

Your First Home A Buyers Guide

Compliments of
Paul Brinton
RE/MAX Central
540-0331



Congratulations,

On making a decision to purchase your own home. This booklet covers many of the questions and concerns facing the first time homebuyer. Over the years, I have specialized in successfully helping people such as you find that special property.

I would be happy to get together with you, in order to help you to determine what type of home is best for you. At that time I can enter your current criteria into the system to see what's available, and even view pictures of many of the properties. When you have decided on the particular specifications, we can save them as a prospect, to ensure we don't overlook any suitable homes.

I'm confident you will be pleased with my commitment to customer service. Please feel free to call any questions you might have.

Sincerely,

PAUL BRINTON
FRI, SRES, CRES, RRS
RE/MAX Real Estate (Central)
(403) 216-1600 Bus.

STEP BY STEP TO YOUR FIRST HOME

Buying the right home can be an exciting challenge and can bring satisfaction and pleasure to your life for years to come.

Make no mistake; buying your first home is a challenge for which you should be fully prepared. Most home buyers want to get the most for their money and find their credit fully extended. Some are surprised by additional expenses for which they are not prepared. With the information in this package you can plan ahead to avoid any unpleasant surprises.

I have been working with buyers such as you since 1991. The RE/MAX office I work out of is one of the most dominant companies in Calgary, providing you with access to many properties that never make it to the MLS. Together, we make a great team.

The first question you should ask yourself is, "Should I really buy a home?" The following information outlines some of the advantages and concerns associated with home ownership.

OWNING A HOME: PROS AND CONS

PROS

- You have greater privacy and freedom, generally more space than in a rental property.
- Real estate, in most parts of Canada, has been an excellent long-term investment and any capital gains you make on your principal residence are tax-free when you sell, which is likely the only 'tax free' investment left.
- When the mortgage is paid off, you will own the house and land.
- You'll be free to improve the house and garden to suit your taste and needs as they arise.
- If your family grows, you may be able to add rooms or make other changes necessary to accommodate them, you may want to upgrade to a larger home using the equity you have built up or you may keep this home as a revenue property and move to a second home.
- As you continue to own your home, you build up "equity."
- There's a "pride of ownership" and sense of having roots when owning your home.

CONS

- Your monthly payments may be higher than your present rental payments, especially with a small downpayment.
- You'll be making a long-term financial commitment, months or years.
- You'll be taking on property tax and maintenance costs - if something breaks, it will be up to you to have it fixed.
- Maintaining and improving the property could take considerable time and effort.

CHOOSING YOUR REAL ESTATE REPRESENTATIVE

The real estate representative you choose should be your working partner in the search for a home, as well as an advisor in all of the complexities of financing, presenting the offer and planning the steps that will lead to your first home.

The buyer generally does not pay for the services of the representative. Your representative shares in the commission paid by the seller of the house.

Purchasing and selling real estate requires a large investment of money and time. To do it with a sense of security and enjoyment requires a knowledgeable, caring realtor with a high degree of communication skills, dedication, ethics and up-to-date product knowledge. A professional realtor must have intimate knowledge of financing, closing costs, market trends and the ability to match people's needs with the appropriate kind of real estate, to enable their customers and clients to achieve their goals and enhance the investment potential while minimizing the costs involved.

When you are ready to search for your first or future homes, you should first search for your realtor. This step is the single most important step; it is as important to you as your dentist, doctor, accountant, lawyer, etc. and the following things need to be considered:

1. Integrity, honesty & ethics;
2. Product knowledge, both general & specific;
 - a. wide base of general real estate knowledge
 - b. specific areas you are interested in or price ranges you are interested in
3. Knowledge of marketing trends, closing and negotiating skills; and
4. Rapport with you and ability to understand your needs and requirements.

You can locate a realtor through the following means:

- Recommendations from friends
- Calling companies and asking the manager to recommend someone for your needs
- Ads

You can select one by interviewing or just talking to them.

