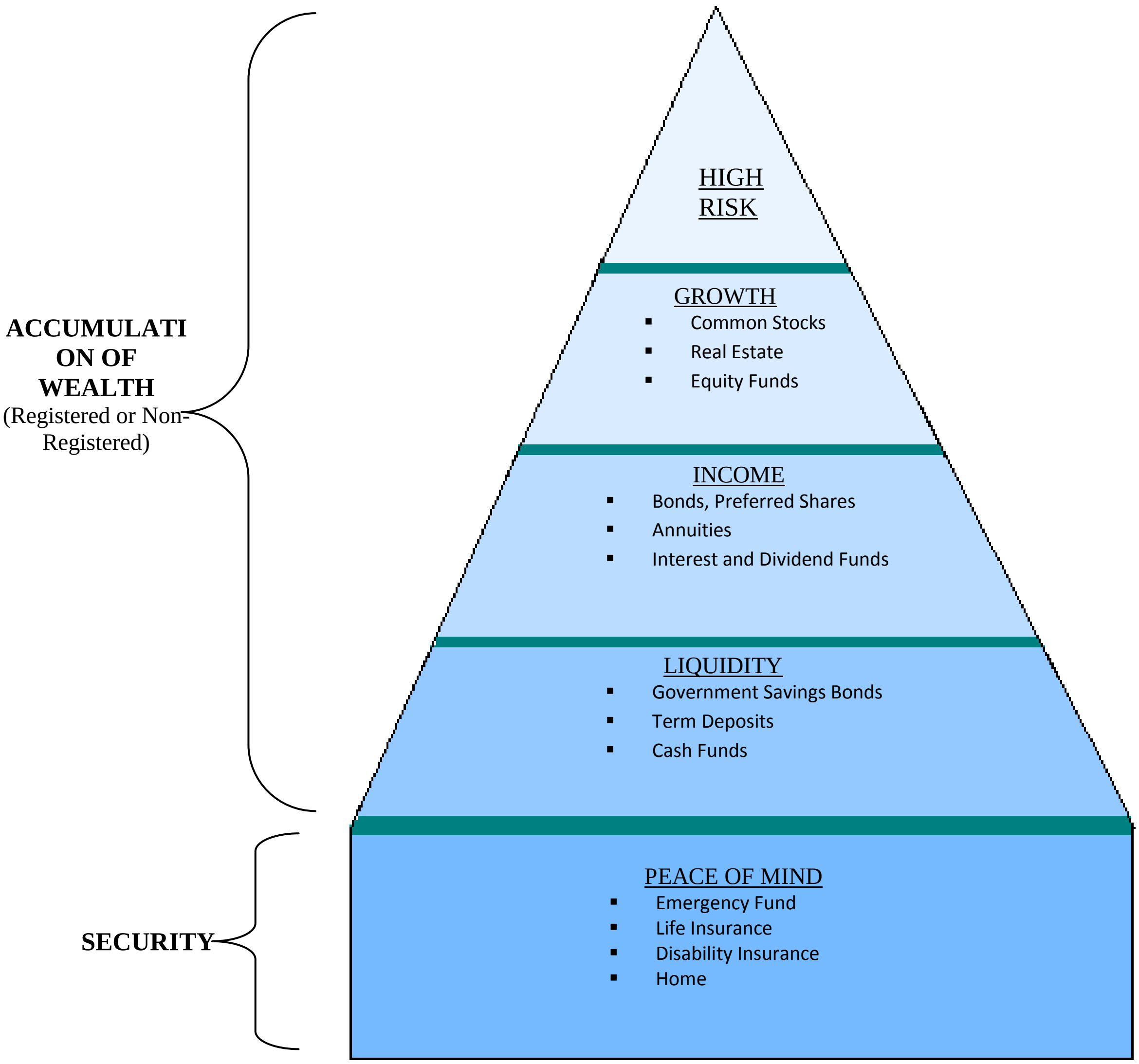
7. What Should You Expect From The Land Surveyor

Surveyor's Real Property Report and Title Insurance: Purchasers of real property must consider the benefits and need of acquiring an up-to-date Surveyor's Real Property Report and title insurance as part of any real estate transaction. To do that, there must be a clear understanding of the benefits of each product and, above all, a realization that they are mutually exclusive products. Neither can provide nor replace the benefits of the other. A Surveyor's Real Property Report is a legal document that clearly illustrates the location of all visible public and private improvements relative to the property's boundaries, as well as the geographic relationship of the property to the adjacent properties, the property dimensions and the location, if any, of registered easements, rights-of-way, encroachments or other encumbrances affecting the property. **An up-to-date SRPR** (Surveyor's Real Property Report) lets the prospective purchaser know what exactly is being purchased.

