



“Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care, it is about the safest investment in the world.”
 ~ Franklin D. Roosevelt

Tips for Homebuyers: Home Buyer's Guide

Everyone needs a place to call home. But like most, your first residences are likely to be rentals - typically an apartment or a condominium. For many however the desire to actually own a property gradually takes shape and that's when the time is right to make the significant jump from renter to owner. A lifestyle change on that level is not something you can or should make quickly or without a great deal of planning.

In all likelihood purchasing a home will be the largest, most expensive and the most complex undertaking you will complete in your lifetime. Any transaction on that scale is certain to generate a great deal of confusion and apprehension.

To help dispel some of that fear, and to offer insights and suggestions to make the journey easier, your friends at **Sun Porch Homes** are offering within these pages a few tips to make the transition as painless as possible. The future is yours, let's take those first steps toward it together!



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Finances: Crucial to Home Ownership

Buying a home is in all likelihood going to be the largest single purchase you will make in your life. Unless you're independently wealthy making that purchase will require the use of a mortgage - a financial instrument used by banks that is defined as:

"A mortgage is a loan in which property or real estate is used as collateral. The borrower enters into an agreement with the lender (usually a bank) wherein the borrower receives cash upfront then makes payments over a set time span until he pays back the lender in full."



With a pay back calendar that typically takes years if not decades to pay back, a mortgage is the usual way of purchasing real property. So the key to buying a home is to determine beforehand how much you will have available to spend. This is referred to as being pre-approved or pre-qualified for a mortgage, an essential part of the financial process. You're only setting yourself up for disappointment if you have visions of owning a \$1 million home, but only qualify for a mortgage that will only cover half of that amount.

In a nutshell it's vital that before you even begin looking for a home you know how much you can afford to spend. To pre-qualify for a mortgage the potential buyer will be required to provide financial information to their mortgage broker, banker or other financial institution.

This information will typically include such information as the borrower's total savings and any investments. It will also include information about their work, employment history, wages, debt loads or any other information the lender deems of interest. The lender then reviews the information to determine exactly how much they would be willing to lend. Knowing what funds are potentially available will help the home buyer in deciding the price range of the homes they should be looking at.

It's also important to remember that no financial institution will provide 100 percent of the money needed to purchase a home. The buyer must provide a down payment out of their savings before a lender will provide a mortgage. In British Columbia it's important to note that if buying a home costing between \$500,000 and \$1 million, the federal government recently increased how much you must place as a down payment. With the new rules, the buyer has to put down five percent for the first \$500,000 but 10 percent on the amount between costing between \$500,000 and \$1 million.

If buying a home is part of your future plans a key part of the success of that plan is to begin the process of saving a down payment as early as possible. Even if the minimum amount required is five percent it is a wise move to save more than that before taking out a mortgage. Remember that the larger the down payment the smaller the mortgage - and the smaller the mortgage the quicker you will own your property outright, which is the goal of every home owner.

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Mortgage Costs Only Part Of The Story

There you are, almost a homeowner. You have been pre-approved for a mortgage, you've found the right home in the exactly the right neighborhood and all of your financial considerations have been taken care of. But have they?

While it's terrific that you've managed to save enough for the down payment and have successfully secured a mortgage from your favourite lender, what you may not realize is that the mortgage is only one of a number of expenses that have to be addressed when purchasing a home. Often collectively referred to as 'Closing Costs' these lesser but crucial expenditures are key elements in buying any property.

You're obvious intention when buying a house is to enjoy living in it for the long term. No one wants to discover some hidden problem days or weeks after moving in. That's why it's important to find out everything you need to know about your home beforehand - which is where a property inspection comes in.



While we're going to be examining this important step in greater detail later in this document, a home inspection is carried out to help uncover any issues that could impact the final purchase price of the property - discoveries that potentially could slow or even end the sale outright. While a home inspection report is considered an option by some buyers, paying for one before hand really can pay for itself in the long run.

Another optional but important consideration is to carry out a property survey. While homes constructed in an urban or suburban setting may not require one, if you're considering acquiring a rural property or a home on acreage then it is well worth the expense to correctly identify the existing property boundaries, land setbacks, outbuilding status or any other restrictions that might impact the property's value. To carry out a legal property survey you will need to hire the services of a professional land surveyor.