RE/MAX representatives offer a full range of services along with friendly, professional help for first-time home buyers.

When you have a realtor you feel comfortable with, remember the following:

You and your representative make a team, so please remember that your realtor will spend a large amount of time and money searching to find the right property for you or to market your existing one.

Your realtor can give you an infinite amount of information when you need it; from market evaluations and trends, to information on offers, listings and other legal contracts necessary for purchasing and selling; recommend lawyers, mortgage institutions, get or give you financial advice, give you emotional support during stressful moments and show you homes so that you have the product knowledge necessary to make a good decision.

Your realtor has to make a living and probably has to make mortgage payments just as you do. Realtors spend a large amount of money to obtain their license, upgrade their knowledge, and obtain business. Your realtor will treasure your business and referrals and treat you well, but you also have a commitment to them.

Please remember the following:

1. When you make an appointment with a realtor to view a house, and then you decide to make an offer, that realtor should write the offer. Don't look at a house with one realtor and call another to write the offer. This causes stress and hard feelings.
2. The realtor that shows you the house by appointment has **threshold rights**, meaning that they will be paid the selling commission if you buy that home. This **does not** currently hold true with **OPEN HOUSES**. If you make an appointment and look at a house with one realtor and then call "your realtor", your realtor may have to work without pay.
3. You **may** look at **OPEN HOUSES** with no obligation to the realtor sitting in the home.
4. You **may** look at new homes without your realtor, but check with your realtor **first**. Some builders require that the realtor register you **first** or the realtor at the show home will claim the commission.
5. Please call me as soon as you see a 'For Sale' sign on a property or an ad or an open house that you are interested in. They would much rather show you the home than have a conflict with another realtor at a later time. If they work hard for you, spend time and care about your interests, they do deserve the commission. You wouldn't like your paycheque to go to one of your co-workers, would you?

CALCULATING YOUR GDS RATIO

Your Gross Debt Service Ratio (GDS) is calculated by adding the total of your monthly mortgage principal, interest and taxes (PIT) together and dividing that figure by your monthly income. Depending on the financial institution, guidelines have been set that allow a maximum of 27% to 30% of your gross income to be used for the mortgage PIT.

$$\text{GDS Ratio} = \frac{\text{Monthly Principal} + \text{Interest} + \text{Taxes (PIT)}}{\text{Monthly Income}}$$

Gross (pre-tax) Monthly income of Purchaser(s) \$ _____
 \$ _____

CALCULATING YOUR TDS RATIO

In addition to looking at the GDS Ratio, most lenders require that an applicant meet a Total Debt Service Ratio or TDS Ratio, a maximum of 35% to 40% of gross income. The TDS Ratio is calculated much the same as the GDS Ratio, but takes into consideration all other debts and loans you may have.

$$\text{TDS Ratio} = \frac{\text{Monthly PIT + Other Monthly Payments}}{\text{Monthly Income}}$$

Gross (Pre-Tax) **Monthly** income of Purchaser(s) \$ _____
 \$ _____
TOTAL MONTHLY INCOME \$ _____

To calculate your TDS Ratio, take 40% OF \$ _____ (total monthly income) = \$ _____
 _____ available for monthly principal + interest + taxes + other payments (PIT + Other)

To estimate the maximum monthly mortgage payment you could carry within your allowable TDS Ratio,

Allowed monthly PIT + Other \$ _____

LESS OTHER MONTHLY PAYMENTS:

Credit cards	\$	
Car loan	\$	
Other loans	\$	
Alimony/child support payments	\$	
Other debts	\$	
TOTAL OTHER MONTHLY PAYMENTS	\$	
Subtotal		\$ _____
LESS estimated property taxes		\$ _____
Maximum monthly mortgage payment		\$ _____

Use an Amortization chart to determine the maximum mortgage for which you qualify under the TDS Ratio guidelines.

\$ _____ **MAXIMUM MORTGAGE PRINCIPAL + INTEREST UNDER TDS RATIO GUIDELINES**

Your Builders Realty representative can help you to determine how large a mortgage you can assume under the TDS Ratio guidelines.