Title insurance is an insurance product which may provide financial compensation should any pre-existing but unknown insurable defect come to light subsequent to the purchase of a policy and cause financial loss to the policy holder. The defect may involve the buildings, structures, quality or extent of title but the insurance cannot create or move boundaries nor remove legal encumbrances such as easements. In addition, it may not compensate for future actions of the property owner such as having to remove a fence wrongly placed by the owner subsequent to the purchase and due to the lack of proper boundary information. Therefore, both an up-to-date SRPR and title insurance may well have their own place in real estate transactions, especially those involving complicated land assemblies, properties on which buildings, decks, pools, etc. are close to the apparent property lines. In Ontario, the lender will not require a copy of a survey as long as the title insurance has been purchased. Having said that, possessing a copy of a survey is always recommended in order to know where the property lines are located for future references. If the seller does not have a Survey or certificate of location in his possession then you will have to contend with. Remember that you must have permission from the property owner before hiring a surveyor to go onto the property. Ask your Realtor® to help co-ordinate this with the owner.

STEP 3 Home Ownership; Can I Afford It?

Priorities in Financial Planning



This summary is designed to assist you in identifying your financial goals and objectives. Recommendations which result from this analysis are based on the information which you have provided and could be affected by circumstances which are not addressed here. It is prudent to obtain independent advice before making investment decisions, and we hope that this analysis will help you in that process.

1. Calculate Your Monthly Debt Payments

Do you know how much debt you are carrying? You need this information to figure out whether you are financially ready for homeownership. If you decide to buy a home, mortgage lenders will ask for this information.
Use the form below to determine your current monthly debt payments. Fill in all the figures that apply to you,

Monthly Debt Payments		Average Monthly Amount
Loans for property you own		$0
Car loans and leases		$0
Personal loans or lines of credit		$0
Credit cards		$0
Student loans		$0
Other loans		$0

2. How Much Can You Afford?

Before you begin shopping for a home, it's important to know how much you can afford to spend on homeownership. You will want to plan ahead for the various expenses related to homeownership. In addition to purchasing the home, other significant expenses will include heating, property taxes, home maintenance and renovation as required. Two simple rules can help you figure out how much you can realistically pay for a home. You must understand these rules to understand if you will be able to get a mortgage.

Affordability Rule 1

The first rule is that your monthly housing costs shouldn't be more than 32% of your gross monthly income. Housing costs include your monthly mortgage payments (principal and interest), property taxes and heating expenses. This is known as PITH for short — Principal, Interest, Taxes and Heating.

If you are thinking of buying a condominium or leasehold tenure

For a condominium, PITH also includes half of the monthly condominium fees.
For leasehold tenure, PITH also includes the entire annual site lease.
Lenders add up your housing costs and figure out what percentage they are of your gross monthly income. This figure is called your

Gross Debt Service (GDS) ratio. To be considered for a mortgage, your GDS must be 32% or less of your gross household monthly income.

Affordability Rule 2

The second rule is that your entire monthly debt load should not be more than 40% of your gross monthly income. Your entire monthly debt load includes your housing costs (PITH) plus all your other debt payments (car loans or leases, credit card payments, lines of credit payments, etc.). You have calculated these on the Monthly Debt Payments form. This figure is called your Total Debt Service (TDS) ratio.

Fill in the tables below to determine your GDS and TDS ratios. Your REALTOR®® can help you with this:

GDS Ratio	
Your gross monthly salary (before deductions)*	$0
Your spouse's gross monthly salary (before deductions)	$0
Other monthly income (from investments or other non-employment sources)	$0
(A) Total monthly income (add up all amounts)	$0
(B) Multiply amount (A) X 0.32 = GDS	$0
* Gross salary is income before taxes.	
TDS Ratio	
(A) Total monthly income (A) from your GDS calculation	$0
(B) Multiply (A) X 0.40 = TDS	$0
Add up your monthly payments for loans, credit cards and other debts	
Monthly auto payment	$0
Monthly line of credit or personal loan payment	
Monthly credit card payment	$0
Monthly student loan payment	$0
Any other monthly payments	$0
(C) Add up the total monthly payments listed above	$0
(D) Subtract (C) from (B) to find the monthly housing costs you can afford	$0

3. Mortgage Loan Insurance

Mortgage loan insurance helps protect lenders against mortgage default, and enables consumers to purchase homes with a minimum down payment of 5% — with interest rates comparable to those with a 20% down payment. The CMHC Mortgage Loan Insurance premium is calculated as a percentage of the loan and is based on the size of your down payment. The higher the percentage of the total house price/value that you borrow, the higher percentage you will pay in insurance premiums. The cost for Mortgage Loan Insurance premiums is usually offset by the savings you get from lower interest rates.

