

# outlined:Homes - buying & selling

a step-by-step guide



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life:outlined™

An unbiased guide to life events  
and making key financial decisions

**What is life:outlined™?**

Every stage of life brings challenges. Standard Life has created life:outlined®, a tool that provides you with unbiased information to guide you through life's events and help you make key financial decisions.

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## HOMES - BUYING & SELLING

Buying your own home is one of life's most exciting experiences. For most of us, it is also the biggest financial commitment we will ever make. For these very reasons, buying or selling a house can be a daunting process. There are several relatively complicated legal stages to negotiate before you finally get the keys to your new home, and there are a number of hazards to look out for.

This has been produced as a step-by-step guide to buying and selling your home. By spelling out the problems you may encounter and identifying the solutions you might need, it aims to help you smooth the path to your own front door.

It will also point you towards the experts who can give you the professional advice and support you will need along the way. Then you can look forward, with confidence, to moving into the home of your dreams.

## STEP 1 WHAT CAN YOU AFFORD?

Unless you are fortunate enough to have enough cash to buy your home right away, you will have to take out a mortgage with a mortgage lender or a bank.

Before you even start house hunting, you should work out how much you can realistically afford to spend on a mortgage. Calculating both your assets and liabilities, as well as your gross household income, will help you decide how much you can afford on a down payment and mortgage payments after that - without having to completely change your lifestyle.



Remember when calculating monthly payments to consider what the costs would be at higher interest rates than those currently available. If interest rates rise, your payments will rise with them.

Mortgages today come in a wide and diverse range, tailored to suit virtually everyone's needs and circumstances. It is a good idea to seek the advice of a financial advisor who has the knowledge and experience to help you decide on the best mortgage for you.

## What other costs are involved in buying a home?

As well as the cost of the mortgage, there are various other expenses that you need to consider when thinking about buying a property.

These include:

- down payment
- legal fees
- survey and appraisal fees
- interest rates
- property and mortgage insurance
- taxes
- moving and decorating costs.

If you are selling as well as buying you will need to budget for extra legal costs as well as a real estate representative's fees.



## Check the details

Some mortgage lenders may appear to offer attractive terms, when in fact, their mortgages contain hidden costs that could make them more expensive in the long run.

Consider the whole package you are being offered, and beware of lenders who insist that you take out extras such as insurance with them.

Consider all these added costs when deciding how much you can afford to comfortably repay each month.

## How much can you borrow?

The amount you can borrow varies from lender to lender, but generally depends on how much you earn.

Most lenders base their mortgage calculations on two simple affordability rules and, in some cases, this may mean you can borrow more. By looking at your gross monthly income and what portion of it would go towards housing costs, both measures allow lenders to determine the maximum home price you can afford\*.

The Canada Mortgage and Housing Corporation (CMHC) Web site offers an online mortgage calculator and affordability worksheets, which will give you a rough idea of how much you may be able to afford.

## STEP 2 WHICH TYPE OF MORTGAGE IS BEST FOR YOU?

Mortgages come in all shapes and sizes. This is just a summary of the main types; for more details, speak to your financial advisor.

### Conventional mortgage

If you can afford to make a down payment of 25% of the purchase price, you are eligible for a conventional mortgage. Therefore, your entire mortgage will not exceed 75% of either the appraised value or purchase price of the property. This type of mortgage does not always require mortgage loan insurance.

\* Source: Canada Mortgage and Housing Corporation, [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)



## High-ratio mortgage

For this type of mortgage, a minimum down payment of 5% of the cost of the home is needed. Since your mortgage will be more than 75% of the cost of the home, you will need mortgage loan insurance. This insurance can be provided through the CMHC.

## Second mortgage

This can be used as a source of secondary financing, but at a higher interest rate over a shorter amortization period. By making payments more frequently, you can pay off your mortgage faster.

## Open mortgage

An open mortgage allows you to repay the loan in any amount at any time without penalty. However, this type of loan usually incurs higher interest rates. You can switch to a closed mortgage at any time.

## Closed mortgage

A closed mortgage keeps payments unchanged for the entire mortgage period at lower interest rates than those of an open mortgage. Although this makes it easier for you to plan your budget accordingly, a closed mortgage may provide less flexibility and penalties may be incurred for prepayments or additional payments.