HOW LARGE CAN YOU MAKE YOUR DOWNPAYMENT?

Downpayments are necessary because lenders won't advance the entire purchase price of a home. To take out a **single conventional mortgage** you will need a downpayment of at least 25% of the appraised value of the house and property (an independent appraiser selected by the mortgage lender will appraise the house.) The size of the downpayment can be reduced in several ways, including taking out a high ratio mortgage, adding a second mortgage, taking out a personal loan, or getting a vendor take-back (having the seller hold a second mortgage). You may be able to reduce the downpayment to 5% of the appraised value.

With the help of your banker or broker, I can give you information on mortgage financing options and help you decide on your strategy.

PURCHASE EXPENSES

In addition to the actual purchase price of your home, there are a number of other expenses to be paid. Your representative can show you which ones on the following list will apply to your home.

EXPENSE	TIME OF PAYMENT
Deposit	At time of offer
Mortgage application fee	At time of mortgage application
Property appraisal	At time of mortgage application
Property inspection	At inspection
Balance of purchase price	Closing
Legal fees	Closing
Legal disbursements	Closing
Property survey or real Property Report	Closing
Land transfer	Closing
Mortgage interest adjustment	Closing
GST	Closing
Adjustments for taxes, condo fees, Rental deposits and interest, etc.	Closing
Mortgage insurance	Closing
Home & Property insurance	Closing
Moving expenses	Date of move
Home & garden implements	
Other expenses	

HOW MUCH CAN YOU AFFORD?

The objective is to accurately calculate the size of the monthly mortgage payments you can comfortably carry. That, and the amount you have available for the downpayment, will determine the amount you can afford to pay for a home.

With the help of your banker or broker, I can help you work out how much you can afford for a home.

Your representative or mortgage company will ask for written proof of salary, assets and other sources of funds which will be required later by the mortgage lender.

The current mortgage interest rate will affect the calculations. The higher the rate, the higher the monthly payment will be. I strongly suggest a **Pre-Approved Mortgage**. Many lending institutions can help with this and it's almost like cash in your pocket. You can look at homes knowing how much money you will have if you should wish to make an offer.

The size of the downpayment can be reduced in several ways, including taking out a high ratio mortgage, adding a second mortgage, taking out a personal loan or getting a vendor take-back. You may be able to reduce the downpayment to 5% or 10% of the appraised value.

Your downpayment can include savings, any cash proceeds from the sale of your present home, other assets or gifts from family. If you borrow funds for your downpayment, you must include the payments in your TDS Ratio calculations.

How much your home should cost...	
Total downpayment	\$ _____
ADD Total maximum mortgage*	\$ _____
TOTAL maximum cost of home	\$ _____
* Use GDS Ratio or TDS Ratio figures, whichever is less	

MORTGAGE AMORTIZATION CHART

Follow the chart DOWN, under the current interest rate, to the amount of your maximum mortgage payment (NOT INCLUDING taxes). Follow that line to the left to determine the maximum mortgage, after downpayment, for which you may qualify.

AMOUNT OWING AFTER DOWN-PAYMENT	Amounts are Approximate					
	7%	8%	9%	10%	11%	12%
30,000	210.12	228.96	248.40	268.50	288.90	309.60
40,000	280.16	305.28	341.20	358.00	385.20	412.80
50,000	350.20	381.60	414.00	447.50	481.50	516.00
60,000	420.24	457.92	496.80	537.00	577.80	619.20
70,000	490.28	537.24	579.60	626.50	674.10	722.40
80,000	560.32	610.56	662.40	716.00	770.40	825.60
90,000	630.36	686.88	745.20	805.50	866.70	928.80
100,000	700.40	763.20	828.00	895.00	963.80	1032.00
110,000	770.44	839.52	910.80	984.50	1059.30	1135.20
120,000	840.48	915.84	993.60	1074.00	1155.60	1238.40
130,000	910.52	992.16	1,076.40	1163.50	1251.90	1341.60
140,000	980.56	1068.48	1159.20	1253.00	1348.20	1444.80
150,000	1050.60	1144.80	1242.00	1342.50	1444.50	1548.00
160,000	1120.64	1221.12	1324.80	1432.00	1540.80	1651.20
170,000	1190.68	1297.44	1407.60	1521.50	1637.10	1754.40
180,000	1260.72	1373.76	1490.40	1611.00	1733.40	1857.60
190,000	1330.76	1450.08	1573.20	1700.50	1829.70	1960.80
200,000	1400.80	1526.40	1656.00	1790.00	1926.00	2064.00