Financing Required	Premium % of Loan
Up to and including 65%	0.50
Up to and including 75%	0.65
Up to and including 80%	1.00
Up to and including 85%	1.75
Up to and including 90%	2.00
Up to and including 95% Traditional Down Payment Non-traditional Down Payment	 2.75 2.90
* Premiums in Ontario and Quebec are subject to provincial sales tax. The provincial sales tax cannot be added to the loan amount.	

4. What are Your Next Steps?

A. Get a Copy of Your Credit Report:

Before approving a mortgage, lenders will want to see how well you have paid your debts and bills in the past. To do this, they consider your credit history (credit report) from a credit bureau. This tells them about your financial past and how you have used credit. Before looking for a mortgage lender, get a copy of your own credit history. There are two main credit-reporting agencies: Equifax Canada Inc. and Trans Union of Canada. You can contact either one of them to get a copy of your credit report. There is often a fee for this service. Once you receive your credit report, examine it to make sure the information is complete and accurate.

If you have no credit history:

If you have no credit history, it is important to start building one by, for example, applying for a standard credit card with good interest rates and terms, making small purchases and paying them as soon as the bill comes in.

B. Get a Mortgage Pre-Approval - A Powerful Tool for Home Buyers:

Today it's important to shop for a mortgage before you purchase a home, since most lenders will "pre-approve" buyers for a mortgage. Some lenders will even do it over the phone. It's a no-cost, no-obligation deal that lets you know before you go house hunting or sign an offer to purchase, how much you can afford to buy based on how much you can afford to borrow. A lender will look at your finances and figure the amount of mortgage you can afford. When getting pre-approved for a mortgage, see how long the rate commitment is good for; it differs from lender to lender. Then the lender will give you a written confirmation, or certificate, for a fixed interest rate. This confirmation will be good for a specific period of time. A pre-approved mortgage is not a guarantee of being approved for the mortgage loan. Even if you haven't found the home you want to buy, having a pre-approved mortgage amount will help keep a good price range in mind. With a pre-approved mortgage, you can confidently negotiate the purchase of a home, knowing the mortgage financing is arranged, subject to final property appraisal.

Bring these with you the first time you meet with a lender:

Your personal information, including identification such as your driver's license

- ✓ Details on your job, including confirmation of salary in the form of a letter from your employer: **Two years employment history** for each borrower, supported with a proof letter from the employer confirming salary (last pay stub may also be helpful). Self employed borrowers may need to furnish income verification (ask you mortgage lender). Processing time is usually reduced if applicants bring addresses and postal codes of employers, mortgage companies, banks and saving and loans. This is especially helpful if these addresses are out of town
- ✓ All your sources of income
- ✓ Information and details on all bank accounts, loans and other debts
- ✓ Proof of financial assets
- ✓ Source and amount of down payment and deposit
- ✓ Proof of source of funds to cover the closing costs (these are usually between 1.5% and 4% of the purchase price)
- ✓ Agreement of Purchase and Sale executed by all parties, and a copy of Real Estate Listing of Property

Qualifying For a Mortgage:

When approving borrowers for a mortgage, lenders look at two factors – down payment and income. If the down payment is 20% or more, it's a conventional mortgage. If not, it's a high-ratio mortgage requiring insurance from Canada Mortgage and Housing Corporation or a new insurer, GE Capital Corporation. As for income, lenders look at two ratios. One is the "GDS" or Gross Debt Service ratio. No more than 30% to 32% of a borrower's gross annual income should go to "mortgage expenses" - principal, interest, property taxes and heating costs (and maintenance fees for condo mortgages). The "TDS" or Total Debt Service ratio looks at the gross annual income needed for all debt payments - house, credit cards, personal loans and car loan. Depending on the lender, TDS payments should not exceed 37% to 40% of gross annual income. The combined incomes of both spouses are usually considered, but not rental income. Armed with this information, borrowers can crunch their own numbers before applying for a mortgage. Or you lender can do it for you when you get a pre-approved mortgage.

