Homebuying Step by Step

Your guide to buying a home in Canada

Canada

CMHC SCHL

CMHC helps Canadians meet their housing needs.

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's trusted voice on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website at **www.cmhc.ca** or follow us on **Twitter**, **LinkedIn**, **Facebook**, **Instagram** and **YouTube**.

You can also reach us by phone at 1-800-668-2642 or by fax at 1-800-245-9274. Outside Canada call 613-748-2003 or fax to 613-748-2016.

Canada Mortgage and Housing Corporation supports the Government of Canada's policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call 1-800-668-2642.

Cette publication est aussi disponible en français sous le titre
L'achat d'une maison étape par étape : Votre guide pour acheter une maison au Canada (61143)

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Canadian Cataloguing in Publication Data

Main entry under title
Homebuying Step by Step: Your Guide to Buying a Home in Canada

Rev. ed.

Issued also in French under the title *L'achat d'une maison étape par étape : Votre guide pour acheter une maison au Canada*

Cat. no. NH15-114/2004E

ISBN 0-662-38780-5

1. House buying – Canada – Handbooks, manuals, etc.
2. House buying – Canada – Costs – Handbooks, manuals, etc.
3. Homeownership – Canada – Handbooks, manuals, etc.
I. Canada Mortgage and Housing Corporation.

HD1379.H65 2004 332.7'22'0971
C2004-980341-7

Printed in Canada
Produced by CMHC
Revised: 2002, 2003, 2004, 2007, 2008, 2010, 2011, 2012, 2013, 2014, 2017, 2020
Reprinted: 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2017, 2020

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A home can be a great place to build memories with friends and family and build a financial foundation for your future. Buying a home can be exciting, but it can also be a challenging and confusing experience.

Canada Mortgage and Housing Corporation (CMHC) is here to help you understand the homebuying process. As Canada's national housing agency, CMHC has helped millions of Canadians access quality, affordable homes. This guide will help you make informed and responsible decisions at each stage of the buying process.

There are notes throughout the guide that tell you to follow along in

Homebuying Step by Step: Workbook and Checklists available in print and at **cmhc.ca/stepbystep**

Or to find out more information on a related Web page at **cmhc.ca**

Tips for newcomers on buying a first home in Canada

There are approximately 300,000 newcomers to Canada each year. If you're one of them, buying a home could be one of the bigger challenges you'll face. We offer resources to help you understand how the Canadian housing system works and how to find and rent or buy a home.

Learn more by visiting our newcomers website at **cmhc.ca/newcomers**. The information offered is available in eight different languages!

STEP 1

Is homeownership right for you?

Buying a home is one of the biggest decisions you'll ever make. To ensure that you make the best choice, ask yourself a few questions. What do you really want in a home? What is your current financial situation? What are your financial and lifestyle needs?

The real costs of homeownership

As a first-time buyer, you might not be aware of all of the costs associated with homeownership.

Upfront costs
The initial amount of money you need to buy a home, including the down payment, the closing costs and any applicable taxes.

Ongoing costs
The continued cost of living in a home you own, including mortgage payments, property taxes, insurance, utility bills, condominium fees (if applicable) and routine repairs and maintenance.

Major repairs
Large and expensive repairs and renovations your home will eventually need, such as roof replacement or foundation repair.

If you choose a property that is not hooked up to municipal services such as water and sewer, there may be additional maintenance costs to consider.

Are you ready to own a home?

Buying a home isn't for everyone. Before you make any decisions, consider the following questions.

- Are you **financially stable**?
- Do you have the **financial management skills** and discipline to handle this large of a purchase?
- Are you aware of all the **costs and responsibilities** that come with being a homeowner?
- Are you ready to **devote the time** to regular **home maintenance**?

Renting versus buying: Pros and cons

Start by finding out the average home price in the area where you want to live.

Next, make a list of the pros and cons of owning versus renting to see which option is best for you. Use the following as examples.

RENTING

PROS

- Less maintenance and repairs
- Lower monthly and upfront costs
- Shorter-term commitment, making it easier to move to a new home, neighbourhood or city
- Protection from decrease in property values
- Possibility to free up cash to invest or to save a larger down payment for a home

CONS

- Monthly payments may increase year after year
- The risk that your lease won't be renewed
- You are paying someone else's mortgage rather than building equity of your own
- You can't paint or remodel without the landlord's permission

BUYING

PROS

- Freedom to renovate or modify your home as you wish
- You are building up equity in a safe, secure investment as you pay down your mortgage
- Potential for rental income if you include a secondary suite
- Stability and peace of mind that comes from being in control of your investment and owning the place where you live

CONS

- The risk of financial loss if your home has lost value when you sell
- Responsibility for all ongoing costs including mortgage principal and interest, property taxes, insurance and maintenance
- Monthly payments can increase significantly if interest rates go up at renewal time
- Possibility of unexpected and potentially costly repairs

Use the **Renting versus buying worksheet in Step 1** of the workbook.

Learn more about renting a home at **cmhc.ca/renting**.

Newcomers to Canada can also visit **cmhc.ca/newcomers**.

There are advantages to both renting and owning a home. Make sure you understand the benefits and responsibilities of each before you decide what's right for you.

STEP 2

Are you financially ready to own a home?

It's important to figure out how much you can afford to spend before you start looking for a home. Your mortgage payment will probably be the biggest expense, but there are other costs you should be aware of. You don't want any unpleasant surprises!

The more you know about your current financial situation, the more prepared you'll be when you meet with your lender or broker. These calculations will clarify your current financial picture and help you figure out how much you can afford.

CALCULATION 1:

How much are you spending now?

