



Comprehensive Home Buyer's Guide

Everything you need to know
about buying a home



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I'm Ready to Buy a Home!

If you are financially stable and able to manage the extra costs associated with home ownership, it makes sense to own a home in Canada. While the housing market is different across the country, overall mortgage interest rates are low, and property values are rising. Real estate is an investment that historically performs well over time.

Whether this is your first time buying a home, or you've been through the experience before, it can be both exciting and overwhelming. You're about to make an enormous investment of money, emotions, and time, so you want to do it right.

The purpose of this guide is to take you through the entire home buying process, step by step. It can help you make well-informed decisions about your new home, including shopping smart, securing a mortgage, making an offer, closing the sale, and moving in.

According to Canada Mortgage and Housing Corporation (CMHC), you are ready to become a homeowner when you have a secure income, have good money management skills, and you are ready to take on the regular responsibilities and expenses of home ownership.



Do I Need a Real Estate Agent?

While there is no legal requirement to have a real estate agent help you find and purchase your home, keep in mind this is a purchase involving hundreds of thousands of dollars, or more. It is a big deal, and any mistakes can have serious consequences. While you can navigate the Internet, the market, and the financial and legal legwork on your own, agents provide a valuable service that will save you time, money, and frustration. Making an offer and closing the deal are complicated processes, and you want to avoid any unfortunately, costly situations.

Also, there is no cost to having an agent help you buy your home, because commission fees are paid by the seller. The seller will likely have an agent, but their agent isn't truly representing your needs. Be sure to have your own agent.

Some of the many benefits of having a licensed real estate agent represent you during the home buying process include:

- Insight into the housing market and prevention of missed opportunities
- Focused, time-efficient viewing of homes that match your needs, wish list, and budget
- Helping ensure you're buying the right home at the right price, making an offer that is reasonable and competitive
- Assistance with making important decisions in a short amount of time
- Liaising with seller's agent during offer negotiations
- Guidance through the steps of making an offer, closing a sale, and taking possession of your new home
- Recommendations of credible real estate lawyers, home inspectors, and others in their large network of experts



Real estate agents are knowledgeable professionals who know the details and subtleties of the housing market. They build their business on referrals and repeat customers, which means they work hard to provide exceptional customer service and guidance. They adhere to a strict code of ethics. Do your research when choosing a real estate agent to represent you. Get recommendations from family and friends, and meet with an agent prior to viewing any properties. Find an agent that specializes in the type of home and area that you're interested in. Ask about their years of experience, expertise, and strategies. For example, if it's a buyer's market, how do they handle a multiple offer situation? What are their strategies during negotiations? Ask for testimonials, and trust your intuition about their professionalism and competency.

Here's What I Need and Want in My New Home...

The first step in buying a home is to create a “needs and wants” list of features that are motivated by your lifestyle now and in the foreseeable future. A “need” is a feature that is non-negotiable, such as number of bedrooms. A “want” is something you may be willing to compromise on, such as a finished basement.

Arrange your list into four categories: location, type & size, amenities, condition. Divide each category into “need” and “want” subcategories. Use these questions below to help you fill in your categories. As you create your need and want list, make sure it matches what you can afford.



Location

Where would you like to live, urban or rural, perhaps in the suburbs or on an acreage? Do you have a specific neighborhood in mind? What is important, in terms of proximity to schools, public transit, churches, major thoroughfares, recreation centres, shopping, friends and family, etc.?

Type & Size

What type of home design do you prefer, such as detached, semi-detached, or condominium? One-story, two-story, bi-level, walk-out basement, etc.? How much square footage do you require? How big of a lot and yard do you need, and do you have a preference for the home's orientation on the lot (e.g. south-facing) and scenic view? How much square footage, and how big of a lot and yard do you require?

Amenities

Internal: How many bedrooms and bathrooms do you require? Does the basement need to be finished? Any preferences for layout, such as open floor plan? Other considerations include features such as a formal dining room, mudroom, den, home office, fireplace, central vacuum, air conditioning, etc.

External: Do you need a garage, and if so, how large? Attached or detached? Any special needs requirements, such as wheelchair access? Any pet requirements, such as a fence and walking paths nearby?

Condition

How old of a home are you looking for - brand new, less than five years, or older? Do you need your home to be move-in ready, or are you interested in a fixer-upper?

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What Can I Afford?

Now that you've sorted out your needs and wants, your next step is to take out your calculator and consider all the costs of home ownership. There are more costs that you might think as compared to renting, and being a homeowner requires financial stability. It's important to be aware of all costs, so there are no financial surprises.

One-time costs associated with your home purchase include a deposit to the seller, mortgage down payment to your lender, legal fees, home inspection, moving expenses, utility hookups (heat, water, electricity, as well as wiring of telephone, cable, and Internet), and changing locks. You may also need to factor in costs of an apartment or extended-stay hotel if there is a delay in taking possession of your new home. All provinces except Alberta and Saskatchewan charge a substantial land transfer tax; Alberta and Saskatchewan have a much lower land title transfer fee.