5. Make your Mortgage right for you

A. There are important things you should know before you meet your lender

Over the past decade, mortgages have become very diverse. Purchasers no longer have to settle for a basic three or five year mortgage term. In the 2000's, consumers have numerous innovative mortgages to choose from whereby you can tailor make your mortgage financing to meet your personal goals. Some examples of these unique products are Adjustable Rate Mortgages, Convertible Mortgages and Auto Plus Mortgages. These mortgages are for those who believe rates will decrease over the next six to twelve months, therefore allowing the consumer to trigger into longer term mortgages when they think rates have reached their lowest point, thus saving interest dollars. For the consumer who does not want to gamble on interest rates and instead wishes to lock in their housing costs, lenders have responded by offering longer term mortgages such as seven, ten, fifteen and twenty five year products.

Get An Interest Rate Break Today!: One of the best kept secrets in Canada is that below market interest rates are available for mortgages. First, with what's called "Relationship Pricing", the posted rate isn't the only rate anymore. Depending on the business you bring a lender, or already have with it - RRSP; car loan; credit card; line of credit; GIC or term deposits - and the length of term you choose, 1/4 to 1/2% can be knocked off the posted mortgage rate. Another way to get a discounted interest rate: by assuming an existing mortgage;

- many mortgages booked the last few years carry rates that are lower than today's rates
- if you take over the mortgage on closing, you get that reduced rate
- if it isn't big enough for your needs, you can assume it, and increase the amount owing
- the rate payable will be a blend of old money and new money; but combined, it will be less than today's going rate

OR ask the vendor for an interest rate buy down. Here, to help market a house more quickly, a seller subsidizes part of the interest rate on the buyer's mortgage. A clause outlining the terms of the buy down must appear in the offer to purchase. But the cost to a seller is not all that high. For example, the cost to "buy down" a $100,000 mortgage by 2 percent for 6 months is under $1,000. Buying down a $100,000 mortgage by 1 percent for a full year is also less than $1,000. With an interest rate buy down, everyone is a winner. The lender earns the going rate on its mortgage, while the home buyers pay the reduced rate. To make up the difference, the seller pays under $1,000 - but that could be a lot less than letting the house sit unsold, and carrying it while the market is quiet.

Types of Mortgages:

Depending on your down payment, you may have a conventional mortgage or a high-ratio mortgage. **Conventional Mortgage:** A conventional mortgage is a mortgage loan that is equal to, or less than, 80% of the lending value of the property. The lending value is the property's purchase price or market value — whichever is less. For a conventional mortgage, the down payment is at least 20% of the purchase price or market value. **High-ratio Mortgage:** If your down payment is less than 20% of the home price, you will typically need a high-ratio mortgage. A high-ratio mortgage usually requires mortgage loan insurance. CMHC is a major provider of mortgage loan insurance. **Should You Go Short-Term Or Long-Term On Your Mortgage?:** That's one of the toughest decisions borrowers face. Much depends on your unique needs and circumstances, your character and personality. Are you a first-time buyer anxious for the security a long-term mortgage offers? Or are you a homeowner with equity, who can afford to take a chance going short-term? Are you a risk-taker, prepared to face the interest rate merry-go-round every six months? And how long do you plan to own the house? A lot depends on market conditions, too. If rates are falling, you might opt for a short-term or variable-rate mortgage. If they are climbing, long-term may hold more appeal. And if the rate spread between long and short-term mortgages is small, does it make more sense to go long-term? When choosing a term, there's no "right" or "wrong" answer - it all depends on you.
Closed Mortgage: A closed mortgage cannot be paid off, in whole or in part, before the end of its term. A **closed mortgage** usually carries a lower interest rate but doesn't offer the flexibility of an open mortgage. With a closed mortgage you must make only your monthly payments — you cannot pay more than the agreed payment. A closed mortgage is a good choice if you'd like to have a fixed monthly payment. With it you can carefully plan your monthly expenses. But, a closed mortgage is not flexible. There are often penalties, or restrictive conditions, if you want to pay an additional amount. However, most lenders allow homeowners to make additional payments of a determined maximum amount without penalty. A closed mortgage may be a poor choice if you decide to move before the end of the term, or if you want to benefit from a decrease of interest rates. Typically, most people will select a closed mortgage. **Open Mortgage:** An open mortgage is flexible. An ***open mortgage*** allows you to pay off your mortgage in part or in full at any time without any penalties. You may also choose, at any time, to renegotiate the mortgage. This option provides more flexibility but comes with a higher interest rate. An open mortgage can be a good choice if you plan to sell your home in the near future or to make large additional payments. Some lenders let you convert an open mortgage to a closed mortgage at any time, although you may have to pay a small fee.

