

Buying A Home

A REALTOR must disclose to you in writing, who exactly they represent in any real estate deal. A REALTOR may represent you as a buyer or a seller; he or she may also represent both buyer and seller in the same transaction. Because all REALTORS are guided by a stringent Code of Ethics and Standards of Business Practice, a REALTOR will always treat you fairly.

As your agent, the REALTOR owes you the duties of utmost care, integrity, confidentiality and loyalty. Make sure you discuss agency with your REALTOR. In most provinces, if a REALTOR is showing you homes, they are automatically deemed to legally be your agent, and owe you all of the associated obligations.

If you've decided to buy a home, start by determining what type of community, or specific neighbourhood, you're interested in. List your space needs, including:

- living space requirements (i.e. how many bedrooms);
- what you're bringing with you from your old house;
- how close to schools, shopping and other services;
- the size of down payment you can afford; and,
- price range.

It's important to be realistic when you're thinking about a down payment and setting a price range. You don't want to be saddled with something you can't afford. At this stage, it's a good idea to talk things over with a real estate sales professional.

Once you've identified the features you want in a home, the search begins. A REALTOR will use various tools to try and find properties that meet your specifications. One of the important search tools will be the local MLS® system. By sitting down at a computer the REALTOR can key in your needs, choice of neighbourhoods and price range and immediately come up with a list of suitable properties available through the MLS® system. Also common are MLS® catalogues, which provide additional information about each property, along with its photograph. Both computer systems and catalogues are updated regularly.

You can also view MLS® listings posted to the national *mls.ca* web site. It features area maps, photographs of available properties and has links to the listing agent.

When you select a property and decide to visit a house, there are many things to consider. Does it have all the features you wanted? Is the neighbourhood what you expected? Try to picture your favorite furnishings in a room. Remember all of the technical considerations:

- what type of wiring does the house have?
- what about power outlets? Different appliances use different types.
- what type of heating system does it use?
- what about the roof and foundation?
- what condition are the windows in?
- what about the plumbing?

There are other things to look at as well. If you don't have time or don't feel comfortable doing it, home inspection services are available for a reasonable fee. Having a qualified home inspector look at the house is always a good idea. The older the home, the greater the need for professional inspection.

Once you find the house you want to make your home, you can work with a REALTOR to develop an offer. In the offer, you should specify how much you're willing to pay. State when the offer expires, and suggest a closing date for the transaction. You can also propose some conditions on the offer. Some common types of conditions are:

- getting a suitable mortgage (include the amount, interest rates and any other figures you feel important);
- selling your current home (the seller may continue to look for a buyer, but will give you the right of first refusal);
- the seller providing a current survey, or a "real property report," showing the location of the house on the property owned by the seller and that there are no encroachments;
- the seller having title to the property (your lawyer will check this out when he or she conducts a title search to see if there are any liens on the property, easements, rights of way or height restrictions);
- if there is a septic system, the seller should have a health inspection certificate, stating the system meets local standards;
- if you still have any doubts about the home's safety and construction, you may wish to make the purchase conditional on an inspection by a qualified engineer;
- any inclusions - basically, what stays and what goes.

You will need to present a deposit along with your offer. An appropriate deposit will show your good faith to the seller. The seller's agent is bound by law to bring all offers to the seller's attention.

After your offer is accepted and all the conditions are met, the offer becomes binding on both sides. If you walk away from the deal at that point, you may lose your deposit. You may also be sued for damages. Therefore make sure you understand and agree with all of the terms of the offer before signing.

One issue for most buyers is the affordability of the mortgage. A quick way to calculate how much you can afford is to use the gross debt-service formula (GDS). Most financial institutions will require that the Principal, Interest and Taxes (PIT) on your mortgage loan not exceed 30 per cent of your gross income. Increasingly, financial institutions will factor energy costs into the PIT formula, moving the rule of thumb GDS from 30 to 32 per cent.

You can work it out in reverse: multiply the monthly payment on principal, interest and taxes (include any condominium maintenance fees) by 40. So if your monthly payment for these items is \$1,000, you'll need a gross annual income of at least \$40,000. Discuss your mortgage limit and different types of mortgages with your REALTOR or financial advisor before you seriously begin the search for a home.

Through the *mls.ca* web site, home buyers can automatically calculate their estimated mortgage payments on listings. Simply find your desired property and click on the mortgage calculator to determine what your estimated monthly mortgage payment is on that specific listing.

No matter what type of home or property you're buying, plan on some extra expenses. In some provinces, you may have to pay a land transfer tax (a sales tax on property).

You may also have to pay:

- a mortgage broker's fee;
- an appraisal fee;
- surveying costs (if the seller couldn't come up with a current survey); and,
- a high-ratio mortgage insurance premium.
- an interest adjustment. Mortgages are normally calculated from the first of each month: if your closing date is the same as the beginning of your mortgage, there will be no adjustment. However, if your closing date is July and you move in on June 15, those last 15 days are the interest adjustment period. Your lender will expect you to cover the cost of the interest during that time.

You'll also have to reimburse the seller for the unused portion of any prepaid property taxes or utility bills. As well, you must also pay any legal fees, and, if applicable, any REALTOR fees. Be prepared to furnish proof to your lender that you have insured your new house as well.

Before the property can formally change hands, there are still a few things to do. On or before closing day, your lawyer and the seller's lawyer will arrange to transfer title of the property from the seller to you. The mortgage money will be transferred to your lawyer's trust account, and then to the seller, and your lawyer will bill you all additional expenses such as land transfer taxes or outstanding legal fees.

At this time, be sure to check with your lawyer that everything is as stated in the offer-to-purchase. Once you're satisfied and the keys to the front door are in your hands, there's nothing else to say... except welcome home!

(Note: The comments contained on this site are for information purposes only and do not constitute legal advice.)