1. First, see how much you currently spend on a monthly basis. Consider the following sample expenses.

Household expenses

- ☐ groceries
- ☐ tuition
- ☐ clothing
- ☐ gifts
- ☐ housing maintenance
- ☐ child care

Loans and debts

- ☐ credit cards
- ☐ car loans
- ☐ personal loans
- ☐ lines of credit
- ☐ student loans
- ☐ mortgages for properties already owned

Entertainment expenses

- ☐ dining out
- ☐ spectator events
- ☐ magazines and books
- ☐ hobbies
- ☐ travel

Savings and donations

- ☐ RRSP
- ☐ TFSA
- ☐ savings accounts
- ☐ charitable gifts

2. Second, subtract that number from your total monthly net income (the amount of money your household earns on a monthly basis after taxes and deductions).

The difference is how much money you have left each month after expenses.

CMHC offers several online calculators that help with everything from figuring out your household budget to calculating your maximum home price and monthly payments.

Use the **Household budget worksheet in Step 2** of the workbook.

To use these tools, visit cmhc.ca/calculators.

CALCULATION 2:

How much can you afford?

Calculate how much you can afford to spend on housing each month without putting your financial health at risk.

These two simple rules will show you what you can afford to pay for a home. Understanding these rules can also help you when it's time to get approved for a mortgage.

Use the **Affordability rules worksheet in Step 2** of the workbook.

Affordability rule 1

As a general rule, your monthly housing costs should be no more than 32% of your average gross (before-tax) monthly income. This percentage is known as your gross debt-to-income or gross debt service (GDS) ratio. CMHC restricts homebuyers to a 35% GDS ratio to qualify for an insured mortgage.

Housing costs include:

- your monthly mortgage payment (principal and interest)
- property taxes
- heating expenses
- 50% of condo fees (if applicable)
- 50% of homeowners association fees (if applicable)
- 100% of the site rent for leasehold tenure (if applicable)

Affordability rule 2

As a general rule, your monthly total debt load should be no more than 40% of your average gross (before-tax) monthly income. This percentage is known as your total debt-to-income or total debt service (TDS) ratio. CMHC restricts homebuyers to a 42% TDS ratio to qualify for an insured mortgage.

Your monthly debt load includes:

- housing costs (amount calculated in rule 1)
- car loans or leases
- credit card payments
- line of credit payments
- other mortgage payments

The maximum amount you can afford to spend on a home depends on these numbers and the size of your down payment. For first-time buyers, saving a down payment can be the hardest part of buying a home.

As such, you may want to consider taking advantage of different government programs.

For example, the **First-Time Home Buyer Incentive** allows eligible homebuyers with the minimum down payment for an insured mortgage to apply to finance a portion of their home purchase through a shared equity mortgage.

The program offers 5% or 10% of the home's purchase price to put toward a down payment. This addition to your down payment lowers your mortgage carrying costs, making home-ownership more affordable. In exchange for the Incentive that will be repaid in the future, the Government of Canada shares in the appreciation or depreciation of the property, calculated based on the fair market value of the property at the time of repayment.

For more information, visit placetocallhome.ca/FTHBI.

CALCULATION 3:

Figure out the upfront costs

Figure out how much you need to save to cover the upfront costs associated with buying a home. For example, have you saved enough to pay the following expenses?

- ☐ Down payment — the part of the home price that is paid when you make an offer to purchase
- ☐ Home inspection and appraisal fees
- ☐ Insurance costs — including property insurance, mortgage loan insurance, etc.
- ☐ Land registration fee — based on a percentage of the purchase price of the property
- ☐ Prepaid property taxes and utility bills — you may have to reimburse the seller for bills paid in advance
- ☐ Legal or notary fees
- ☐ Potential repairs or renovations
- ☐ Moving costs
- ☐ GST/HST/QST on the purchase price (for newly built homes) or on the mortgage loan insurance (if applicable)

Use the **Upfront purchase costs worksheet in Step 2** of the workbook.

The **Home Buyers' Plan** allows first-time homebuyers to contribute to their down payment by withdrawing funds, tax-free, from their registered retirement savings plan (RRSP). The funds are then paid back in instalments over up to 15 years.

To learn more about this program, as well as the **Home Buyers' Amount** and the **GST/HST New Housing Rebate**, visit **cmhc.ca/homebuyingprograms**.

CALCULATION 4:

How will your budget look as a homeowner?

(And will you still meet the affordability guidelines?)

Now that you have an idea of what a house costs and you know your current financial situation, return to Calculations 1 and 2 and complete the "Future" section (column 2) in the workbook.

Be sure to include every expense you can think of. If in doubt, it's better to include too much than not enough.

If your monthly housing costs are over 32% and your debt load would be more than 40% of your gross income, you may have trouble qualifying for a mortgage.

Use the **Household budget worksheet in Step 2** of the workbook.

What should you do next?

If you can afford the home you want, you are ready for Step 3.

If you think you'll have trouble making mortgage payments or you're concerned about your finances, you can still make changes.

Meet with a credit counsellor or your lender and make plans to improve your financial situation or your credit score

Look at your current budget to see where you can spend less or save more

Pay off some loans or other debts

Lower your price range for a home

Save for a few more years for a larger down payment

STEP 3

Financing your home

It's time to meet with your mortgage lender or broker to discuss your financing options and confirm that you are financially ready to buy a home. They will discuss mortgage terms and interest rates and will explain what you must do to ensure that you get approved for a mortgage once you find your home.

Get pre-approved

It's a good idea to get pre-approved for a mortgage before you start looking for a home. But first you need to understand exactly what being "pre-approved" means.

A pre-approved mortgage lets you know how much you can afford, what your interest rate will be and what your monthly mortgage payments will look like. Getting pre-approved can help you narrow your search down to a specific home type, size or neighbourhood.

Getting pre-approved is not a guarantee of final approval for a mortgage. Once you find the home you want to buy, the property still has to be evaluated to ensure the price and condition of the home are acceptable to your lender.