## Split or Multiple-rate mortgage

This will allow you to split your mortgage into two or more terms by allocating a portion of your mortgage loan to one rate and term and another portion to another rate and term.

These are not the only options available when trying to find the mortgage plan that is right for you. To get the best deal possible, shop around and speak to your lender\*.

For qualifying first-time homebuyers, the Canada Revenue Agency (CRA) offers the Home Buyers' Plan. This plan allows you to withdraw up to \$20,000 from Registered Retirement Savings Plans (RRSPs) without having to pay any tax on this amount. You must repay the amount withdrawn

\* Source: Canada Mortgage and Housing Corporation, [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)



from the RRSP over a 15-year period. For details and certain conditions that may apply to this plan as well as a Home Buyers' Plan guide and request form, visit the CRA Web site ([www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)).

**The mortgage market is very competitive so you should shop around and consult your financial advisor to ensure that you find the right deal for your particular financial circumstances.**

## **STEP 3 FINDING THE PROPERTY THAT'S RIGHT FOR YOU**

### **What does your ideal home look like?**

You've made your decision: it's time to move. It could be into your very first home or, depending on your lifestyle and your stage in life, it could be to a bigger or smaller property.

You should ask yourself what you expect in your ideal home. Do this by considering three important factors: location, style, and cost.

These three factors will help you make a list of criteria to consider when you are house hunting.

Some other questions to ask yourself:

- do you want a house or a condo?
- do you want a garden?
- how many bedrooms do you need?
- do you need space for particularly large items of furniture?
- do the local amenities, schools and transportation meet your needs?
- what is the condition of the exterior as well as the basement?
- do such things as the air quality and water pressure in the house meet your needs?

Take your list of ideal home essentials with you whenever you go to view a property and measure the property against them. You may have to compromise on some of your requirements, but your list will help you stay focused in your search.



## Where should you look?

Start with newspaper advertisements. Most local newspapers feature a real estate section each week.

**Special newspapers are also published free of charge by real estate agencies and organizations.**

The next step is speaking to a real estate representative. Not only will they be able to supply you with details of suitable homes within your budget, they will also put you on their buyer list and send you details of relevant properties as they come to market.

Checking real estate web sites and touring your target areas to search "for sale" signs is also a good idea. Make an appointment through the representative involved to see any houses that seem interesting to you.

Remember, finding your ideal home will take time, so be patient and stay focused. The home of your dreams could be just around the corner. And making the wrong decision now could prove a costly mistake in the long run.

## What should you be looking for at a viewing?

Take the time to visit and look at as many properties as you can.

Try not to be swayed by décor and furnishings. Think about your own furniture in the house. Will your three-piece bedroom set fit through the doors? Study the design of the rooms as well as the general condition of the property. Look at the exterior as well as the interior.

View the house at different times of the day, and on different days of the week. A place that might seem quiet during the evening might be noisy during the day.

Check out local transportation services as well as schools, stores, medical centers and leisure facilities in the area.

## What questions should you ask at a viewing?

Try to get an idea of the maintenance costs and bills whenever you visit a home. For example, you'll need to know what sort of heating is used and whether there are any ongoing costs you'd have to pay. You should also ask the seller if any work has recently been done on the property.



Determine whether certain things like curtains and light fixtures are included in the sale. If not, you might be able to negotiate a price for them. You should also ask the seller about the neighbours, the local area and nearby amenities.

## STEP 4 DEALING WITH LEGAL ISSUES

### Who can give you legal advice on buying?

Your "Offer to Purchase" is made through a real estate representative. Before presenting the offer to the seller, it should be read and approved by a lawyer to ensure accuracy of all details. Each offer requires a deposit of up to 10% of the price of the house, which is returned to you should your offer be rejected. Depending on how much you can afford, you can counteroffer if the seller rejects.

As with mortgages, legal services are highly competitive markets so shop around for a good deal.

Ask for an estimate of costs up front, and make sure you choose someone you feel comfortable working with and who will explain in detail the services they provide.

## STEP 5 MAKING THE FINAL CHOICE

### Does your ideal home have any hidden surprises?

You've seen the house, fallen in love with it and you want to move in right away. But keep in mind, what you see is not always what you get.