Based on 25 year amortization period.

DECIDE ON YOUR STRATEGY

The real estate market can fluctuate. As your representative my knowledge of the market will help me to advise you on whether it's a **buyer's market, seller's market, or a balanced market.**

The type of market determines your strategy. The working partnership with your representative will pay dividends in working out the best approach to achieve success.

WHAT KIND OF HOME

The more information you give your representative the faster you can start looking for your home. You should decide on the neighbourhood and the kind of home: number of bedrooms, bathrooms, lot size, type of house (bungalow, two-story, condominium, townhouse, semi-detached, detached, type of construction, etc.) whether you want a garden, fireplace or finished basement, as well as dozens of other details.

My experience in dealing with people who faced the same decisions as you will help me guide and advise you on these important decisions. The aim is to build a realistic profile of your future home.

VISIT AND COMPARE PROSPECTIVE HOMES

We can search the Multiple Listing System for homes suiting your needs and budget, and even view pictures of many of them before we begin to visit potential homes. Every possible source will be considered and there is no need for you to search.

If, by chance, you know or hear of a home that may be suitable, contact your representative as soon as possible for assistance. Your representative will quickly obtain all the information and arrange for you to see it, saving you time and trouble.

Select a short list of homes and visit them with your representative. When you walk into somebody else's home, have an open mind. Try to ignore the furniture and decorations - visualize it as you would arrange it.

Keep notes as you will likely visit a number of homes. Pay close attention to the condition of the home, make sure that it is structurally solid and mechanically sound. While items such as paintwork and decor may be important, they can be changed later to suit your taste. You can have a specialist inspect the home and give you a home inspection report if you consider this necessary.

MAKE AN OFFER

When you find a home that you like, at a price that fits your budget, sit down with your representative and prepare an offer to purchase. Your representative will provide detailed assistance and guidance, then arrange to present your offer to the owner of the home you want to buy. The acceptance of your offer by the seller means that you have entered into a legal and binding contract to buy a home.

There are six major elements to be considered in an offer to purchase:

1. **Price** - you should make a "reasonable" offer to get consideration from the seller.
2. **Deposit** - the deposit shows intent or 'good faith' and will be applied against the purchase when the sale closes. Your representative can provide guidance on a suitable amount for the deposit, which would be refunded should the offer not proceed.

3. **Terms** - these include the total price you are willing to pay for the home and how the money will be paid. You might arrange your own mortgage financing, you may be able to assume an existing mortgage or you might ask the seller to hold a mortgage.
5. **Inclusions** - these might include appliances and certain fixtures or decorations such as drapes, blinds, storm windows, mirrors, sheds, garage openers, vacuflo attachments, etc.
6. **Closing Date** - the seller may have one date in mind, you may have another - the final agreement may require some compromise from both buyer and seller.

CONDITIONAL OFFERS VERSUS FIRM OFFERS

A firm offer for a home means that the buyer is not placing any conditions on the purchase, the seller has only to accept the buyer's offer and the home has been bought.

A conditional offer means that the buyer has placed one or more conditions on the purchase such as 'subject to financing'; until all of the conditions have been satisfactorily discharged, the sale is not completed.

If, for some reason, you are unable to satisfy your condition, (i.e., you are unable to qualify for the financing you require) your deposit will be returned to you in full. Once you have satisfied your conditions, which must be done within the allotted time, your offer is considered a firm and binding contract.