Mortgage 101: Mortgage terms you should know

You will have many options when it comes to choosing a mortgage. Your lender or broker will help you find the mortgage that best matches your needs.

Become familiar with the following terms and options to help with your decisions.

Amortization period: The length of time you agree to take to pay off your mortgage (usually 25 years).

Mortgage term: The length of time that the options and interest rate you choose are in effect. It can be anywhere from 6 months to 10 years. When the term is up, you can renegotiate your mortgage and choose the same or different options.

Payment schedule: How often you make your mortgage payments. It can be weekly, every two weeks (biweekly), once a month, or accelerated weekly or biweekly. Talk to your lender to see all possible options.

Types of interest rates:

- **Fixed rate**—The rate doesn't change for the term of the mortgage.
- **Variable rate**—The interest rate fluctuates with market rates.
- **Protected (or capped) variable rate**—The rate fluctuates but will not rise over a preset maximum rate.

Open and closed mortgages:

- **Open mortgage**—Lets you pay off your mortgage in full or in part at any time without any penalties.
- **Closed mortgage**—Offers limited (or no) options to pay off your mortgage early in full or in part, but it usually has a lower interest rate.

Conventional and high-ratio mortgages:

- **Conventional mortgage**—A loan that is equal to or less than 80% of the lending value of a home. This requires a down payment of at least 20%.
- **High-ratio mortgage**—A loan that is over 80% of the lending value of a home. This means the down payment is less than 20% and will likely require mortgage loan insurance.

Down payment: The amount of money that you put toward the purchase of your future home. In general, to purchase a property, the minimum down payment is 5% for a property value of $500,000 or less, and 10% for any amount above $500,000.

You will also need to prove the amount and sources of your down payment. Some common sources include personal savings, an RRSP withdrawal, a non-repayable gift from an immediate family member, proceeds from the sale of other property, and funds borrowed against proven assets.

Check with you lender for qualifying criteria.

Prepayment options: The ability to make extra payments, increase your payments or pay off your mortgage early without incurring a penalty.

Portability: An option that lets you transfer or switch your mortgage to another home with little or no penalty when you sell your existing home. Mortgage loan insurance can also be transferred to the new home.

Mortgage stress test: You will need to pass a "stress test" in order to qualify for a mortgage loan with federally regulated lenders and credit unions. The stress test exercise ensures that you can afford payments at a qualifying interest rate that is typically higher than the actual rate in your mortgage contract. This helps ensure that homebuyers won't take on too much debt and will have the means to make their mortgage payments if interest rates rise or their income decreases.

Learn more about credit reports and credit scores and get tips on maintaining a good credit history at **cmhc.ca/creditreport**

Use the **Personal and financial information checklist in Step 3** of the workbook.

Don't leave home without them!

Bring the following information when you meet with your lender or mortgage broker. This will help them determine whether you qualify for a mortgage.

- ☐ contact information for your employer and your employment history
- ☐ proof of address and your address history
- ☐ government-issued photo IDs with your current address
- ☐ proof of income for your mortgage application
- ☐ proof of down payment (amount and source)
- ☐ proof of savings and investments
- ☐ details of current debts and other financial obligations

Know your credit score

Your credit score is a snapshot of your financial health at a specific point in time. It shows how consistently you pay off your bills and debts. A good credit score is incredibly valuable.

Lenders and brokers will look at your credit history when deciding whether or not to approve you for a mortgage. Before you apply, it's a good idea to get a copy of your credit report to make sure there aren't any mistakes or surprises.

Mortgage loan insurance

If you have less than 20% saved for a down payment, you'll probably have to get mortgage loan insurance. It **protects banks and other lenders** against the risk of mortgage default, just like property insurance protects you in case of loss. CMHC is a provider of mortgage loan insurance.

Insurance premiums on mortgage loans are calculated as a percentage of your total loan amount. They're based on factors including the size and source of your down payment.

In general, the smaller the down payment is, the higher the insurance premiums will be.

You can usually pay your mortgage loan insurance premiums up front or have them added to your mortgage loan. You may have to pay tax on the total amount of the premiums if your province charges sales tax.

Learn more at **cmhc.ca/mortgageloaninsurance**.

Tips for planning and managing your mortgage

When financing a home, make sure you're prepared to deal with any challenges that come up.

These can include a loss of income, increased expenses or rising interest rates. The following tips can ensure you're financially stable through any ups and downs.

Choose a smaller mortgage.

Get a smaller mortgage than the maximum amount you can afford. This will keep your monthly housing costs lower and allow you to deal with sudden changes in your income or expenses.

Evaluate the impact of higher interest rates on monthly payments.

With a variable rate mortgage, even a small increase in interest rates could have a big impact on your monthly costs. Taking time now to learn how changing rates could affect you may help you avoid financial problems in the future.

Plan to be mortgage free sooner.

You can pay down your mortgage faster by making your payments weekly or every two weeks. You can also increase the amount of your regular payment or make additional lump sum payments if your mortgage allows it. Talk to your lender to see all possible options.

Be proactive and ask for help if you need it.

If unexpected challenges affect your ability to make mortgage payments, contact your lender or broker as soon as possible. They can work with you to find a solution to any temporary financial setbacks.

STEP 4

Finding the right home

Now that you have a clear picture of your finances and mortgage options, it's time to start thinking about the kind of home you want to buy. Look for a home that will meet your needs not just today, but also 5 or even 10 years into the future.

What do you want or need in a home?

Make a list of your requirements and preferences for a home. Consider the following factors and questions in your list.

Use the **Your housing needs worksheet** in **Step 4** of the workbook.

Location

Do you want to live downtown, in the suburbs or in a more rural environment? Does the neighbourhood have a look and feel that suits your style? Do you want to live close enough to work, school, shopping, recreation facilities, health services and public transit that you won't need a car to get around?