Another expense that is essential for home buyers is to acquire insurance. Most lenders require this as a condition of granting a mortgage as it protects both the buyer and the lender. Property insurance provides protection against the typical problems that can impact a home, such as fire or natural disasters. The lending entity will normally require you to arrange for a level of insurance that will cover the property's replacement value should the worst occur. Insurance is not an optional acquisition and must be in place before the mortgage can be approved.

While every home purchase situation is unique there are typically other standard expenses that have to be covered before the deal is wrapped up. These include but are not limited to any outstanding tax issues connected to the property such as land transfer taxes or service fees assigned by the local municipality. There will also be legal fees to be paid, such as disbursements your lawyer had to pay for work carried out on your behalf. Fees vary by province and municipality and may be subject to GST or HST.

Only this is only a cursory list, always do your homework beforehand to discover exactly what the bottom line costs are.



What Kind Of Home Do You Need?

It's your home, it has to reflect your needs (both now and in the future) and it has to support the lifestyle you desire for long term. Finding the right sort of property for you and your loved ones is not something you can afford to do without a lot of thought or planning.

While you're still saving for your down payment look at your present situation and think about where you want to be in the future, try to envision the type of life you want to be living in five or ten years - let that vision help to guide you when considering what kind of home you ultimately will want to buy.

Are you the sort of person who has to be part of the action? Then for you a stand alone house in a distant subdivision might not be the best option. For you a condominium or townhome right in the city center might be the perfect fit.

Likewise if you're the sort of enjoys being a hand's on sort of owner, or have dreams of gardening or tending lush flower beds, then a high rise tower isn't for you. In your case a home with a yard will be the perfect match.

What if your long range plans include needing space for a business, or if you have a desire to operate a hobby farm? Then for you acreage and a more rustic setting would satisfy your dreams. You get the idea? Each person and each case is going to be as distinctive and as individual as the person or couple involved. Here are a few considerations when planning your dream home.

If you're a young couple perhaps the thought of a family isn't in the cards right now, but what about tomorrow? If you planning on (or already have) a growing family realize that any home selected today might not satisfy all of your needs over the long haul. When house hunting with a growing family you might place a lot of emphasis on a home located in proximity to schools, shopping and other resources. The design of your new home will be essential for your enjoyment of the property. If you have young children you will want their bedrooms close to the master bedroom. Likewise there have to be plenty of bathrooms and a kitchen equipped to handle the needs of an active family.

If you're a retiree, or an empty nester than your needs will be entirely different. For you a large home and yard might be a source of work you no longer desire. As you age you home might have to situated closer to services such as medical or social that were not important earlier in your life.

A retirement age couple might require a home with a floor plan that reflects their current situation. Perhaps stairs are becoming a problem - so a single story home will be the answer. Perhaps the bathrooms have to be configured to account for reduced mobility or other restrictions.

A home is a long term commitment so it's essential to plan in advance for the changes you will encounter in your life. Planning today will help ensure a happier tomorrow.



Selecting The Right Neighbourhood

It's important when looking for a new home to consider the neighborhood it is located in. Your home does not exist in isolation, neither do you. What style of home do you like? What needs have to be satisfied for you to be happy? Where do you see yourself in the future? These and countless questions have to be asked before settling on the right home and area for you.

Your present situation will help to determine the home you finally settle on. If you're single, or a young couple, a growing family or a retiree your individual needs in all things will be entirely different. So too will be your housing needs.

With your lifestyle of today in mind (and with a vision of where you want to be in the future also handy) it's a good idea to simply drive around your community to see where you want to live. Even if you've lived in the area your entire life it's likely you'll discover something new about your city just by driving around.

If a family home is on the check list then look for an area where there are plenty of children. You can gauge the vitality of a neighborhood by the activity on the street. If there are schools and shopping in the area, if there are children playing in parks or riding their bicycles this suggests a developed, safe and family-friendly area.

Municipal governments often compile information on their neighbourhoods, such as crime rates, transportation routes, school catchment areas, walkability scores and other data. City Hall can be a useful resource when researching your future neighbourhood.

If you want to live in a residential neighbourhood then focus on sectors of your community where home ownership predominates over rental properties. It's a general rule of thumb that long time residents of an area bring a sense of pride and community spirit to a neighbourhood that a more transient renter might not share. Longtime residents also tend to look out for each other which helps to keep crime rates down and promotes safety throughout the area.

The availability of conveniences also helps to keep a neighbourhood viable, progressive and popular. Properties located close to major employers, those close to schools, hospitals and shopping areas are also quickly snapped up. A popular neighbourhood is by and large going to be a safer and more appealing neighbourhood.

