

CANADA MORTGAGE AND HOUSING CORPORATION

Housing finance

City of Kingston Home Ownership Program



EVERYTHING YOU NEED TO OPEN NEW DOORS

Canada 



Advantages and Challenges of Home Ownership

■ Advantages

- A place of your own
- Financial growth
- Becoming part of a community

Disadvantages

- Financial restrictions
- Decreased mobility
- More responsibility



Assess Your Housing Needs

- Consider your housing needs both now and into the future 10-15 years
- Location/size/special needs
- <http://www.cmhc-schl.gc.ca/en/co/buho/hostst/index.cfmc>



New Homes

Potential Advantages

- More modern design
- Personalized choices
- Up-to-date with codes
- Lower maintenance costs
- New home warranty/builder warranty protection

[-www.tarion.com](http://www.tarion.com)

Potential Challenges

- Fewer neighbourhood amenities
- Taxes on purchase - HST
- Construction noise/Lack of landscaping
- Delayed closing
- Cost of warranty

Resale Home

Potential Advantages

- You can see the home
- Established amenities and neighbourhood
- Landscaping is complete
- Additional home features
- No GST/HST on purchase
- Chattels possible

Potential Challenges

- Home may need additional renovation and redecoration
- Higher maintenance and operating costs
- Structural problems not always detected during home inspection
- Older styles: layout may not reflect lifestyle

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**Are You
Financially Ready?**



Steps to evaluating your financial readiness

- Calculate your amount of down payment
- Review your current monthly expenses
- Calculate your debt payments



Your Mortgage Professional will determine the amount you can afford.

- A written confirmation or certificate
- Interest rate is guaranteed for a fixed period of time
- A mortgage pre-approval is **NOT** a final mortgage approval

Guideline 1:

Monthly housing costs normally should not exceed 32% of your gross monthly household income.

- These costs include mortgage principal and interest, taxes and heating expenses
- Your costs against your gross income results in the **Gross Debt Service (GDS) Ratio:**

Calculate the payment you can afford

Example:[\$260,000 price, 5% down, include mortgage loan insurance premium (MLI)]	\$255,892.00
Monthly mortgage payment (principle, interest and MLI)	\$ 1,599.38
Based on 5.75% interest rate, 25year amortization period	
+ Property Taxes	\$ 200.00
+ Heating Costs	\$ 100.00
= Total Monthly Payments	\$ 1,899.38
Gross monthly household income (\$74,900/12 months)	\$ 6,241.67
GDS = $\frac{\text{Total monthly payments} \times 100}{\text{Gross monthly income}}$	= 30.43%

Guideline 2:

Your entire monthly debt load normally should not be more than **40%** of your gross monthly household income.

- Your debt load includes housing costs, car loans and credit card payments
- Your monthly debt load against your gross income results in your **Total Debt Service (TDS) Ratio**

Calculate the payment you can afford

Example:[\$260,000 price, 5% down, include mortgage loan insurance premium 3.60%]

Total monthly housing payments

\$1,899.38

+ Other debts (personal loan, car loan, credit cards etc.)

\$ 600.00

= Total Monthly Debts

\$2,499.38

Gross monthly household income
(\$74,900/12 months)

\$6,241.67

TDS= $\frac{\text{Total monthly debts} \times 100}{\text{Gross monthly income}}$

= 40.04%

- Information contained in a report includes;
 - Name, Address, S.I.N, telephone #, date of birth, Employer,
 - Your credit history and banking information
- Credit score is a judgment about your financial health; a scale from 300 to 900 is used
- www.fcac.gc.ca

- Equifax Canada
www.equifax.ca
- TransUnion Canada
www.transunion.ca
- Northern Credit Bureaus Inc.
www.creditbureau.ca



Insurance

- Property Insurance (required by the Lender)
- Mortgage Life Insurance
- Mortgage Loan Insurance

homeownership programs

Programs to Help First Time Homebuyer's



EVERYTHING YOU NEED TO OPEN NEW DOORS

Home Buyer's Plan

- Withdraw **up to \$25,000.** from your personal RRSP to buy a qualifying home per person
- For first-time homebuyer's or have not owned a home within last 5 years
- Funds must be in the RRSP plan for a minimum of 90 days
- Repay the money back into RRSP over a 15-year period
- Don't repay into your RRSP for a particular year, you must declare the amount not paid as income and pay tax on it
- Canada Customs & Revenue Agency www.cra.gc.ca

Land Transfer Tax Rebate

- Purchase of a **new or resale home** makes you eligible for a Rebate on the Land Transfer Tax up to \$2,000
- Applications for a refund must be made within 18 months after the date of the transfer
- Could be performed by the lawyer
- Ministry of Revenue www.rev.gov.on.ca

First Time Home Buyer's Tax Credit

- Canada's Economic Action Plan
- Up to a maximum total credit amount of \$5,000
- Provides up to \$750 in federal tax relief
- First-time homebuyers are eligible
 - as long as buyer(s) did not own another home in the year of the new home purchase or in any of the four preceding calendar years)
- Canada Revenue Agency www.cra-arc.gc.ca/hbtc

Mortgage Loan Insurance

- Generally required by most lending institutions
- Protects lenders against financial losses due to payment defaults
- Minimum down payment of 5%
- Lower interest rates for the life of your mortgage
- Premiums paid in a single lump sum or added to your mortgage

* MLI premiums are subject to change



Example of Maximum Purchase Price

Purchase Price	\$260,000.00
Minus: 5.00% down payment	\$ 13,000.00
Sub-total:	\$247,000.00
Plus: Mortgage Loan Insurance Premium 3.60% (at 95.00% of purchase price)	\$ 8,892.00
Total Mortgage	\$255,892.00