Size

How many bedrooms or bathrooms do you need? Do you need space for a home office or for extra storage? Do you need a garage?

Special features

Is an air conditioner or a swimming pool on your list? Do your family members have allergies, environmental sensitivities or other special needs? Is it important that your home be energy efficient and environmentally friendly? Will you need it to adapt to changing needs as you age?

Lifestyle

Are you planning to have children? Do you have any teenage children who will be moving away soon? Are you close to retirement? Do you want to live where you can go for walks or take your kids to a park? Do you want to live close to a community centre or place of worship? Is it important that you live close to family and friends?

The home you choose today will have an impact on your lifestyle and your finances for years to come. Take the time now to make the best decision for you and your family.

If you are considering living in the suburbs, you may be able to buy a larger home, but you may also have a longer commute to work or school. Be sure to weigh each decision carefully.

Forms of homeownership

One of your biggest decisions when looking for a home is what kind of ownership suits you. Options vary slightly between provinces, but the following are some of the most common ownership types in Canada.

Freehold

You own the building and the land it rests on.
You are responsible for the costs and maintenance of the property, but you also have full use and control of the land and the building. This is subject to any rights of the Crown, local bylaws and any other restrictions in place at the time you purchase the property.

Condominium (or "strata")

You own your unit and share ownership of the common areas with other unit owners.
Common elements can include exterior walls, windows, gardens, driveways, hallways, elevators, lobbies and social areas.

The condominium corporation is responsible for the repair and maintenance of the common property. The corporation may also regulate the types of changes you can make to your unit.

Leasehold

You own the building or unit and rent or lease the land it sits on.
This type of ownership is common for townhouses or apartments built on city-owned land and mobile units on leased land.

Co-operatives (co-ops)

Instead of purchasing a specific unit, you buy a share in the entire building and are assigned a unit to live in.
When you decide to sell your share, the co-operative's board members can reject buyers they feel will not be an asset to the community. Mortgage loan insurance is not available for co-operatives, so you'll need a down payment of at least 20% of the purchase price.

Visit **cmhc.ca/condoguide** for more information.

Thinking about buying a condominium?

Condominium ownership is very different from owning a single-family home. Take the time to understand how condominium corporations make decisions about finances, common property, rules and regulations. Before you buy a unit, ask to review the financial and technical audits for the condominium corporation to avoid surprises later on. It is also important to understand your voting rights and responsibilities.

Homebuying or homebuilding?

Another choice you will need to make is deciding between a new home, one that has been previously owned (a "resale" home) or one that you will build yourself. Take time to carefully consider each option.

New home

Is the home built and ready to move into, or will you have to wait for the construction to be completed? If the move-in date gets delayed, how will that impact your plans and finances?

Previously owned

How is the condition of the home? Are any major repairs or renovations needed in the short, medium or long term? If so, can you add the cost of the repair or renovation to your mortgage?

Build your own

Building a home is a great way to get exactly the size, style, features and quality you want. It can also be a significant investment of time and energy.

Whatever you decide, talk to your lender or broker about financing options for building, renovating or making major repairs.

Use the **Home features checklist in Step 4** of the workbook.

Start your search

Once you know what kind of house you're looking for, you can begin your search. This can be done through:

- ☐ word of mouth
- ☐ social media
- ☐ newspapers and real estate magazines
- ☐ visits to new housing developments
- ☐ real estate websites and Internet searches
- ☐ "for sale" signs
- ☐ a real estate agent

Useful tips for your home search

Whether or not you're working with a real estate agent, visit lots of homes before choosing one. Revisit promising homes and keep records of each home's energy rating, utility costs and major repairs.

Your homebuying team: Who should you call?

Whether it's your first time buying a home or you've done it before, it's good to have a team of experienced professionals to help you along the way.

Real estate agent

An agent can help you find a home, tell you about the community, make an offer for you and negotiate the best deal. They can also help you find qualified professionals to fill the other positions on your team. When looking for an agent, don't be afraid to ask questions. Normally, the seller pays a commission to the agent, but some agents also charge buyers for their services. To find out more, visit the Canadian Real Estate Association (CREA) website at **crea.ca** or call your local real estate association.

Insurance broker

You will need property insurance to cover the replacement cost of your home and its contents in case of loss. It is also a good idea to get mortgage life insurance, which will protect your family if you die before your mortgage is paid off. An insurance broker can help you with this.

Home inspector

Whether you're buying a new or a resale home, you should have it inspected by a professional home inspector. The inspector will assess the condition of the house and tell you if any major repairs or replacements are needed.

Appraiser

An appraiser can make sure you don't pay too much by telling you how much a property is worth before you make an offer. In some cases, your lender may ask for an appraisal before approving you for a mortgage.

Land surveyor

You will probably need a survey or certificate of location as part of your mortgage application. If the seller doesn't have one, you'll need to hire a surveyor and get permission from the seller to go onto the property. If you have title insurance, you may not need a land survey.

Builder or contractor

If you're building a new home or your home needs extensive renovations, you'll need to hire a builder or contractor. Ask candidates for several references and check them carefully. You can also visit other homes they've built and ask if they are members of a homebuilders' association.

Lender or broker

There are many lending sources for mortgages, including banks, trust companies, credit unions and pension funds. Each offers different terms and options, so be sure to shop around! Mortgage brokers can be a good resource, as they can work with more than one lender. To find a lender or broker, ask your real estate agent, friends or family members for recommendations.

Lawyer or notary

A lawyer (or notary in Quebec) will protect your legal interests. They make sure that the property you want to buy is free of any liens, charges and work or cleanup orders. A lawyer or notary will also review all contracts before you sign them, especially the offer to purchase.

Do your research!