Mortgage Term: The term of a mortgage is the length of time for which options are chosen and agreed upon, such as the interest rate. It can be as little as six months or as long as ten years or more. A longer term (for example, five years) lets you plan ahead. It also protects you from interest rate increases. When the term is up, you have the ability to renegotiate your mortgage at the interest rate of that time and choose the same or different options.

"Calculated Half-Yearly, Not In Advance" - What Does It Mean?: Rent is paid "In Advance", for the month to come. But Canadian mortgages are paid "Not In Advance", at the end of the month, for the period just concluded. That gives borrowers the use of the money during that time. "Calculated Semi-Annually" is a very complex and uniquely Canadian idea, which has nothing to do with how often the mortgage is paid. For an 8% mortgage, it means 4% is collected every six months. If the mortgage is paid monthly, weekly, bi-weekly or semi-monthly, an interest factor is needed to product 4% after six months. Some Canadian interest rates are also calculated monthly - and that costs borrowers even more. 8% calculated half-yearly means borrowers pay 8.16% annually; but 8% calculated monthly costs 8.30% for the year. When mortgage shopping, see how your interest rate is calculated; and remember: calculated monthly is more expensive than calculated half-yearly.

Amortization Period: Amortization refers to the length of time you choose to pay off your mortgage. When arranging a mortgage, most consumers tend to automatically take a 25 year amortization. Today, mortgages typically come in 25 or 30-year amortization periods. However, they can be as short as 15 years. Usually, the longer the amortization, the smaller the monthly payments. However, the longer the amortization, the higher the interest costs. Total interest costs can be reduced by making additional (lump sum) payments when possible. If each mortgage term is five years, and the mortgage is amortized over 20 years, you will have to renegotiate the mortgage four times (every five years). Look at your budget, assess the payment you can handle comfortably and tailor your amortization to match that payment. For example, if you decide your budget could handle payments based on a 20 year amortization, you would save five years of mortgage payments totaling $41,204.

Payment Schedule: A mortgage loan is repaid in regular payments — monthly, biweekly or weekly. You can also choose to accelerate your payments. This usually means one extra monthly payment per year. The more payments you make in a year, the lower the overall interest you have to pay on your mortgage.

Interest Rate Type: Mortgage Interest Rates: Mortgage interest rates are fixed, variable or adjustable. You will have to choose between “fixed”, “variable” or “protected (or capped) variable”. Fixed Mortgage Interest Rate: A fixed mortgage interest rate is a locked-in rate that will not increase for the term of the mortgage. This type carries a slightly higher rate but provides the peace of mind associated with knowing that interest costs will remain the same. Variable Mortgage Interest Rate: With a ***variable rate***, the interest rate you pay will fluctuate with the rate of the market. Usually, this will not modify the overall amount of your mortgage payment, but rather change the portion of your monthly payment that goes towards interest costs or paying your mortgage (principal repayment). If interest rates go down, you end up repaying your mortgage faster. If they go up, more of the payment will go towards the interest and less towards repaying the mortgage. This option means you may have to be prepared to accept some risk and uncertainty. Adjustable Mortgage Interest Rate: With an adjustable rate, both the interest rate and the mortgage payment vary, based on market conditions.

Interest Adjustment Dates - A Cash Flow Killer: Interest adjustment dates can throw the best-planned closing budget totally out of whack. Say you close your home purchase on June 16, and book a mortgage with monthly payments. With some lenders, your first mortgage payment will be due one month later - on July 16. At other lenders, the mortgage will run from the first of the month after closing - July 1 - what's known as the "interest adjustment date". That means the first payment will be due August 1, for the month of July. What about interest for the broken period - the second half of June? Some lenders will bill for it on July 1 - when it's due. Others, though, will deduct the interest to the interest adjustment date from the mortgage advance. When that happens, it's being paid on June 16 - 15 days early. Weekly and bi-weekly mortgages aren't immune from this problem, either. So when arranging a mortgage, see how interest is collected to the interest adjustment date. By asking the right questions, you can avoid a cash flow crisis on closing.

B. Then there are questions you should ask your mortgage lender when you are shopping for a mortgage:

Penalty: **What would be the worst case scenario if you had to sell your home in the first three months after you have moved in?** LOOK FOR: Three months penalty only. The most common is three months penalty or an interest differential for the remainder of the term, whichever is greater. Some institutions charge a maximum of 3% the original loan amount. Stay away from the five year terms that are closed for the first two years. **Example: If you had to pay out your mortgage before the end of the term, two years of full interest will be collected.**

Prepayment Privilege: LOOK FOR: 10 to 15% prepayment without penalty at anytime during the calendar year from the original amount and at the same time be able to increase your monthly payments to a double up payment option. Most lenders allow you to make an annual lump sum payment of between 10% to 20% of your original mortgage loan amount on the anniversary date without penalty, this is an excellent way to immediately reduce your principle balance and work in saving those interest dollars. If you take advantage of one double up payment a year in addition to bi weekly payments, your mortgage will be paid off in 17.5 years. This option will save you from paying approximately, $82,023 in interest.