A home inspector can come in and provide a detailed report of the home and its various working components. This will determine the durability of all components of the home and whether or not any repairs are needed\*.

\* Source: Canada Mortgage and Housing Corporation, [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)



You can ask that your initial offer be conditional on an inspection of the house.

### How much should you offer?

The real estate representative conducting the sale can guide you, but of course the seller will want as much as possible for the property.

Remember to take into account the current housing market in the area in which you wish to buy. You may have to offer the asking price to secure a property in an up and coming area or where there is a housing "boom".

If your offer is accepted, inform your lender and begin the mortgage application process. At this point, you should arrange for a survey if you have not already done so.

### Why is it necessary for you to have a land survey and an appraisal conducted?

Your mortgage lender will insist on an up-to-date land survey. Unless the survey was included in your purchase price, you will be charged for the report.

Other steps you may want to take before buying a house may include having an appraiser evaluate the house. The appraisal will provide a detailed analysis of the home's physical and functional characteristics and compare these to similar homes in the market. This will give you a better idea of the house's fair market value.

It is important to hire people you trust to evaluate your new home. It is worthwhile spending a little extra at this stage, as it could help you avoid any unexpected repair costs in the future.



## STEP 6 SIGNED AND SEALED

### You've made your offer – what now?

The legal process really begins once your offer is accepted. The accepted Offer to Purchase should be reviewed by your lawyer, who will finalize such details as the closing date and names of co-buyers of the house. Your lender will finalize any mortgage details and documents.

You will also need to insure your new property with a home insurance policy that goes into effect the same day you get the keys to your new home.

### How do you insure your home?

Your new home will be your pride and joy; it is essential to insure it fully so that you are covered in the event of anything unfortunate happening to it.

The Insurance Bureau of Canada ([www.ibc.ca](http://www.ibc.ca)) is a good source of information on the various categories of insurance policies available to

homeowners. There are policies that offer more extensive coverage, such as a comprehensive policy, which protects both the building and its contents. There is also basic “no-frills” coverage, for property that doesn’t meet the normal underwriting standards, which covers the bare essentials only. It is also possible to insure your home against “named perils”, such as fire or damage that are specifically named in the policy or to obtain full coverage on the building itself and named perils coverage on its contents only.

Each type of policy allows you to add or remove options that fit your needs. Again, it is important to research all options beforehand and make sure you are getting the best possible coverage available to you.

### How do you protect your mortgage?

#### Life assurance

If you have a family to think about, you should consider taking out a life insurance policy, which would pay off your mortgage, should something happen to you before the term of your loan has ended. Ideally, your policy should be in place before you exchange contracts on your new property. In



any case, the lender will ask that you take out a life insurance policy as it is a requirement for the mortgage.

## Mortgage payment protection insurance

You should also think about what would happen to your home if you were unable to make your mortgage payments. Mortgage payment protection insurance will cover monthly repayments. A high-ratio mortgage always requires mortgage loan insurance and this will usually cost between 0.5% and 3.75% of your total mortgage, along with any additional charges applied. There is also an application fee, which varies among lenders\*.

Mortgage insurance is available through private companies and the Canada Mortgage and Housing Corporation. Once you've decided on the type of mortgage you want, your lender will give you full details.

Paying for high quality insurance when you buy your home could save you a great deal in the long run, so it's worth shopping around for the best deal.

## How is the deal finalized?

Provided that your lawyer's searches do not uncover any nasty surprises, you can then go ahead with the purchase of the property.

At the point of signing the contracts to finalize the deal, all parties agree on the closing date – the date on which you take possession of the home. This could take anywhere from 30 to 90 days from the purchase date.

All that remains now is for you to pick up the keys to your new home.

Your lawyer will arrange for the documents stating mortgage details as well. Now all you have to do is move in.

\* Source: Canada Mortgage and Housing Corporation, [www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)



## What if your plans have fallen through?

Although it can be very disappointing if your offer is rejected, you must not give up hope of finding your ideal home.

The housing market is becoming increasingly complex. It can be difficult to know just how much you should offer for a home, and few people get it right the first time. Persevere with house hunting, listen to what your lawyer and representative advise, and keep up to date with the state of the property market in your preferred buying area. Remember, buying a house is generally a lengthy process, so stay positive.