Ongoing costs of home ownership include monthly or bi-weekly mortgage payments, mortgage insurance, property taxes, homeowners insurance, regular home and yard maintenance (such as lawn care), and other amounts, such as condo fees and a monitored alarm system. These are in addition to your regular costs of living, such as groceries and vehicle expenses, and other loan payments.

As recommended by Canada Mortgage and Housing Corporation (CMHC), your entire debt load (including monthly costs of homeownership, as well as other debt, such as car loans and credit card payments) should be less than 40% of your gross monthly income.

Infrequent and unexpected (yet inevitable) costs to plan for may include major repairs or replacements (such as furnace, roofing, or windows), major renovations, large furniture purchases, pest infestations, and more.

What do I Need to Know About Mortgages?

A mortgage is a loan from a financial institution used to purchase your home. You can obtain your mortgage directly from a bank, or through a mortgage broker. You can also obtain a mortgage from a non-bank lender, such as a mortgage company, insurance company, or credit union. Working with your bank can be advantageous, because you already have a relationship with them. They have your financial information on file, such as your income and credit score. A mortgage broker, however, is an independent specialist that represents products from a variety of lenders and can help you shop around for the best interest rates and conditions.

Over an amortization period of many years, even decades, you repay the principal amount of the loan plus interest. There are many different types of mortgages that in rates, length, and conditions. Your bank or mortgage broker can help determine the product that best suits your financial situation and goals.

It is a good idea to secure a **mortgage pre-approval** before you begin shopping for your new home. This gives you buying power, since you'll know how much you are able to spend, and a seller can take your offer seriously. It can speed up the purchasing process and prevent you from missing out on your dream home. It also prevents you from wasting time considering homes you can't afford. Note that you are not required to spend the entire amount of your pre-approval, and it can be wise not to stretch your budget. A mortgage pre-approval also secures an interest rate for 60 to 120 days. If the rate goes down in the meanwhile, you will likely receive the lower rate.



Your lender will determine your pre-approved mortgage amount based on your stable employment income, assets (items of substantial value, such as vehicles, boats, and jewelry), liabilities (factors, such as existing loans), and your credit score. Your approval status can be voided if your life situation changes, such as job loss or additional debt. It is important to keep your financial situation the same while you are pursuing your new home.

Note that a mortgage pre-approval is not a guarantee that you will receive a **final mortgage approval** to purchase your home, because the lender will first conduct an appraisal on the property to ensure you are paying fair market value.

The amount of your mortgage will also depend on your **down payment**. When you purchase a home, you are required to make a one-time down payment of at least 5%* [more info below], which is deducted from the purchase price. Down payments less than 20% of the purchase price require mortgage loan insurance, which protects the lender from default on the mortgage. Lower down payments require higher mortgage insurance premiums.

**Homes costing \$500,000 or less require a 5% down payment. For homes costing between \$500,000 to \$1,000,000, down payment is 5% for the first \$500,000 and 10% of the remaining amount. Homes more than \$1,000,000 require a 20% down payment.*

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Smart Shopping

Now that you've got your mortgage pre-approved, and you've teamed up with your real estate agent, it's time to begin hunting for your home. Shopping for a home requires you to create time in your schedule to view homes and to later reflect and consider the details. It can be overwhelming, because you must process a large amount of information in a short amount of time. It can also be fun. Here are some smart shopping tips to help you determine if a home is right for you with maximum time efficiency and minimum frustration.

View homes in person. Even if you are involved in a long-distance move, visit potential homes in person whenever possible. Pictures and listing descriptions fall short of what you can see and feel by actually being there.

Look beyond the staging. The purpose of staging is to tug on your emotions, creating a clean, organized, and well-decorated living space. Instead, envision how you will truly be living in the space on a day-to-day basis. Where do you put your shoes and keys when you come in the door? How will the house work for when you have guests?

Look beyond the changeables. Features such as paint colour and flooring can be eye-catching and strongly influence your impressions of a home, but they are easily altered. Your purchasing decision should be rooted in structural details, such as kitchen size, countertop space, and layout. Remember that renovations to bathrooms and kitchens are pricey and inconvenient.

Take pictures. Bring your list of needs and wants, and take digital pictures of features that will influence your weighing of pros and cons. Later when you are reflecting, the pictures will be helpful in comparing the homes you have visited.

Be open-minded. No home will meet every item on your list of needs and wants, so pre-determine the degree of forgiveness you will have for your wants, the negotiable items. Are some items more or less important than others? You may also need to be flexible with your needs, the non-negotiable items, based on your budget and inventory available.