Portable - A Must For Long-Term Mortgages: Can you bring your mortgage anywhere with you? Can you decrease the balance or increase it without penalty or administration fees? Do they blend interest rates for higher loan amounts required or use the present interest rate? What does it mean? Many people are "move-up buyers", selling one house and buying another before their long-term mortgage matures. To avoid a costly prepayment penalty if you move-up mid-term, make sure your mortgage is portable - a feature offered by some, but not all lenders. Then you can pack up your mortgage just like your furniture, and move it to your new house. But no penalty is payable, as you're not breaking the mortgage, just shifting it from one property to another. If the existing mortgage is too large, you can pay it down, possibly subject to a penalty. And if the current mortgage is too small, you can borrow extra money (assuming the income and property value criteria are satisfied) and blend together your existing rate with the current rate on the additional funds. For portability to work, you must be a committed homeowner for the entire mortgage term, though not necessarily committed to any one house. Portability makes the long-term mortgage a viable option.

Assumable: WITH OR WITHOUT QUALIFICATIONS? In Ontario, the original mortgager who first signed the loan will always be responsible for the loan until the end of the term. So if a default occurs, the mortgage bank can decide to go either after the first party that took the mortgage or the second one that assumed it, even if the new applicant was qualified.

Payment Frequency - How It Can Affect Interest Costs

The following example is based on an $80,000 mortgage at 8% and assumes a constant rate throughout the amortization period.

PAYMENT FREQUENCY	AMOUNT OF PAYMENT	AMORTIZATION (YEARS)	TOTAL INTEREST COST*
Monthly	$ 610.58	25.0	$ 103,165
Semi-Monthly	$ 305.29	24.9	$ 102,238
Bi-Weekly	$ 281.81	24.7	$ 100,870
Weekly**	$ 140.91	24.6	$ 100,443
Accelerated Bi-Weekly	$ 305.29	19.9	$ 78,015
Accelerated Weekly***	$ 152.65	19.9	$ 77,723

* Assumes a constant interest rate throughout the amortization period.
** $610.58 x 12 / 52
*** $610.58 x 12 / 48 (results in an extra month's payments each year)

Boosting Your Mortgage Payment: Not so long ago, borrowers couldn't increase their mortgage payments over time. So the hardest payment to make was always the first. Today, most lenders will let borrowers permanently hike their payment by up to 10% once each year, on a payment date. That's an effective way to prepay your mortgage, and cut the high cost of homeownership. Say you booked a conventional $100,000 mortgage at 8%; your monthly payment: $763.21. If you boosted that payment by $5 next year (to $768.21), and by another $5 each year after that, your mortgage would be paid off more than 3 years faster, while you'd save over $15,500 in interest. All by simply adding $5 more than what you were paying the previous year to your monthly payment, each year. Another way is with the Double-Up option: making an extra payment equal to your regular payment once a month. The extra payment goes directly to paying down your principal, cutting your total interest cost.

Or if you choose to lock at a 25 year amortization, remember you can save thousands on a mortgage without really trying. For instance, a homeowner who decided to put aside $0.89 a day could save in excess of $22,000 during the lifetime of his mortgage. Sound impossible? Let's assume that you, a homeowner, borrow $50,000 at 11% which is amortized over 25 years. Your monthly payment would be $481.27. If you shorten the amortization to 20 years, your monthly payments increase by $26.55 per month amounting to $6,372 over 20 years. However, you've saved five years of mortgage payments totaling $28,876.20 for a net saving of $22,504.20! Keep in mind that the increased payment to shorten the amortization amounts to only $0.89 a day. As you can see, a small outlay in pennies on a daily basis can make an awfully big difference in the long run. If you so choose, the equity that has built up on your house is now available as collateral for future loans for investment or for other purposes which may allow you a tax deduction. By careful planning, you should be able to increase your net worth at a faster rate than someone saddled with mortgage payments for 25 years, simply because they'll have more liquid (available) cash at an earlier date. If you can exercise any one or a combination of these options, you are well on your way to becoming mortgage free! As consumers in the 2000s you now have diverse mortgage products to choose from. Please make sure you know and understand all of our options. Seek a specialist! There are the mortgage consultants that can help you select the mortgage that is right for you.