## STEP 7 SELLING YOUR HOME

Unless you are a first time buyer or you're buying a second home, you will need to sell your existing home as well as buy a new one. This too can be a challenging experience, and there are a number of things to consider in order to get the best price for your property and pave the way for a trouble-free sale.

### How much is your home worth?

Surveys are often carried out by potential buyers who are interested in making an offer for your home. But if you are trying to sell your home, you can arrange for an accurate valuation of your property. This can also be a positive selling point for your home when buyers are looking at it.



A proper appraisal done by a professional can also be the main basis on which to determine the current market value of your home. This is all based on factors, such as the local area and its amenities and the current state of the local property market.

## How much should you ask for?

The real estate representative you hire to conduct the sale of your property will guide you as to the price you should ask for.

You will obviously want as much as possible for your property, but in deciding on an asking price you have to consider several factors in addition to the valuation provided by your survey and appraisal reports.

The area surrounding your property is a prime consideration for prospective buyers. Even if the property you are selling is otherwise perfect, the quality of local schools or amenities could bring its value down. On the other hand, a local property "boom" might mean that you get offers well above your valuation figure and asking price.

You must also consider the value of the various fixtures, which can be included in the sale of your home, when determining the asking price for your property.

## Where should you advertise?

If you advertise through your real estate representative, he/she will place advertisements on your behalf in regional and/or local newspapers and special property newspapers. A "For Sale" sign will also be erected outside your home.

Details of your property will also be displayed in the real estate offices and on their company web sites. Prospective buyers will be able to pick up a schedule and arrange to view your property.

Taking advantage of the marketing services of a representative means that you can leave all the hard work to them.

A professional knows which features of your property will help it to sell and, in their hands, your property's details are more likely to reach a wider audience and attract better offers.



You may, however, wish to take control of the advertising of your property yourself. In this case you can take out ads in newspapers and/or on the Internet, post "For Sale" signs in your windows and organize viewings directly with interested parties.

Although marketing your property yourself may mean that you do not reach such a wide audience (and, therefore, may not receive such good offers) you will not have to pay a percentage of the sale proceeds to a representative.

## How can you make your home as attractive as possible?

When it comes to selling your home, remember that there are usually a lot of properties on the market at any one time. You are in a competitive market, and you have to make your home as appealing as possible to a whole range of prospective buyers.

Your home does not need to look like a showroom when you put it on the market but it should look as neat as possible, externally as well as internally.

Attend to all those minor do-it-yourself jobs you have been planning to do for some time. Squeaky doors, loose handles and cupboard doors that do not close properly can easily put people off.

Get rid of any clutter. Potential buyers will want to see inside your cupboards so don't have them filled or overflowing.

**Fresh flowers will help create a pleasant atmosphere. The aroma of freshly brewed coffee is also very welcoming.**

You may love them dearly, but to allow you space to show viewers around, ask a friend to look after your pets and, if possible, young children. And try turning on as many lights as possible. It is not only more welcoming, it lets viewers see all areas of each room.

Explain to your viewers about the area: tell them about the stores and schools and any popular or interesting facilities or features.



## What if you are not offered as much as you would like?

If the offers you receive are not as much as you had expected or would have liked, you will have to consider whether to accept the best of these lower offers or wait for something better to come along.

You will have to consider the cost of additional advertising and the time it may take to do so, as well as whether your asking price was realistic in the first place. It may be that you were trying to sell during a quiet time of year and that more advertising may bring better offers, or that your house value has been affected by outside factors which are not likely to change in the short term.

## How much does it cost to sell?

If you have a surveyor value your house, you will have their fees as well as those of your lawyer to consider. If you advertise through a real estate representative, they will also charge for their services.

Often this is a percentage of the sale price of your property. Advertising privately is less costly, but as noted above you may not receive such good offers if you cannot reach as wide an audience, so keep this in mind.

Moving out will incur the cost of hiring a moving company. And if you have not already found your next home, you may have to rent while you continue your house hunting.

You may also be liable for a mortgage redemption fee. Consider all these costs when you are thinking of selling and deciding what price you would like to receive for your property.

## STEP 8 MOVING IN

### How can you make the move as smooth as possible?

Even if you are moving into your first home, you may require the services of a professional moving company.

