10 FINANCIAL TIPS ALL FIRST-TIME HOMEBUYERS SHOULD KNOW

MAKING AN INFORMED INVESTMENT

If you're in the market for a new home, take a moment to ask yourself a few key questions about what you should be looking for, how much you can comfortably afford to spend, and whether homeownership is right for you.

1. Before you begin shopping for a home, **prepare a simple budget,** so you can figure out where most of your money is going on a monthly basis.

2. When preparing your budget, don't forget that **there are many up-front costs** that come with buying a home. This can include a deposit, appraisal fees, legal fees, home inspection fee, survey or certificate of location cost, title insurance, land registration fees, water or septic tests, Estoppel Certificate fees, condo or strata fees, property taxes, utility bills, property insurance, moving costs and other expenses.

3. Always keep in mind **how much you can afford to spend**. Most financial institutions as a general rule, will tell you that your total monthly housing costs (including mortgage payments, property taxes and heating expenses) should be no more than 32% of your gross household monthly income. A more accurate way to verify affordability is to plug-in the new monthly mortgage costs and update the budget that you prepared earlier (See: 5 Steps to Creating a Simple Financial Plan). It is much simpler and accurate to use after-tax net income in your analysis.

4. It's important to understand your **total monthly debt load** (meaning your housing costs plus any loans, credit card payments, line of credit, or other debts). Don't always borrow what the bank approves you for, because it could set you up to fail. Update the budget that you prepared earlier (See: 5 Steps to Creating a Simple Financial Plan) to get a more realistic picture of what you can afford.

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5. The amount of house you can afford will also depend on **the size of your down payment.**

6. If your down payment is less than 20% of the value of the home you want to buy, you will also need to budget for **Mortgage Loan Insurance.** Mortgage loan insurance helps Canadians buy a home with a minimum of 5% down. Talk to your broker or lender to find out more.

7. When choosing a mortgage, you will have to select between a wide variety of different options. This includes: **the amortization period** (the length of time to pay off your mortgage); **the term** (the length of time the interest rate and other options you negotiate will remain in effect); **the payment schedule** (monthly, bi-weekly, weekly, etc.); open or closed mortgages; and whether you want a **fixed or variable rate of interest.**

8. After all these **calculations,** if the numbers don't look encouraging, you may want to pay off some other loans, save for a larger down payment, lower your target home price, or take a look at your budget to see where you can spend less.

9. To give your family **greater financial stability and peace of mind,** you may want to consider getting a smaller mortgage than the maximum amount you can afford, or reducing your amortization period to pay off your mortgage sooner.

10. When choosing a mortgage, always take into account **the impact an increase in interest rates** could have on your ability to make your monthly payments.

Disclaimer

The information provided is not intended as complete financial advice. This information is only intended to give a brief summary of the topic for discussion purposes. It is recommended that you speak with a financial expert who can provide more detailed financial advice based on your individual situation.

Source: *http://www.cmhc.ca/popup/ghs_fce/en/firstTime.html*
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