The best offer is usually the firm offer, therefore, a firm offer is considered more readily by the seller.

The benefits of the **Pre-Approved Mortgage** are that you can shorten the time of financing, knowing that your mortgage arrangements are already in place, subject to an appraisal or CMHC approval.

FROM ACCEPTANCE TO POSSESSION DATE

The "possession date" - which is generally the same as the "closing date," is generally 30 to 60 days or more ahead.

Your legal professional will have to check all the details concerning the transfer of ownership and prepare the necessary documents. You will have to give notice to your landlord if you're renting, arrange insurance, telephone, cable, change of address and movers.

WELCOME TO YOUR HOME

The day you get the keys and take possession of your home is exciting. You will already have met with your lawyer to sign the ownership documents and arrange for the payment of the balance of the purchase price, legal fees and disbursements. Certified cheques are normally required.

Congratulations! Together we've found your home!

LIST OF LAWYERS & MORTGAGE INSTITUTIONS

Recommended lawyers:

Recommended bankers:

SOME THINGS YOU SHOULD KNOW....

In order for me to give you the best service I can, I'll need to know a lot of information about what kind of home you want, how you live in a home, what really suits you. On the other hand, there is a lot of new information that you'll need to understand.

The home buying process is fairly simple but there are some lesser known things that you should understand about our industry. One of my goals is to make the process of buying a home as enjoyable as possible, and from past experience I can tell you that anyone who has had an unpleasant real estate experience generally relates it to not understanding the process. "No one ever told me that", is a phrase we hear too often.

As everyone knows, realtors are paid on a commission basis by the seller of the home. However, there are strict guidelines that are imposed by the Calgary Real Estate Board. The following is intended to take some of the guess work and presumption out of our relationship;

* The selling realtor is determined as the realtor who introduces the buyer to the property. In other words the first realtor to physically show the property. This is known as introduction to the property.

* An open house is not regarded as introduction. This isn't to say I want you to go around to open houses and find the right one for me to sell you. On the contrary, I want to be with you throughout the search process, but if you happen to see an open house that looks interesting and you decide to go in for a quick look, just let the hosting realtor know that you are working with me.

* A New Home Showhome is not considered an open house, and as such I must attend with you to register you with the Builder.

* Each realtor is basically an independent business person (especially at RE/MAX) and as such they are the primary beneficiary of the selling commissions. It can be mis-leading for someone to suggest that the ownership or other members of the office "will get something", as a way to make you feel comfortable in dealing with them.

* If you see a sign or an advertisement that you want more information on, call me, I can easily get the information you need and avoid any mis-understandings.

* Showhome sales representatives may be realtors or sometimes simply an employee of the new home builder. If it is a realtor, beware of an offer to show "you some of our other models". This may be an attempt at claiming "introduction". In the case of the non-realtor who is a Showhome host, you must understand that their loyalty rests purely with the builder and they do not have a code of ethics of higher authority to answer to.

* If you are looking at homes with a realtor you don't like, stop immediately. If you won't be comfortable having this person represent your interests, don't allow yourself to be "introduced" to any more homes.

* Make sure you read and understand the booklet "Agency Disclosure Acknowledgement", let me know right away if you have any questions or concerns.

In the eyes of the real estate industry, your actions will determine who gets the right to represent you and ultimately earn a fee for their efforts. By understanding these issues, you can ensure that you are fully represented by the person of your choice.

TOP 10 MISTAKES FIRST-TIME HOME BUYERS MAKE

1. **Timing Problems**

Not planning the move to coincide with the end of your lease can create a big dent in your budget. Check with your landlord about an early release clause (or penalties for breaking the lease, if that is even possible) from your lease if you are considering buying a home.

2. **Looking at Homes You Can't Afford**

Ask your banker or mortgage broker to pre-qualify you for a mortgage and then *stick to that limit!* Make certain that your Realtor understands this limit so that you don't end up looking at properties that you can't afford.