Down Payment Example:

Conventional Mortgage

Purchase Price	\$260,000
80% Financing	\$208,000
Down Payment	\$52,000

High-Ratio Mortgage

Purchase Price	\$260,000
95% Financing	\$247,000
Down Payment	\$13,000

**Difference of
\$39,000**

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The Costs of Your Home Purchase



The Deposit

- Provides the sellers with cash assurance that you are serious about the offer
- Required when you make an Offer to Purchase
- New construction vs. Resale
- Cost varies, but may be up to 5% of the purchase price

Home Inspection Fee

- A home inspection report is a report on the condition of the home
- Generally costs around \$500, depending on the complexities of the inspection
- A home inspection on a re-sale home by a home inspector is a requirement of the City of Kingston Home Ownership Program
- To be included as a condition in the purchase offer

Closing Costs (Generally 1.5% to 4% of purchase cost)

- Down Payment
- Mortgage Loan Insurance Premium and 8% PST on the Premium
- Land Registration Fee
- Prepaid Property Tax and Utility Bills
- Legal Fees and disbursements
- Title Insurance



Once the Offer to Purchase is Accepted

- Notify your landlord if you are renting – normally two months notice is required
- Provide copy of accepted offer to City of Kingston
- Contact your lender to initiate final mortgage approval
- Arrange moving plans
- Finalize your property insurance
- Notify utilities of your address change

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Professionals Who Can Help with Your Home Purchase



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Lender or Mortgage Broker

- Offers mortgage pre-approval before you buy a home
- Offers a final mortgage approval following your Offer to Purchase
- Helps you to select the best mortgage repayment option for you



Real Estate Agent

- Helps you find your ideal home
- Writes an Offer of Purchase – legal binding document with price, deposits, closing time, plus other terms and conditions
- Negotiates to get you the best possible deal
- May introduce you to other professionals



Home Inspector

- Performs a visual inspection of the home and its systems
- Informs you about the property's condition
- A requirement for re-sale home under the City of Kingston Home Ownership Program



- Provides an appraisal on what the property is worth
- Your mortgage professional may require an appraisal when arranging mortgage financing



Land Surveyor

A land surveyor may be needed when:

- The seller does not have a survey or Certificate of Location
- The survey in the seller's possession is more than five years old



Note: Get permission from the property owner before hiring a surveyor.

- Helps protect your legal interests
- Helps ensure that the property is clear of liens or work orders
- Reviews contracts before signing
- Offers peace of mind



Homebuying Step by Step

CMHC's Homebuying Step by Step guide is here to make things easier for you by providing the information you need to make a wise homebuying decision. This section provides examples and worksheets that will guide you through the entire homebuying process, from the moment you make the decision to buy your own home to the moment the movers carry the first box through the front door. It couldn't be easier!

In this Section:

▶ [Step 1: Is Homeownership Right for You?](#)

Buying a home is one of the biggest emotional and financial decisions you'll ever make. Prepare by learning about the process of home buying and the responsibilities of homeownership.

▶ [Step 2: Are You Financially Ready?](#)

This step guides you through some simple calculations to figure out your current financial situation, and the maximum home price that you should consider.

▶ [Step 3: Which Home is Right for You?](#)

Once you have a good idea about your finances, you'll need to think clearly about the home you'd like to buy. You need to think about your current and future housing needs and what characteristics are important to you in a home.

▶ [Step 4: The Buying Process](#)

Before you start searching for a home you need to think about your current and future housing needs and what characteristics are important to you in a home.

▶ [Step 5: Now That You're a Homeowner](#)

Practical advice for homeowners on their financial responsibilities as well as the importance of home maintenance and renovations.

▶ [Words to Know When Buying a Home](#)

This glossary provides simple yet accurate definitions of certain terms you may encounter in the Homebuying Step by Step guide.

▶ [Worksheets](#)

These user-friendly checklists and worksheets will help you all throughout the home buying process.

Condominium Buyer's Guide

So You're Thinking About Buying a Condominium?

Condominium living is a popular choice for many Canadians as it can be a relatively carefree housing option. About one million Canadian households own a condominium (often referred to as a "condo"). Most major newspapers now include a condominium section, which recognizes the increasing number of people who already live in — or want to live in — a condominium.

This Guide will give you the basic background information you need to figure out if condominium ownership is really for you. It will identify key questions to ask — and the people you should be asking — before you make this important purchase.

In This Guide you will Find:

- ▶ [Chapter 1: Condominium Basics](#)
Learn how condominium ownership differs from other forms of homeownership.
- ▶ [Chapter 2: Condominium Governance](#)
Read about how condominium corporations are run and rules that govern day-to-day condominium living.
- ▶ [Chapter 3: The Pros and Cons of Condominium Ownership](#)
Find out if condominium ownership fits with your lifestyle, financial situation and personality.
- ▶ [Chapter 4: Buying a Condominium](#)
Know what to look for whether you're buying a new or a resale condominium as well as the costs you need to factor into your budget.
- ▶ [Chapter 5: Checklists, Tips and FAQ's](#)
Information that will help you find a condominium that is right for you.
- ▶ [Glossary](#)
Demystify condominium terminology with this list of commonly used words and phrases.
- ▶ [Provincial/Territorial Fact Sheets](#)

1) Glossary terms for homebuying

http://cmhc.ca/en/co/buho/hostst/hostst_011.cfm

2) Homebuying step-by-step guide

<http://www.cmhc-schl.gc.ca/en/co/buho/hostst/index.cfm>

3) Condominium Buyer's Guide

<http://www.cmhc-schl.gc.ca/en/co/buho/cobugu/index.cfm>

4) Housing for Newcomers

<http://www.cmhc.ca/ourhome/english/buying.html>



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