It's important to research the people who will help you buy your home. Ask real estate agents, lawyers or any other housing professionals for their references and qualifications. The more information you have, the better prepared you will be to make the best decision.

Use the **Your homebuying team worksheet in Step 4** of the workbook.

Your homebuying team

- ✓ Real estate agent
- ✓ Lender or broker
- ✓ Insurance broker
- ✓ Lawyer or notary
- ✓ Home inspector
- ✓ Appraiser
- ✓ Land surveyor
- ✓ Builder or contractor

Protect yourself against mortgage fraud

Mortgage fraud is a serious offence. It occurs when people intentionally misrepresent their income and assets to get approved for a mortgage they don't actually qualify for. It is also fraud for someone with bad credit to use someone else's good credit to apply for a mortgage.

People who participate in this type of fraud can be found liable or even criminally responsible. Protect yourself from becoming a victim of—or an accomplice to—mortgage fraud.

- **Never deliberately misrepresent your information** when applying for a mortgage.
- **Never accept money, guarantee a loan or add your name to a mortgage** unless you intend to purchase the property.
- **Use only licensed or accredited mortgage and real estate professionals**, and only work with people you trust.
- **Never sign legal documents before reading them thoroughly** and being sure you understand them.
- **Get independent legal advice** from your own lawyer or notary.
- **Contact your provincial land titles office and get the sales history of the property you want to buy.** Have the property professionally inspected and appraised.
- **If a deposit is required, make sure the funds are payable to (and held "in trust" by) the seller's realty company or a lawyer or notary.**

If a deal sounds too good to be true, it probably is.

For more tips on how to protect yourself, visit **cmhc.ca/mortgagefraud**.

STEP 5

Making an offer and closing the deal

Congratulations! You've chosen a mortgage that works for you, found a home that fits your budget and put together your homebuying team. Now it's time to make an offer and close the deal!

Making an offer

Once you've found the home you want to buy, you need to give the seller an offer to purchase (also called an "agreement of purchase and sale"). An offer to purchase is a legal contract that should be carefully prepared by your real estate agent and/or lawyer (or notary in Quebec).

Your offer should include:

- ☐ **your legal name, the name of the seller and the address of the property**
- ☐ **the purchase price** (the amount you're offering to pay)
- ☐ **the amount of your deposit**
- ☐ **any extra items you want included in the purchase** such as window coverings or appliances
- ☐ **the closing date**, which is the date you want to take possession of the home (usually 30 to 60 days after the agreement is signed for existing homes and longer for newly constructed homes)
- ☐ **a request for a current land survey** of the property
- ☐ **the date the offer expires**
- ☐ **any other conditions** that must be met, such as a satisfactory home inspection or lender approval of your financing

NOTE:
The contract will only become final once all the conditions have been met.

You should expect to negotiate. While the process can be stressful, it's all about making the best deal for you and the seller.

Getting a mortgage

Once your offer is accepted, visit your lender or broker to verify and finalize the details of your mortgage. Be sure to review any conditions that were part of the offer. Your lender or broker can advise you on exactly what you will need to bring to the meeting, but the following information will likely be required.

- ☐ the REALTOR.ca listing (or photographs if no listing is available)
- ☐ estimates for recent or planned renovations and improvements
- ☐ the legal description of the property
- ☐ a home inspection report
- ☐ the building specifications
- ☐ a land survey
- ☐ the most recent property tax assessment
- ☐ heating and utility costs
- ☐ an appraisal
- ☐ condominium fees (if applicable)
- ☐ the signed offer to purchase

Don’t forget to change your address!

You’ll need to notify healthcare professionals, government agencies, service providers and several others when you know your new address.

Use the **Change of address checklist in Step 5** of the workbook.

Closing day

Closing day is an exciting time. It’s when you finally get to take legal possession of your new home. The final signing generally happens at your lawyer or notary’s office along with the following events.

- ☐ Your lender gives the mortgage money to your lawyer or notary.
- ☐ You give your down payment (minus the deposit) to your lawyer or notary, along with the closing costs (typically 1.5% to 4% of the purchase price) to cover legal fees, land transfer taxes and other costs.
- ☐ Your lawyer or notary pays the seller, registers the home in your name and gives you the deed and keys to your new home.

After you buy

Maintaining your home and protecting your investment

Becoming a homeowner is a major responsibility. It's up to you to take care of your home and protect what is likely your biggest investment.

Make your mortgage payments on time

You can make your mortgage payments weekly, every two weeks or once a month. Whichever schedule you choose, always make your payments on time. Late or missed payments may result in charges or penalties, and they can negatively affect your credit rating. If you're having trouble making payments, talk to your lender as soon as possible.

Plan for the costs of operating a home

You will have several ongoing costs besides your mortgage, property taxes and insurance. Maintenance and repair costs are at the top of the list, along with expenses for security monitoring, snow removal and gardening. If you own a condominium, some of these costs may be included in your monthly fees.

Live within your budget

Prepare a monthly budget and stick to it. Take a few minutes every month to check your spending and see if you're meeting your financial goals. If you spend more than you earn, find new ways to earn more or spend less.

Save for emergencies

Your home will need some major repairs as it ages. Set aside an emergency fund of about 5% of your income every year so you'll be prepared to deal with unexpected expenses.

Keep your home safe

Be prepared for emergencies before they happen.

- Prepare an evacuation plan in case of a fire.
- Store your valuables in a safe place.
- Dispose of any dangerous materials properly.
- Check fire extinguishers, smoke alarms and carbon monoxide detectors on a regular basis.
- Test your home for harmful radon gases that can pose a serious threat to the health of home occupants. For more information on the detection and reduction of radon, visit **canada.ca/radon**.

Home improvements

As a new owner, you may plan on making improvements to your home. Some renovations can almost pay for themselves over time, especially if they result in savings on utility bills or a higher resale value in the future.