Accelerated Payments: It could be weekly, bi weekly or monthly payments of approximately 10% of original payment. Make sure it totals 13 months. A mortgage amortized over 25 years is paid in full in approximately 19 years. This could save you up to $63,000 in interest charges. Not to be confused with convenient monthly payments which are weekly or bi weekly and do not necessarily reduce the mortgage, it must be accelerated.

Not All Weekly Mortgages Save Borrowers Money: Borrowers don't benefit just because a mortgage is paid faster than monthly - weekly, bi-weekly or semi-monthly; the key is how the amount payable is calculated. For a fast-pay mortgage to save money, one quarter of the regular monthly payment should be paid each week, or one half every two weeks. This "accelerated" weekly/bi-weekly payment reduces the normal 25-year amortization by 5 years or more. Some mortgages, though, take the total amount payable each year, and break it into 52 or 26 pieces; less is paid each week/every two weeks, but it does little to cut the amortization. How can you be sure you'll get "the real thing" - an accelerated weekly or bi-weekly mortgage payment? Ignore the idea at the outset; shop for a mortgage with monthly payments amortized over 25 years. But before booking it, divide that payment by 4 or 2, depending if payments are weekly or bi-weekly. What pops out of your calculator is the correct accelerated payment, the one that will save you tens of thousands of dollars in mortgage interest.

Put Your Tax Refund To Good Use: In 1995 the estimated average tax refund for Canadians was $1,000. A great way homeowners can save money on their mortgages is by applying their tax refund to their mortgage. Say you booked a $100,000 3-year mortgage with a 25-year amortization one year ago, at 8.75%. If you put your $1,000 tax refund towards your mortgage this year, you'll cut the interest cost by nearly $6,600. And because mortgage interest generally is a non-deductible expense (paid in after-tax dollars), the savings in earning capacity are even greater. If you're in the 40% tax bracket, you must earn almost $11,000 more at work, and pay tax of nearly $4,400, to be left with the same $6,600 savings that you get from prepaying one year's tax refund towards your mortgage. Looked at another way, unless you can earn over 14.5% pre-tax, choosing another investment over prepaying your 8.75% mortgage doesn't make good financial sense. Crunch the numbers, and you'll see why your mortgage is a good place to park your income tax refund.

Making Your Mortgage Interest A Deductible Expense: Most people can't write off the interest paid on home mortgages, as the money is borrowed to pay for the house. But that's not the case if money is borrowed for a business or investment purpose - to buy stocks, mutual funds or income-producing real estate. Then the interest is deductible, even if a mortgage is registered against your home to secure the loan. The fact your house is pledged as collateral for the mortgage is immaterial; how the borrowed money is used determines whether or not the interest can be written off. A 9% mortgage is actually cheaper than an 8% mortgage, if the interest on that 9% mortgage is deductible. That's why Canadians should strive to pay down their mortgages as quickly as possible. With more equity in your home, you've got a terrific opportunity to book a new mortgage, use the funds to earn income, and write off the interest.

Renewal : Is there a renewal fee? Another bank appraisal fee? Is there a lawyer fee involved? Make sure you renew with fewer years remaining for amortization. For example, if the mortgage was originally for 25 years and you had a five year term, renew it at 20 years only. Otherwise it will be amortized for 25 years again.

Bridge Financing: You may not need bridge financing today but it is important to know in advance in case you need it later. Bridge financing allows you to move into your next home before the set closing date of the present one because all of your money is locked in the present one. The bank will lend you the sum required and charge interest only until closing. Is there an administration cost to bridge? Then what? Some banks charge $50.00 and some $350.00 administration fee. It is up to you to find out.

Insuring Your Mortgage?: What if you die while your mortgage is outstanding or if you take sick? Then how will your mortgage be paid? Upon your death, the balance of your mortgage is paid in full and your family can remain in their home. If you become disabled, the insurance company will pay the premiums. Discuss the difference with your bank. By arranging life insurance, either directly or through your lender, the necessary funds will be available to fully retire the mortgage on death. But before booking it, carefully assess whether the amount of insurance coverage you currently carry is adequate to cover your mortgage and your family's ongoing day-to-day and investment needs. A life term insurance is often a good alternative (based on the premium and the age when you purchase), this type of insurance is arrange with an insurance broker. Monthly payments remain the same for a longer period of time and can be carried over to the next home. In the event that you must use it, you would have a choice of either paying the mortgage in full or keeping the insurance money. Disability insurance will help cover your mortgage payments if you become sick or disabled. Again, first see if your present level of disability insurance is satisfactory; if not, seriously consider arranging it, or hiking the amount, to protect your family. Many lenders offer both life and disability insurance as options, but few absolutely require it. Since a mortgage is one of the largest financial commitments you'll ever make, it's the ideal time to review your insurance needs and coverage - and to make any necessary changes.