So what should you do? Excellent ways to learn about the different areas in your community include regularly attending REALTOR® open houses in the neighbourhoods that appeal, or simply spending casual time in some of the areas that have peaked your curiosity. An alert homebuyer can learn a great deal by walking around, having coffee in the local shops, or doing a little shopping in the region's stores. Finding the right neighbourhood for you is essentially a self directed course of study - but the right decisions will make the process of home ownership easier and infinitely more satisfying.



Home Inspections Offer Real Value

As was touched on briefly earlier in this document hiring the services of a licensed professional home inspector prior to purchasing a home should be an essential part of the home buying process - not an option. You would never consider purchasing a car without taking it for a test drive, so why would you buy a home without first knowing everything there is to know about it?

A home inspector will seek out existing and potential problems in a property using a variety of tools and systems. They also bring to the job site an innate eye for detail that comes from their training and experience that a novice or amateur simply can't. The services of a home inspector directly benefit virtually every party involved in the purchase, as outlined below.

For the homebuyer: Hiring a professional home inspection will provide the purchaser with a clear understanding of the physical condition of the home in order to make a well-informed decision. The written report discloses any deficiencies as well as noting positive features. Having access to this report will allow the buyer to either request that any deficiencies be corrected prior to completing the purchase, or to modify the sale price to reflect the costs needed to make the necessary repairs. In an extreme case the inspector's report could see the entire sale process come to an end - heading off major issues long before they happen.



For the homeseller: A professional home inspection is a strong selling point for the seller. A professionally crafted inspection report clearly showcases to potential buyers that nothing is hidden from them, while highlighting the many positive features of the house. Full and documented disclosure before the sale allows the vendor to more completely prepare the property for sale with the goal of maximizing its asking price.

For the Real Estate agent: A home inspection reinforces the relationship between agent and purchaser – important in developing a long term client referral network. A satisfied purchaser ultimately represents potential future listings and commissions. A professional home inspection makes it much easier to overcome and potential obstacles to the sale while keeping the purchase process moving forward.

For the lending institution: The purpose of the lending institution or mortgage broker is to sell the mortgage. Having access to a complete and verified home inspection report adds an additional level of credibility to the sale. A professional inspection allows purchasers to plan financially for both the cost of the house and any necessary repairs if required. This means there will be no surprises for either the purchaser or the lender which gives the lending institution added security.

For the lawyers: The lawyer works in the interest of the purchaser and as a result it's important for them to encourage their clients to have an inspection completed prior to the sale concluding. By taking this step they can alert their clients to any potential concerns, which ideally will prevent possible litigation in the future.



Making Use Of Available Professionals

In simpler times business transactions were handled one on one, with an understanding and a handshake all that was required to conclude the deal. But in the realities of the 21st Century such quaint notions are both obsolete and rife with the potential for abuse.

You would never serve as your own doctor or dentist, so why would you consider embarking on the largest and most complex purchase in your life without professional support? Buying a home in today's marketplace is complex and ever changing. Contemporary homebuyers face more challenges including but not limited to stricter financing, low housing supplies, higher mortgage rates and rising prices than ever before.

To help negotiate today's dynamic and shifting housing marketplace buyers need the services of a real estate sales professional to ensure they receive the best value and that all the myriad legal and administrative matters connected to home ownership are completed correctly. An experienced and qualified REALTOR® will understand the current market conditions and even more importantly, they have the personal experience to help the buyer find the right home at the best price and terms.

Having exclusive access to the Multiple Listing System® (MLS®) a real estate sales professional can help you find a home quickly and with the least stress. Not only do real estate agents have access to the MLS®, they also routinely share knowledge of homes coming onto the market with their colleagues. Real estate professionals will tell others about your requirements for a home so they can also be on the lookout for you - essentially dramatically expanding the pool of people working on your side. This level of networking is considered one of the biggest advantages the real estate profession can provide. Many homes are bought and sold without a sign ever going up on the lawn, thanks to this vibrant networking system.



If you want to be the buyer positioned to make first and best offers on the most desirable homes, make certain your agent knows you are committed. How do you show you're serious? There are several ways, chief among them by pre-qualifying with a lender. A REALTOR® can't help you find the home of your dreams until they know exactly how much you can afford to spend. Your agent won't go over your limit because it would be a waste of time to show you homes you can't afford to buy.

