

The logo for Trevor Stuart Realtor, featuring three colored squares (grey, green, orange) above the text "TREVOR STUART REALTOR®".

TREVOR
STUART
REALTOR®

LETHBRIDGE & AREA HOME BUYING GUIDE

RE/MAX®

HOME BUYING GUIDE

What to expect as you buy your next home.

Thanks for downloading my Home Buying Guide!

Most buyers who begin the process of looking for a home begin the journey filled with excitement and a bit of trepidation.

This is understandable when you consider that purchasing a home is one of the biggest financial decisions you will make during your lifetime.

Not only does my team understand this, we believe that home ownership is something you can be proud of. And it's our honor and privilege to ensure that the home buying process is the most pleasurable experience possible.

Whether this is your first home or your tenth, this guide is intended to help you navigate the home buying process.

Now, let's get started on the journey of getting you the home you want!



Trevor Stuart REALTOR®
RE/MAX Real Estate - Lethbridge

Top 10 reasons

to buy a home

1. **Quality of Life** - Home ownership is part of a better quality of life for most buyers. The quality of our living situation directly impacts how we feel.
2. **Tax Advantages** – If you're buying a home for the first time, you may qualify for a non-refundable tax credit of up to \$750. If the property you purchase is a rental property, you may be able to claim a number of allowable expenses, including interest on your mortgage. There are also tax credits available for people who need to renovate to make their home more accessible for medical purposes. Talk to your accountant or tax advisor for details!
3. **Spend Money to Make Money** - With the right real estate consultant guiding you, home ownership means the potential for a return on your investment. Increasing property values and strategic improvements help your equity grow.
4. **Deferred Gain and Capital Gain Treatment** – A family can designate one property as a principal residence and avoid paying capital gains on any profits realized when it's sold.
5. **Principal Accumulation** - As a homeowner, a portion of each monthly mortgage payment typically goes to principal. The difference between your mortgage balance and the value of your property is your equity – building equity means you're building a nest egg for yourself instead of your landlord.
6. **It's The Canadian Dream** - Owning a home is a milestone most of us strive for; something that tells us we've "made it". We work with many first time home-buyers and we can tell you from experience – it truly is a dream come true for them.
7. **Independence** - For many homeowners, one of the greatest freedoms is acquired through home ownership. They can get rid of their landlord and are no longer surrounded by neighbors in an apartment with thin walls. The freedom to do whatever they wish with their homes is a big incentive for many new homeowners.
8. **Leverage** - At the current interest rates, you can put your money to work somewhere else. These days you can still purchase a home for as little as 5% down.
9. **Why rent when you can own?** The real cost of renting at \$700 per month with 6% rental increase per year means you will pay \$110,719 over 10 years. Just think, you could pay off a good chunk of your own home for that amount!
10. **Because you get to work with us!**

5 buying strategies

to save you time, money & headaches

1. **Get Pre-Qualified** – Before you can seriously consider purchasing a home, it's important to know exactly how much you can afford *and* how much a lender will approve you for (they're not always the same amount!). This can be the scariest part of the buying process for some. It's perfectly natural to be nervous, but we can put you in touch with someone you can trust to help get you pre-qualified.
2. **Always Think Resale** – In the Canada, due to the mobility of our economy, the average length of ownership is about 5 to 7 years. This is important to keep in mind when looking for your next home. For instance, homes backing up to a busy street or railroad sell for less, and take longer to sell than other homes in the neighborhood. We're here to guide you and ensure you find a home that you'll love – and others will too.
3. **Aesthetics Can Be Changed** – Flooring, light fixtures, plumbing, paint colors and wallpaper can all be changed. Don't let the lime green wallpaper turn you off of your potential dream home. Think of how much fun it will be to make a home yours!
4. **Don't WAIT!** – Too often we see home buyers fall in love with a property, wait a few days to make a decision because they are nervous, and then find out the home that they fell in love with SOLD while they were dreaming about it! If you love the home, don't wait for someone else to live in YOUR home – be prepared to write an offer! We'll be beside you throughout the process to make sure the Purchase Contract is written to protect your best interests.
5. **Compare Sales** – To determine the best price to offer, or to know if the asking price is correct, you'll want to look at the recent sales of similar homes, called "comparable sales." Comparable sales are recent sales (usually sold in the past 2-3 months) of homes that compare closely to the one you are looking to purchase. Specifically, you want to compare prices of homes that are similar in square footage, garage spaces, number of bedrooms and baths, lot size, etc. Let us help you with a Buyer's Market Analysis.

