

9 Tips for Saving Thousands of Dollars When Buying Your First Home

1. Buy a home under \$475,000 to save the Property Transfer Tax

In B.C. there is a provincial tax that applies to repeat home buyers and first time home buyers who choose to buy over the threshold. If you are a first time home buyers and buy a home priced under \$475,000 you do not have to pay the tax which is calculated as 1% of the first \$200,000 of the purchase price and 2% of the balance. By buying a \$474,000 home rather than a \$475,000 home, you will save \$7500.

2. Use your RRSP's as Down Payment to save tax

First time home buyers are permitted to take up to \$25,000 from their Registered Retirement Savings Plan to use towards the purchase of a home tax free. The funds must be repaid within 15 years through an annual repayment program. If you have savings put aside in a tax-free savings account or bank account, you can buy RRSPs prior to your home purchase offering you the chance for a tax refund on your income taxes. Ask your financial advisor for advice about RRSP contributions.

3. Ask for a closing date 5 days before the end of the month

Generally, first time home buyers are renting prior to buying their first home. As a renter, you must offer your landlord one month of notice before moving out. Let's say you are shopping for a home and find the perfect place on June 5th. It is now too late for you to give notice for July 1st to move to your new home. As such, make the closing date for July 25th. This way you have plenty of time to give notice before June 30th and move out by August 1st. You will pay the July rent and then, during August you will get your damage deposit back (hopefully). What most buyers don't realize is that mortgage payments come out at the END of the month, not the beginning like rent. If you buy on July 25th, your first payment is not due until August 25 (it can even be adjusted to September 1 if you like). So in essence, you will have a month without rent or mortgage payments.

4. Buying with co-signer who has owned before?

You may require a co-signer to help you to qualify for your first home. Typically this is a parent or very close relative. If this relative has owned a home before there are 2 ways to help save a little money and void Property Transfer Tax.

1. You can request that your relative not appear on the title. If the family member is on the mortgage but not the title, the Property Transfer Tax will not be charged.
2. If the lender insists that your relative appear on the title, go on the title as Tenants in Common and split the title so that you are on for 99% of ownership, and your family member retains only 1%. This means that only 1% of the Property Transfer Tax would be charged.

5. Beware of Basic Mortgages with incredibly low rates

If you see ads on the internet for super low rate mortgages that look too good to be true, it's probably because they are! Many advertised low rate mortgages come with catches like not being able to pay the mortgage down with extra payment during the term, not being able to port or top up the mortgage and only being able to get out of the mortgage if you sell your home. Worse yet, the penalties on many low rate mortgages are 3% of the mortgage BALANCE at cancelation. On a \$300,000 mortgage, that is \$9000! Make sure to ask your mortgage broker about pre-payment options (the ability to make extra payments), portability of the mortgage (the ability to move the mortgage to a different home with no charge) and mortgage penalties. It can save you thousands of dollars to ask questions up front rather than going for a low rate and getting dinged in the end.

6. Get a home inspection

Although a home inspection may seem like an extra upfront cost you wish to avoid, getting a detailed report of the home your plan to buy could literally save you tens of thousands of dollars. My clients refused to have a home inspection for their first home and soon discovered the entire front of the home leaked and had to pay over \$10,000 to replace the weeping tile and drainage. A \$400 home inspection would have easily found signs of the water damage and saved the buyers a lot of money. If you are looking for a trouble free home, ensure an inspection is in your budget for home buying.

7. Use a mortgage broker to help you find and arrange financing

Mortgage brokers are independent mortgage professionals who have access to over 50 lenders across Canada. Their role is to act as a link between you and lenders saving you time and money by doing all the research and negotiating on your behalf. The best part is that mortgage brokers are paid by the banks so you don't pay a cent to them for their specialized service. Because their commissions are federally regulated, there is no preference to take you to one lender over another, it is all about finding the perfect mortgage financing fit for you! Mortgage brokers work with chartered banks, trust companies and credit unions and, when working with a broker, your credit bureau is transferable to all lending institutions. This means your credit gets pulled only once to help

maintain your score. A mortgage broker will help you get the best deal on your mortgage without you ever having to leave the comfort of your home and never having to visit a bank.

8. Keep your employment and banking records on hand for at least 2 years

When buying a home, the mortgage lender is going to confirm your employment and your down payment funds. They are going to need 3 months of banking statements to show your saved funds for a down payment and, if you are an hourly employee or receive commissions or bonuses, they will want 2 years of personal tax information to confirm your employment. You can save yourself a lot of time and money by keeping on hand the following paper work.

- The last 3 months of all your banking statements
- Your last 2 years of T1Generals from your income taxes
- Your last 2 years of Notice of Assessments from Revenue Canada
- Your last 2 years of T4s
- Your last 2 months of pay stubs from your employer

9. Use a Realtor- They are free to you when buying a home

When buying a home, a Realtor's professional and expert advice is FREE to you. Realtors are paid by people selling their home which means that, as a buyer, you don't pay your Realtor, the sellers of your new home does. Using a Realtor will save you thousands of dollars because they will negotiate on your behalf and be able to advise you of market trends. Best of all, they have access to Multiple Listing Services which is a huge database of all the homes on the market for sale. Homes will appear on your Realtor's desk up to 3 days before they are released to the public. This means you will get access to the best deals before other less prepared buyers. Your Realtor will arrange for home inspections, coordinate appraisals, work with your mortgage broker and lawyer, help to review strata minutes and reports, manage deposits and ensure you are represented in the transaction. Many people think that using the Listing Realtor will save them money however, the Listing Realtor is bound to the sellers first and foremost meaning that buyers can negotiate better deals by using their own Realtor.