But as a professional there is a certain level of etiquette when it comes to working with a REALTOR®. Chief among these is the understanding that you can only work with one agent at a time, as buyers will be required to sign a buyer's representation agreement when beginning their home search. This contract states that your agent will work exclusively on your behalf throughout the home buying process. It's also not in good form to shop for homes without your agent, including at open houses or builder homes. Always invite your agent to go along to keep them informed and up to date.

Working together makes the process easier and more successful for all parties involved.



Home Ownership & the Millennial Generation

While there is no 'best age' to become a home owner, as literally everyone from teens to seniors routinely take the plunge into home ownership. While many statistics state that couples in their 40's are the primary purchaser of homes, increasingly the Millennial generation are discovering the advantages (and pitfalls) that come with buying a home.

Statistical data from the United States suggests that while there certainly has been interest in home ownership among this increasingly important segment of the marketplace, Millennials as a whole have shown less interest in buying property than other previous generations.



Research conducted by the Urban Institute's Housing Finance Policy Center in Washington, DC shows that approximately one in three persons under the age of 35 owned a home in the United States at the end of last year. This figure is about eight to nine percentage points lower than previous generations' home ownership rates at ages 25 to 34.

Even among those young buyers who have taken the plunge, the rates of 'buyer's remorse' they exhibit far exceeds those expressed by earlier generations. One such survey suggested that almost two-thirds (63 percent) of home buyers between the ages of 23 and 38 say they regret making the purchase.

In comparison about 35 percent of the baby boom generation (ages spanning 55 to 73) say they regret buying a home while approximately 50 percent of Gen Xers (aged between 39 and 54) express buyer remorse.

So why are Millennials not embracing the concept of home ownership? Part of the problem stems from the discovery of the hidden costs that go with owning property, such as taxes, maintenance and repairs. Having to look after a home on an ongoing basis has been cited as the Number One reason millennial home owners become frustrated.

Already cash strapped due to mortgage payments, often while still trying to pay off existing student loans and other commitments, millennial buyers often become stressed and despondent about their purchase. This level of disappointment is compounded by the fact that those in this population segment who have purchased their homes were often forced to take on more than one job to save enough money to make their down payment. By some accounts as many as a third of millennial buyers had to take on a second job just to enter the marketplace.

That said, as this generation ages, becoming an increasingly important part of the home buying public, their perseverance and recognition in the value of owning real property will help to protect them against marketplace changes or any other unforeseen economic uncertainties the future might bring.



Home Ownership & Changing Personal Needs

You have found the home of your dreams, you secured financing, navigated the legal challenges involving in purchasing property and have signed on the dotted line. You are now a homeowner. But if you are like many other people your personal needs will change, sometime dramatically over the years - including your housing requirements.



The simple fact is the dream home you purchased when you were a newlywed might seem vast, empty and simply too much work once you begin to think about your retirement years. For many the cycle of life you are going through is reflected in your choice of habitation with the result that the home that was to be your castle for the rest of your life might outlive its purpose. That's why for many owners downsizing is the perfect answer for enjoying their golden years.

Many owners have discovered that there are many valid reasons to buy a smaller home. We have all be brought up in a Western style school of thought that bigger is always better. But when it comes to a home, many times smaller is the far better route. But getting past that notion does take a little

personal adjusting. Let's take a look at some of the main reasons home owners choose to downsize and see if they match with your personal needs.

When you were part of a growing family space was a necessity. More rooms, more bathrooms, a big yard to play in, a multi-vehicle garage to hold your toys. But now the empty nest syndrome has occurred, the children have left to start their own lives and the empty rooms simply echo with sounds of fading memories.

A real advantage of downsizing is financial. If you sell your large home and then use part of that win fall to purchase a smaller home, you will still have the difference safely tucked away in the bank - helping to make your retirement that much easier.

Looking at it from a purely business perspective you will have dramatically increased your cash flow by suddenly eliminating many of the costs of owning and operating a large home with the less challenging commitment that a smaller home provides.

A smaller home takes less time to keep clean as there are simply fewer rooms to clean. A new and smaller home will also be a genuine cash saver as it will undoubtedly be more economical to heat or cool, depending on the season. In a smaller home (say for example a townhouse) all of the available space is being used as you are no longer heating and providing light for empty rooms, or a basement you no longer need. From a more global perspective a smaller home is a greener home and your energy usage and carbon footprint will be sharply reduced, which ultimately helps the entire planet.

A smaller home also requires less ongoing maintenance which saves even more money while helping to reduce owner stress by providing a much more abridged maintenance workload. Downsizing is a proven win-win for many.