12 critical questions

to ask an agent before you buy

Now that you have a background regarding the *Reasons to Buy a Home* and *5 Buying Tips*, the question is how will you be able to make sure that you not only find your dream home but that you ensure that the real estate agent you choose to represent you has the knowledge and expertise to help you with the biggest financial decision you will make in the next 5 years?

Unfortunately, many people choose a real estate professional based on the idea that all real estate agents are basically the same. They sign with the first agent to come along, only to realize too late that they should have "shopped around."

The following questions are designed to help you avoid that mistake by equipping you with what to look for when selecting an agent to represent you.

First, start by asking friends, acquaintances and/or family for the names of real estate agents they know. A personal referral is the absolute BEST manner in which to select your professional real estate agent. Once you have compiled a list of names referred to you based upon a great experience, use this guide to help you determine which agent is the best for YOU. We recommend interviewing at least 2-3 real estate agents.

Here are the questions you should ask each agent:

1. ***Can you send me some information about yourself?***
Look for professionalism and consistency. What are their professional accomplishments?
2. ***How do you approach your work?***
Look for a businessperson that has a strategy and a team to work with.
3. ***How many homes have you closed in the past year?***
Look for an agent who is active in your area and at the top of their industry. Part-time agents are simply unable to keep up with the ever-changing demands of the market. A good rule of thumb is a minimum of 10-15 transactions. Why settle for less?
4. ***What is the dollar volume of homes you have sold in the last year?***
Beware of agents who use their company statistics instead of their own.
5. ***How long have you been in business?***
Longevity in the industry does not always mean success. However, look for an agent that has been in the business for a minimum of three years. The fall-out ratio for agents in the business less than 3 years is over 80%. While experience is important, accomplishments are more important. How many homes have they sold in the area you are looking?

12 Critical Questions to Ask an Agent Before You Buy (continued from previous page)

6. ***Do you have a personal assistant or a team working with you?***
Most top agents employ (out of their own pocket) an assistant or staff. It is imperative that the agent has support in order to take care of the details of the transaction. How can your agent be actively showing homes to clients and working on the details of your closing at the same time? Things will fall through the cracks and that could cause critical problems for you.
7. ***What will you do keep me informed?***
Do you want daily or weekly reports from your agent? Will the agent be able to meet these expectations? Determine how much communication you want, and then find an agent who will give you the attention and time you want and deserve.
8. ***Can you provide me with further resources I may need?***
The best agents have a tried & true network of professionals (like lenders, home inspectors, lawyers, trades people, and more!) that will make sure your experience is easy and pleasant. They've built strong relationships with their "teams" and can often get expedient service or be able to "cash in a favor" for you should a crunch or problem arise.
9. ***Can you give me some references from other clients you have worked with?***
Don't be afraid to ask for references. An agent who provides raving fan service and is proud of their work will be happy to provide references. Look at their ratings and reviews on their websites and social sites like Google and Facebook.
10. ***What is the best way for me to get in touch with you?***
You should know exactly how to get through to your agent or assistant.
11. ***What awards or accolades have you received in the past couple of years?***
Make sure that your agent is a professional, well regarded and at the top of the industry. They will be more knowledgeable and will be able to best represent your interests based on experience and reputation.
12. ***How will you represent me and my best interests?***
Absolutely do not hire someone that you don't believe will represent YOUR best interests at all times. Have your agent give you examples of how they represent their client. Remember that finding the home is the easy part, true representation begins when you sign a contract and continues through negotiation and closing. Ask around for horror stories and you will find that they don't usually involve the home search; rather, they happen AFTER the contract was signed!