Other renovations are worthwhile because they add comfort, enjoyment or functionality to your home.

Keep in mind that home prices are influenced by the price of similar homes in the neighbourhood. Don't go overboard with home improvements unless you plan to stay in your home for many years to come.

If you plan to buy an energy-efficient home or make energy efficiency improvements when you purchase an existing home, you may be eligible for a CMHC Green Home partial premium refund. Based on the level of energy efficiency achieved, you could get a refund of up to 25% on your mortgage insurance premium.

Talk to your lender or broker if you're buying a home that needs repairs or renovations. There may be options available that can help you finance the repairs and renovations as part of your mortgage loan.

Use the **Home maintenance calendar** worksheet at the end of the workbook.

Learn more at **cmhc.ca/greenhome**.

Words to know when buying a home

Adjustable interest rate mortgage: A mortgage where both the interest rate and the monthly payments vary based on changes in the market rates.

Amortization: The period of time required to completely pay off a mortgage if all conditions are met and all payments are made on time.

Application: A form used to apply for a mortgage. It includes all of the relevant personal and financial information of the person applying.

Appraisal: An estimate of the current market value of a home.

Appraiser: A certified professional who carries out a home appraisal.

Appreciation: An increase in the value of a home or other possession from the time it was purchased.

Approved lender: A lending institution, such as a bank, that the Government of Canada authorizes to make loans under the terms of the National Housing Act. Only approved lenders can offer CMHC-insured mortgages.

Assumption agreement: A legal document that requires a person buying a home to take over the mortgage of the builder or the previous owner.

Blended payment: A regular mortgage installment that includes payments toward both the mortgage principal and the interest.

Builder: A person or company that builds homes.

Canada Mortgage and Housing Corporation (CMHC): As Canada's trusted voice on housing, CMHC contributes to the stability of the housing market and financial system, provides support for Canadians in housing need and offers objective housing research and information to Canadian governments, consumers and the housing industry.

Certificate of status (or "estoppel certificate"): A certificate that outlines the financial and legal status of a condominium corporation. (This doesn't apply in Quebec.)

Certificate of location (or "survey"): A document that shows the legal boundaries and measurements of a property, specifies the location of any buildings and states whether anyone else has the right to cross over the property for a specific purpose.

Closed mortgage: A mortgage that can't normally be paid off or renegotiated before the end of the term without the lender's permission and a financial penalty. Some closed mortgages allow for extra or accelerated payments, but only if specified in the mortgage agreement.

Closing costs: The legal fees, transfer fees, disbursements and other costs that must be paid when buying a home. These are in addition to the down payment and the GST, PST and HST if applicable. Closing costs are due on the day the buyer officially takes ownership of the home, and they usually range from 1.5% to 4% of the purchase price.

Closing date: The date when the sale of the property becomes final and the new owner takes possession of the home.

Commitment letter (or "mortgage approval): A written notification from a lender to a borrower that says a mortgage loan of a specific amount is approved under specific terms and conditions.

Compound interest: Interest that is calculated on both the original principal and the interest that has already been earned (or "accrued") on that principal.

Conditional offer: An offer to purchase a home that includes one or more conditions (for example, a condition that the buyer is able to get a mortgage) that must be met before the sale can be officially completed.

Condominium (or "strata"): A type of homeownership where people own the unit they live in and share ownership of all common areas with the other owners. Common areas can include parking facilities, hallways, elevators, lobbies, gyms, swimming pools and the grounds or landscaping.

Contractor: A person who is responsible for the construction or renovation of a home, including scheduling, workmanship and managing subcontractors and suppliers.

Conventional mortgage: A mortgage loan equal to or less than 80% of the value of a property. (That is, where the down payment is at least 20%.) Conventional mortgages don't usually require mortgage loan insurance.

Counteroffer: An offer made by the seller of a home after rejecting an offer by a potential buyer. The counteroffer usually changes something from the original offer, such as the price or closing date.

Credit bureau: A company that collects information from various sources on a person's borrowing and bill-paying habits. They provide this information to lenders to help them assess whether or not to lend money to that person.

Credit history (or "credit report"): The report a lender uses to determine if a person should get a mortgage.

Curb appeal: How attractive a home looks from the street, including features like landscaping and a well-maintained exterior.

Deed: A legal document that transfers ownership of a home from the seller to the buyer.

Default: Failing to make a mortgage payment on time or to otherwise abide by the terms of a mortgage loan agreement. If borrowers default on their mortgage payments, their lender can charge them a penalty or even take legal action to take possession of their home.

Delinquency: Failing to make a mortgage payment on time.

Deposit: Money that a buyer places in trust to show they are serious when they make an offer to purchase a home. The deposit is held by the real estate agent or lawyer (or notary in Quebec) until the sale is complete, and then it's transferred to the seller.

Depreciation: A decrease in the value of a home or other possession from the time it was purchased.

Down payment: The portion of the home's purchase price that is not financed by a mortgage loan. The buyer must pay the down payment from their own funds (or other eligible sources) before securing a mortgage.

Duplex: A building that contains two separate and complete single-family homes located either adjacent to each other or one on top of the other.

Easement: A legal interest in a property owned by another person or company for a specific limited purpose. For example, a public utility company may have an easement that lets them pass through a property.

Emergency fund: Money that a homeowner regularly sets aside to pay for emergencies or major repairs. Owners should usually save around 5% of their monthly income for emergencies.

Equity: The cash value that a homeowner has in their home after subtracting the amount of the mortgage or other debts owed on the property. Equity usually increases over time as the mortgage loan is gradually paid. Changes in overall market values or improvements to a home can also affect the value of the equity.

Estoppel certificate (or "certificate of status"): A certificate that outlines a condominium corporation's financial and legal status. (This doesn't apply in Quebec.)