Well in advance of your proposed moving date, contact several companies and ask for a quote. Let them know where you are moving to, what kind of property it is, and how



much is being moved – and whether there will be any particularly bulky objects, like a grand piano.

You can find companies listed in your local directory. If you decide to move yourself, you can rent large trucks to carry your belongings to your new house.

The cost of a professional moving company varies based on the number of hours you'll require their services for and what time of year you are moving.

Summer is the busiest season for moving, partly because of school holidays and partly because people try to tie in their move with holidays from work. While most moving companies will charge \$50-\$100 per hour, this price is usually higher in summer or at the end of the month, which is also another popular time to move.

You will also have to remember to contact gas, electricity and telephone service providers to transfer your accounts to your new address.

If you have small children, you might want to consider arranging for someone to look after them on the day you move – it will give you one less thing to worry about.

## Who do you need to inform of your move?

You should send out change of address letters to banks and other financial institutions, utility providers, employers, as well as to family and friends.

Now you can turn the key, open the door and step confidently into the home you have always wanted.



## HOME BUYING CHECKLIST

- work out what you can afford to buy
- research the mortgage market, and talk to your financial advisor about what mortgage is best for you
- consider the types of property within your price bracket that suit your needs
- visit real estate representatives and property and have your name put on mailing lists
- list what you want from a home, and take the list with you when viewing
- view as many properties in your price range as you can, to get a feel for the market
- take account of repairs, decoration and running costs on the home you propose to buy
- find a lawyer to act for you when contracts must be drawn
- make your offer, stating all conditions
- complete your mortgage application
- arrange for building and contents insurance, and consider life assurance and mortgage payment protection insurance
- obtain quotes from moving companies
- move in.

## SELLING CHECKLIST

- obtain quotes for fees and charges from lawyers and real estate representatives
- speak to your financial advisor about redeeming your mortgage or remortgaging
- work out the likely total costs of the sale, including repairs and moving
- hire a lawyer or real estate representative to act on your behalf
- decide your asking price, and plan what to say in your advertisement
- complete any urgent repairs
- present your home at its best, making sure it is clean and clutter-free
- be available to show your home to prospective buyers, and be friendly and welcoming to them
- gently stress, without over-selling, the good points of your house and neighbourhood
- discuss any offers with your advisor.

## USEFUL CONTACTS

**Canada Benefits  
(Government of Canada)  
Public Works and  
Government Services**  
Ottawa, Ontario  
Canada  
K1A 0S5  
Attn: Canada Site – Canada Benefits  
1 800 622-6232  
[www.canadabenefits.gc.ca](http://www.canadabenefits.gc.ca)

**Canadian Bankers Association**  
Box 348  
Commerce Court West  
199 Bay Street, 30<sup>th</sup> Floor  
Toronto, Ontario  
Canada  
M5L 1G2  
(416) 362-6092  
[www.cba.ca](http://www.cba.ca)

**Canadian Home Builders Association**  
Regional offices located across Canada  
[www.chba.ca](http://www.chba.ca)  
Email: [chba@chba.ca](mailto:chba@chba.ca)

**Canadian Institute of Mortgage  
Brokers and Lenders**  
2255 Sheppard Avenue East  
Atria 1, Suite 414  
Toronto, Ontario  
Canada  
M2J 4Y1  
1 888 442-4625  
[www.cimbl.ca](http://www.cimbl.ca)

**Canada Mortgage and Housing  
Corporation**  
700 Montreal Road  
Ottawa, Ontario  
Canada  
K1A 0P7  
Regional offices located across Canada  
[www.cmhc-schl.gc.ca](http://www.cmhc-schl.gc.ca)

**Canada Revenue Agency (Guide for  
Canadian Small Businesses)**  
[www.cra-arc.gc.ca](http://www.cra-arc.gc.ca)

**The Canadian Real Estate Association**  
344 Slater Street, Suite 1600  
Ottawa, Ontario  
Canada  
K1R 7Y3  
1 800 842-2732  
[www.crea.ca](http://www.crea.ca)

**Insurance Bureau of Canada**  
151 Yonge Street, Suite 1900  
Toronto, Ontario  
Canada  
M5C 2W7  
(416) 362-2031  
[www.ibr.ca](http://www.ibr.ca)

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