3. **Buying the Wrong Sized Home**

Consider how long you plan to keep the home and plan for any lifestyle changes that could possibly happen (for example : adding children or having children move out)

4. **Buying in a Neighborhood You Know**

Think about whether or not this neighborhood will make you as happy as the house does. What about traffic, zoning or planned development? Is this an area you will want to live in for a long time?

5. **Operating on a First-House-is-Best Theory**

"Season" your eyes by inspecting different types and styles of homes. This will help establish your objectivity after coming from a renting situation as well as setting the range for choosing a future home.

6. **Buying a Property That's Difficult to Resell**

Be aware of all the negatives to the property and avoid glossing over the drawbacks. Most first-time home buyers sell within five to seven years. Think long and hard about how you would *sell* the home prior to *buying* it.

7. **Overextending Your Budget**

Avoid feeling pinched - just because you have been pre-qualified to a certain level doesn't mean that is where your comfort zone is for payments. Write down everything you spend for two months: that will give you a real picture of what you spend. Plan for emergencies, vacations, savings and upkeep of a new home in your budget. You'll have a much better picture of what kind of payments you can *really* afford.

8. **Being Indecisive**

Take all the time you need, but don't be afraid to make a commitment when you've found your dream home. Everyone gets cold feet at some time during the process.

9. **Choosing the Wrong Mortgage**

A long term fixed rate is not the only or necessarily the best answer. Have your lender show you on paper how much each program will cost you and how they compare with each other.

10. **Under-insuring the Property**

Forgetting to increase insurance coverage as the home appreciates in value or neglecting to properly insure the replacement value of the contents can cause real heartbreak down the road. Make sure that your policy contains an inflation clause, or increase the values appropriately at each renewal.

*** MY COMMITMENT TO YOU ***

As your real estate salesperson, I commit:

- to show you that I care about your needs. I know that buying or selling a home can be one of the greatest sources of stress for a family and I will do everything I can to make the process as easy and pleasant as possible.
- to communicate with you about your transaction. I know the frustration caused by silence when you are trying to sell your home. As your salesperson, I will keep in touch with you, so that you are always up to date on the process of marketing your property.
- to display honesty and integrity in all my dealings with you. As a real estate professional, I live by a code of ethics and professional standards. These standards make a simple statement: You have a right to fair and honest service.
- to do everything in my power to achieve your desired results.

Paul Brinton

Resume

Paul Brinton
RE/MAX Central

MISSION STATEMENT

To provide the very best Real Estate services available in Calgary, based on listening to peoples needs, finding solutions to their problems, and providing quality information to ease the decision making process.

WORK HISTORY

RE/MAX Real Estate (Central) (1998 to present) Builders Realty (Calgary)
Ltd.(1991-1998)
Providing professional Real Estate services.

EDUCATION

Accredited Real Estate

Title Searching -January 1993

Understanding the Torrens system, having a basic knowledge of caveats, restrictive covenants, and other registrations against a property.

Know Your Product-June 1993

Based on a home inspection manual, this course covers building specifications and materials used over the last 100 years. Beneficial in detecting areas of concern to both sellers and buyers.

Real Estate 2000 -January 1994

This is the agent qualifying course covering the Real Estate Law, Agency, Appraisals, as well as rural, investment, and commercial Real Estate.

Appraisal Techniques-February 1995

A study of three basic appraisal methods

Environmental Awareness-June 1995

Environmental concerns as they apply to residential Real Estate. Areas covered include asbestos insulation, lead paint, lead pipes, and soil contamination.

Appraisal Report Writing-October 1995

This course deals with proper use of MVA appraisal reports

Other related Courses

Super Agent Program Bronze Level

Priority Management Training

House Calls Advertising workshop

AWARDS/COMMUNITY SERVICE

Member of MLS Million Dollar Club & Award of Merit

Top 10 Production Builders Realty 1993-1998

Member Calgary Chamber of Commerce since 1993

Member North Hill Lions Club since 1996