Home buying process

The Homebuyer Flow Chart

Homebuyer Flow Chart

Find a REALTOR® you can trust

- Analyze your needs in a consultation
- Sign a Buyer Representation Agreement to ensure the agent is looking after YOUR best interest

Obtain mortgage pre-approval

- Financial qualification and confirmation of income, credit, and down payment
- Get it in writing

Select & view properties

Write an offer to purchase

- A deposit of about 1% of the offer price is needed
- Include properly drafted conditions to protect your interests
- Negotiations & counter-offers
- Accept the contract

Satisfy conditions before contract deadlines

- Send purchase contract to lender to obtain mortgage approval
- Review condominium documents (if applicable)
- Schedule & complete home inspection
- Complete other conditions outlined in purchase contract
- Waive conditions before contract deadlines – home is SOLD!

Real estate brokerages send documents to lawyers

- You'll visit your lawyer from 1-3 weeks ahead of your possession date
- Bring the balance of down payment plus legal fees & disbursements

Take possession of your new home!

- Pre-possession walk through with REALTOR

Home Buying Process

10 Steps to Buying a Home

1. Get pre-qualified with a lending specialist
2. Shop for your dream home with an accomplished real estate professional
3. Choose a top 2 list and place an offer on #1
4. Be prepared for one or more counter offers
5. Take note of your condition dates (like mortgage approval and home inspection)
6. Send Offer to Purchase to your lender and advise him/her of financing condition date
7. Arrange a professional home inspection for a date after your financing approval and before your home inspection condition date (usually the day after your financing approval condition date).
8. Sign a waiver (or a non-waiver) for each condition. Once all conditions are waived, the home is **SOLD!**
9. Choose a lawyer to represent you and direct your Real Estate Brokerage/REALTOR® to send the paperwork related to your purchase there.
10. Visit your lawyer's office to sign the necessary mortgage and transfer of land paperwork. The balance of your down payment, your legal fees & disbursements payment, and proof of home owner's insurance will be due at this time. You'll need a certified cheque or money order.

In addition to the 10 steps to buying a home you will need to consider the following up-front costs in order to determine if you have the appropriate cash reserves to get started:

- Deposit money – typically 1% of sales price - the amount of the deposit is negotiable and varies with the value of the property
- Inspection fee - \$400 - \$450 (this varies with the size & location of the property)
- Mortgage fees – this varies by lender; check with your mortgage professional when you secure your pre-approval.
- Legal Fees & Disbursements – +/- \$1200 - this varies with the value of the property and complexity of the transaction. Be sure and ask about fees when you're selecting a lawyer to represent you.

The Pre-Qualification & Pre-Approval Processes

Now that you know you want to buy a house, how do you know how much you can afford and if you can qualify for a loan? The way to get started is to go through the pre-qualification and pre-approval process with a qualified mortgage specialist.

Pre-Qualification versus Pre-Approval

1. *Pre-Qualification* is how much money a bank will lend you based on your income, assets, and debts. Pre-Qualification is typically done over the phone with a lending specialist. This is the first step to get started in the buying process. The lending specialist will do a minimal credit review over the phone which means discussing your credit background. When you begin the Pre-Approval process the lending specialist will actually check your credit but during Pre-Qualification they will simply gather basic information regarding your financial and credit situation.
2. *Pre-Approval* is a more formal process and includes completing a loan application and providing documentation regarding income and assets. During the Pre-Approval process, the lending specialist will ask for authorization to check credit in order to analyze debt ratios. Pre-Approval is typically done when you start looking for houses with a real estate agent or prior to writing an offer.

What Factors Affect What I Can Afford?

There are three factors that affect how much you can afford when you decide you would like to buy a home.