High Mortgage Penalty Can Put Strain on Seller's Finances

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With interest rates at record lows, people may be considering upgrading to a new home or refinancing their current mortgage. The decision to purchase a new home merits the homeowner's attention as to the type of mortgage penalty he/she will be subject to when the term of the existing mortgage is broken. When a seller breaks the term of his mort-gage, the penalty was usually three months' interest. However, with the rates being so low, more financial institutions are opting to charge clients the interest rate differential (IRD) penalty. In simple terms, the IRD is the gap between the current and past interest rates, the outstanding balance and the number of months left in the mortgage term. This issue is of importance to Realtor®s: When a seller has little equity in the home, there may not be enough funds to cover the commission once the seller has discharged the existing mortgage. When acting for a seller in negotiating the final selling price, agents should raise this issue with their clients, as the penalty being applied may influence their bottom-line selling price. While there is no standard way for lenders to calculate the IRD, the following example illustrates how many IRD mortgage penal-ties are calculated and why sellers should be alarmed.

Jim has a mortgage of $300,000 at an annual interest rate of 5.75 per cent. He has 36 months left in his 60-month term with an outstanding balance of $288,477. Jim is selling his house to upgrade to a new home and benefit from the lower interest rates. Assuming the current market rate for a mortgage for a 36-month period is 4.5 per cent, Jim would pay a penalty **based on the higher of the two amounts shown as follows** (because this is what his mortgage contract stipulates):

(a) ***Three months' interest penalty*** - Outstanding balance X monthly interest rate of Jim's mortgage X three months: ($288,477 X 5.75% ÷ 12 months X 3 months = **$4,147**

(b) ***Interest Rate Differential*** **(based on the difference in interest rates) -** To obtain the interest rate differential, take the interest rate on Jim's mortgage (5.75%) and subtract the current market mortgage rate (4.5%): 5.75% - 4.50% = 1.25% (interest rate differential). The IRD penalty is the monthly interest rate differential ÷ number of months remaining on Jim's mortgage X outstanding balance (1.25% ÷ 12 months) X 36 months X $288,477 = **$10,818**

If Jim breaks his mortgage, he would have to pay a penalty of $10,818—the greater amount. Note the IRD penalty is greater than the three months interest penalty by $6,671!

These scenarios have been simplified for illustration purposes as the method of IRD calculation differs according to each lending institution. In any event, it is a worthy topic to address with your clients who are selling. Please note the IRD does not usually apply to variable rate mortgages, which are usually either fully open or subject to a three-month interest penalty. For those clients, it is probably a good time to lock into a low, fixed-rate mortgage.

C. Then there are important things you should know about up-front costs:

There are many up-front costs when you buy a home. Early planning will help make sure things go smoothly. *How often have you heard the real estate lament: "How I wish I'd known at the beginning what I know now?" The Martels Home buying Guide is designed to give buyers, borrowers and homeowners the basics on buying a home and booking a mortgage in Canada, today. In many ways it is the outgrowth of almost two decades as a real estate lawyer dealing with client problems, plus the many years we have been in Real Estate. One bonus tip has been included - what buyers should do after an offer is signed but before closing, an often forgotten period of time. Armed with the information in this guide, buyers and borrowers will really know what other people have only learned through experience.*

Are there any "Hidden" Closing Costs When Buying a Home: "How Much Money is Needed to Close?" is a question high on every buyer's list. Besides the basic purchase price, buyers face legal fees (plus HST) and disbursements (plus HST), the out-of-pocket expenses a lawyer/notary incurs. Then there are closing adjustments with the seller - taxes, rental income, condominium maintenance, and some utility charges. And don't forget about the costs of arranging a new mortgage - including application and appraisal fees. On top of that, there is the transfer tax or "Welcome" tax levied - another hefty closing expense. For a resale home, these "extras" can easily add 1 1/2% to 2% onto the basic purchase price. For brand new homes, that figure can easily reach 2 1/2% - especially if the home is enrolled in a provincial new home warranty program plus HST. The time to check out these charges is before the offer is signed, not afterwards. Because surprises are for birthdays, not real estate deals.