First-Time Home Buyer Incentive: This government program helps people across Canada purchase their first home. It offers eligible participants 5% or 10% of the home's purchase price to put toward a down payment. This addition to their down payment lowers their mortgage carrying costs, making home-ownership more affordable.

Fixed interest rate mortgage: A mortgage with a locked-in interest rate, meaning it won't change during the term of the mortgage.

FlexHousing™ (or "universal design"): An approach to housing that encourages the design and construction of homes that can be easily and inexpensively modified to keep pace with changes in the needs, mobility or lifestyle of the occupants.

Foreclosure: A legal process whereby the lender takes possession of a property if the borrower defaults on a loan. The lender then sells the property to cover the unpaid debt.

Freehold: A form of homeownership where the homeowner buys the right to have full and exclusive ownership of a home and the land it sits on for an indefinite period. Freehold is in contrast to leasehold ownership, which gives the homeowner the right to use and occupy the land and building for only a limited defined period.

Gross debt service (GDS) ratio: The percentage of a person or household's gross monthly income that goes to pay the mortgage principal and interest, property taxes and heating costs, plus as applicable: 50% of any condominium fees, 50% of any homeowners association fees and 100% of the site rent for leasehold tenure. To qualify for a mortgage, it is recommended that the borrower's GDS ratio not exceed 32%.

Gross monthly income: Total monthly income of a person or household before taxes and other deductions.

High-ratio mortgage: A mortgage loan for more than 80% of the value of a property. (That is, where the down payment is less than 20%.) A high-ratio mortgage usually has to be insured against default with mortgage loan insurance provided by CMHC or a private company.

Home inspection: A thorough examination and assessment of a home's state and condition by a qualified professional. The examination includes the home's structural, mechanical and electrical systems.

Home inspector: A professional who examines a home for anything that is broken, unsafe or in need of replacement. The inspector also checks if the home has had any major problems in the past.

Home insurance premium: The amount homeowners pay on a monthly or annual basis for home or property insurance.

Household budget: A monthly plan that tracks household income and expenses to make sure household members are living within their means and meeting their savings and investment goals.

Insurance broker: A professional who can help homeowners choose and buy different types of insurance, including property insurance, life and disability insurance and mortgage loan insurance.

Interest: The cost of borrowing money. Interest is usually paid to the lender in regular installments along with repayment of the principal (that is, the amount of the original loan).

Interest rate: The rate used to calculate how much a borrower has to pay a lender for the use of the money being loaned to them.

Land registration: A system to record legal interests in land, including ownership and disposition of land.

Land surveyor: A professional who surveys a property in order to provide a land survey (or "certificate of location"). If the seller doesn't have a survey, or if it's more than five years old, the buyer will likely need to hire a surveyor before they can get a mortgage. A real estate agent usually helps coordinate the survey with the seller.

Land transfer tax: A tax charged by many provinces and municipalities (usually a percentage of the purchase price) that the buyer must pay upon closing.

Lawyer: A legal advisor (usually replaced by a notary in Quebec) who is licensed to practice law and who will protect legal interests and review any contracts.

Leasehold: A form of homeownership where the homeowner buys the right to have full and exclusive ownership of a home and the land it sits on for a defined period. Leasehold is in contrast to freehold ownership, which gives the homeowner the right to use and occupy the land and building for an indefinite period.

Lender: A bank, trust company, credit union, caisse populaire, pension fund, insurance company, finance company or other institution that loans people money to buy a home.

Lien: A claim against a property by another person or company for money owed by the owner or previous owner.

Lump sum prepayment: An extra payment that is made to reduce the principal balance of a mortgage, with or without a penalty. Lump sum payments can help borrowers save on interest costs and pay off their mortgage sooner.

Manufactured home: A single-family home that is built in a factory and then transported to a chosen location and placed onto a foundation.

Maturity date: The last day of the term of a mortgage. The mortgage loan must either be paid in full, renegotiated or renewed on this day.

Mobile home: A home that is built in a factory and transported to the place where it will be occupied. While mobile homes are usually placed permanently in one location, they can be moved again later if desired.

Modular home: A single-family home that is built in a factory and typically shipped to a location in two or more sections (or "modules") to be assembled onsite.

Mortgage: A loan given by a lender to a buyer to help with the purchase of a home or property. The mortgage loan is usually repaid in regular payments that generally include both the principal and interest.

Mortgage approval (or "commitment letter"): A written notification from a lender to a borrower that says a mortgage loan of a specific amount is approved under specific terms and conditions.

Mortgage broker: A professional who works with many different lenders to find a mortgage that best suits the needs of the borrower.

Mortgage life insurance: Insurance that protects the family of a borrower by paying off the mortgage if the borrower dies.

Mortgage loan insurance: Insurance that protects a lender against default on a mortgage. Mortgage loan insurance is provided by CMHC or a private company and is usually required for any mortgage where the down payment is less than 20% of the purchase price or lending value of a home. Mortgage loan insurance helps Canadians purchase homes earlier and at interest rates that are comparable to buyers with a larger down payment.

Mortgage loan insurance premium: The amount home-buyers have to pay to CMHC or another insurer to insure their mortgage against default if their down payment is less than 20% of the purchase price. The CMHC premium is calculated as a percentage of the mortgage loan and is based on factors like the size and source of the down payment. In general, the smaller the down payment is, the higher the insurance premiums will be. Premiums can typically be paid separately or included in the regular mortgage payments to the lender.

Mortgage payment: A regularly scheduled payment that usually includes both the loan principal and the interest.

Mortgage stress test: The stress test exercise ensures that homebuyers can afford payments at a qualifying interest rate that is typically higher than the actual rate in their mortgage contract. This helps ensure that homebuyers will have the means to make their mortgage payments if interest rates rise or their income decreases.