1. The down payment - do you have enough liquid cash to make a down payment?
2. Your ability to qualify for a loan - as mentioned earlier this is determined during the Pre-Qualification & Pre-Approval Process
3. The associated closing costs on your home.

How Much is My Down Payment?

Most mortgages today require a down payment between 5.0% to 20%. Contrary to what many people think, there may still be mortgages that have lower down payment requirements depending on the type and terms of the mortgage (and the credit worthiness of the applicant). Keep in mind, if you are able to come up with 20-25% down you will eliminate mortgage insurance.

The Pre-Qualification & Pre-Approval Processes (continued from previous page)

How Much Are Closing Costs?

You will be required to pay fees for acquiring the mortgage and other closing costs. These fees must be paid in full in advance or at the closing unless you are able to include them in your financing. A safe budget will be about 1% of your purchase price.

What Does my Monthly Mortgage Payment Include?

Most lenders require that your monthly payment be no more than 30% of your gross monthly income. Your mortgage payment to the lender includes the following:

- The principal on the loan (**P**)
- The interest on the loan (**I**)
- Property taxes (**T**)
- 50% of the monthly condominium fee (if applicable) (**C**)

This is what we call **PITC** and your total monthly PITC and all debt (from installment loans to revolving credit card accounts) should be no more than 40% of your gross monthly income.

These key factors determine your ability to secure a home loan: Credit, Assets, Income and Debt Ratios.

If you want to estimate how much your monthly payment would be and how much of a mortgage you can afford, Canada Mortgage & Housing Corporation (CMHC) offers a number of excellent tools online:

- [Debt Service Calculator](#)
- [Premium Calculator](#)
- [Household Budget Calculator](#)
- [Mortgage Payment Calculator](#)
- [Mortgage Affordability Calculator](#)

These tools are just a guideline. We strongly recommend that you contact a qualified mortgage specialist to determine exactly how much you can afford. And we're connected with some of the best in the city if you'd like an introduction!

Mortgage application

Checklist

Many lenders will have you go online to apply in order to gain pre-approval. Following is some of the information you may need to provide during the loan application process. Make sure to check with your mortgage professional; this varies by lender and applicant.

General

- Non-expired Government ID and Social Insurance Number
- Name and complete address for past 2-3 years of residence

Income

- Employment history, including names, addresses, phone numbers for the past 2-3 years.
- Copies of your most recent pay stubs and Notice of Assessment forms (past 2-3 years).
- Verification of other income (pensions, child support, investment income, etc.).
- Copies of signed tax returns including all schedules (past 2 years).
- If you have rental property income: Copies of all signed lease agreements.

Assets

- Copies of all bank statements from chequing/savings accounts (past 3 months).
- Investment statements (most recent 2 months or quarterly statement).
- Gift funds will need gift letter and proof that the gift money has been deposited into your account.

Creditors

- Credit cards (current balances and monthly payments).
- Installment loans (car, student, etc.).
- Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold within the last 2 years). Bring proof of sale for properties sold.

Other

- Bankruptcy – bring discharge and schedule of creditors.
- Adverse credit – bring letters of explanation.
- Divorce – bring your Divorce Decrees, property settlements

10 Commandments

when applying for a mortgage

Last but not least, these are important rules to follow to ensure a smooth loan process. They apply before, during and after your mortgage application.

1. Thou shalt not change jobs, become self-employed or quit your job
2. Thou shalt not buy a car, truck or van (or you may be living in it!)
3. Thou shalt not use charge cards excessively or let your accounts fall behind
4. Thou shalt not spend money you have set aside for closing
5. Thou shalt not omit debts or liabilities from your loan application
6. Thou shalt not buy furniture
7. Thou shalt not originate any inquiries into your credit
8. Thou shalt not make large deposits without first checking with your loan officer
9. Thou shalt not change bank accounts
10. Thou shalt not co-sign a loan for anyone

Please...don't apply for any new credit until AFTER you take possession of your new home!

I hope you have found this guide valuable. When you are ready to start looking, give me a call!