Mortgage term: The length of time that the conditions of a mortgage, such as the interest rate and payment schedule, are in effect. Terms are usually between 6 months and 10 years. At the end of the term, the mortgage loan must either be paid in full, renewed or renegotiated, usually with new conditions.

Net worth: The total financial worth of a person, calculated by subtracting liabilities (everything the person owes) from assets (everything the person owns).

New home warranty program: A program available in all provinces and some territories guaranteeing that any defects in a new home will be repaired at no cost to the buyer within the period covered by the warranty.

Notary: In Quebec, a notary (rather than a lawyer) handles the legal matters related to buying a home. These include protecting legal interests and reviewing any contracts.

Offer to purchase: A written contract that sets out the terms and conditions under which a buyer agrees to buy a home. If the offer is accepted by the seller, it becomes a legally binding agreement.

Ongoing costs: The monthly expenses that come with owning a home, including mortgage payments, property taxes, home insurance, utilities, ongoing maintenance and repairs.

Open house: A set period of time when potential buyers can come to look at a house or apartment that's for sale without an appointment.

Open mortgage: A flexible mortgage loan that lets a borrower pay off or renegotiate their loan at any time, without having to pay penalties. Because of this flexibility, open mortgages usually have a higher interest rate than closed mortgages.

Payment schedule: The schedule that borrowers agree to follow to pay back their mortgage loan. In most schedules, mortgage payments are made weekly, every two weeks or once a month. Borrowers should talk to their lender to see all possible options.

PITH: An acronym that stands for mortgage Principal and Interest payments, property Taxes and Heating costs, all the main costs paid by a homeowner on a monthly basis.

Power of sale: A provision that gives a lender the power to sell a property if the borrower defaults on their mortgage. The ownership of the property changes hands after the sale is completed.

Premium: See "Mortgage loan insurance premium."

Prepayment options: The ability for borrowers to make extra payments, increase their payments or pay off their mortgage early without incurring a penalty.

Prepayment penalty: A fee charged by the lender if borrowers pay more money on their mortgage than the prepayment option allows.

Principal: The amount a person borrows for a loan (not including the interest).

Property (or home) insurance: Insurance that protects the owners in case their home or building is damaged or destroyed by fire or other hazards listed in the policy.

Property taxes: Taxes that are charged by the municipality based on the value of the home. In some cases, the lender will collect property taxes as part of the borrower's mortgage payments and then pay the taxes to the municipality on the borrower's behalf.

Real estate: Property consisting of buildings and/or land.

Real estate agent (or "real estate broker"): A professional who acts as an intermediary between the seller and buyer of a property. They help the buyer find a home, make an offer and negotiate the best price.

REALTOR.ca (formerly MLS.ca): An online service that provides descriptions of most of the homes for sale across the country. Homes on the site can be searched by location, price, size or a number of other features. For Quebec listings, the equivalent site is centris.ca.

Reserve fund: A sum of money put aside by a condominium corporation for the repair or replacement of common elements such as the roof, windows, boiler, hallway carpets and other common assets and areas.

Row house (or "townhouse"): A row house is one of several similar single-family homes that are joined side by side and share common walls.

Security: Also called "collateral." Property that is pledged to guarantee a loan or other obligation that can be claimed by the lender if a loan isn't repaid. With a mortgage, the home being purchased is used as security for the loan.

Semi-detached home: A home that is attached to another home on one side.

Shared equity mortgage: An arrangement where a borrower and a lender share equity (ownership) in a property, in exchange for a future value in the home at the time of repayment.

Single detached home: A free-standing home (that is, not attached to any other homes on either side) intended to be occupied by a single family.

Stacked townhouse: Two-storey homes stacked one on top of the other, usually in groups of four or more.

Strata (or "condominium"): A type of homeownership where people own the unit they live in and share ownership of all common areas with the other owners. Common areas can include parking facilities, hallways, elevators, lobbies, gyms, swimming pools and the grounds or landscaping.

Survey (or "certificate of location"): A document that shows the legal boundaries and measurements of a property, specifies the location of any buildings and states whether anyone else has the right to cross over the property for a specific purpose.

Sustainable neighbourhood: A neighbourhood that meets the needs of the residents while also protecting the environment.

Title: A document that gives the holder legal ownership of a property.

Title insurance: Insurance against losses or damages that could occur because of anything that affects the title to a property (for example, a defect in the title or any liens, encumbrances or servitudes registered against the legal title to a home).

Total debt service (TDS) ratio: The percentage of a person or household's gross monthly income that goes to pay the mortgage principal and interest, property taxes and heating costs, plus all other debt obligations such as car payments, personal loans or credit card debt. To qualify for a mortgage, it is recommended that the borrower's TDS ratio not exceed 40%.

Townhouse (or "row house"): A townhouse is one of several similar single-family homes that are joined side by side and share common walls.

Universal design (or "FlexHousing™"): An approach to housing that encourages the design and construction of homes that can be easily and inexpensively modified to keep pace with changes in the needs, mobility or lifestyle of the occupants.

Variable interest rate mortgage: A mortgage where the interest rate fluctuates based on the current market conditions. The payments will generally remain the same, but the amount of each payment that goes toward the principal or the interest on the loan changes as interest rates fluctuate.

Vendor: The seller of a property.

Vendor take-back mortgage: A type of mortgage where the seller, not a bank or other financial institution, finances the mortgage loan for the buyer.

CMHC GREEN HOME

GO GREEN. GET GREEN.

Are you buying a new or existing energy-efficient home? Are you buying an existing home and making energy-saving renovations?

Get a refund of up to 25% of your CMHC mortgage insurance premium based on the level of energy efficiency achieved.

Did you know?

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Find out more at cmhc.ca/greenhome or ask your mortgage professional about CMHC Green Home.

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