Hire a home inspector. It is essential to enlist the services of a professional home inspector before making an offer on a home. An experienced home inspector has an unbiased, keen eye. A detailed home inspection can reveal deal-breaking secrets about a home, such as mould, rotting, electrical wiring, and foundation issues. In addition to hiring the home inspector, be sure to thoroughly read and consider the entire report.

Research the neighborhood. For the home(s) that you are really interested in, visit the home and neighborhood again at different times and days of the week. This will give you a better sense of what it will be like to live here. Investigate details such as crime statistics, traffic, environmental hazards (e.g. floods), and school quality. This information is readily available online or through a local government agency. What is the social connectedness of the neighborhood,

such as online and offline social groups? Are there any future developments that will positively or negatively impact the value of your home?

Keep both the future yet resale in mind. Purchase the home that best fits your current lifestyle and the foreseeable future. Although you may intend to live in your new home for a long time, it is most likely not your forever home. Who is going to purchase this home when you decide to sell it? With this in mind, your real estate agent will have helpful advice the resale potential. For example, it's a good idea not to purchase the most expensive, extravagant home in your neighborhood. Certain features can either help or hinder resale potential.

Pace yourself. Home shopping is a process that requires time. Avoid visiting too many homes in one day, because this will allow you to linger and get a better sense of each space you experience. You may miss important details if you're hurrying to another appointment. Also, stay fueled and hydrated, because it's tough to make good decisions when you're feeling rushed, tired, and hungry.

Be engaged and detailed. For the home that you are considering purchasing, ask specific questions about everything that will affect the cost and experience of you living in this space. Why is the seller selling? How long has it been on the market? Ask about energy efficiency and warranty on major appliances. Open cupboards, drawers, and closets to be sure the storage space meets your needs. Turn on the taps, peek behind furniture, and lift the carpets. Also, double check the listing details, such as square footage and age of the home.

Act quickly. When your heart and number-crunching have decided the home you wish you purchase, make sure it doesn't slip through your fingers. Work with your agent to make an offer. In a multiple offer situation, your agent will help you determine the highest price you are willing to pay, flexibility with terms, conditions, and possession date, and other strategies to help ensure the seller accepts your offer.



I'm Ready to Make an Offer

Note: The information provided here is not intended to replace the guidance from your real estate agent, lawyer, and/or lender. It is intended to summarize and help you understand the process of making an offer on a home.

You've shopped smart, and you've found the perfect home. Your next step is to make an **offer to purchase**. An offer to purchase is a formal written document presented to the seller from the buyer. Due to the potential complexity of the process, as well as the legal and financial implications, it is important to have a knowledgeable, professional real estate agent working in your best interests.

Your agent will help you prepare the offer, discussing its important details with you. For example, it is never advisable to present offers on more than one home at a time [this could be a "did you know" box on the side]. An offer to purchase contains terms and any conditions of the sale (see below). Your

agent will present your offer to purchase to the seller or the seller's agent. Once the offer to purchase is presented, the seller can either accept, reject, or make a counter-offer.

- **Accept.** The seller accepts the offer by signing the document, and it is now a legally binding contract.
- **Reject.** A rejection by the seller indicates that they do not wish to continue with the sale negotiations. One reason for a rejection is that the seller may have found another buyer.
- **Counter-offer.** A counter-offer indicates that the seller wishes to continue with the sale negotiations, but they have amendments to the pricing, terms, and/or conditions. Counter-offers are common, and as a buyer, it is helpful to know the maximum price, as well as terms and conditions, you are willing to accept.

Terms include details about the purchase price, inclusions/exclusions, deposit, and closing (possession) date.

- **Purchase price.** Your agent will help you make a reasonable offer but also protect your interests. This depends on factors, such as the market, other interested buyers, and how motivated the seller is to sell. For example, if you are competing with other buyers, it may be best to offer your maximum and final price [this could be a “did you know” box on the side].
- **Inclusions/exclusions.** This is a list of moveable items that are either included or excluded from the sale, such as appliances, window coverings, ceiling fans, hot tubs, etc.).
- **Deposit.** The deposit expresses your good faith and intention to close the deal, and is usually about 5% of the purchase price. It is paid by certified cheque to the seller's lawyer (not the seller directly) immediately upon acceptance of the offer, so it is important to have these funds available. The deposit amount is deducted from the total purchase price at closing. It becomes part or all of your down payment on your mortgage.

- **Closing (possession) date.** This is the date of transfer of legal ownership (title of the property) from the seller to you. On this date, the final transaction of funds occurs, and you take possession of your new home. This typical is set for 30-60 days after the offer to purchase is accepted by the seller, and all conditions have been met.
- **Offer expiry.** Your offer to purchase includes an expiry date, usually 48 - 72 hours after its initial presentation to the seller. This prevents the seller from taking too long deciding on your offer.

Conditions are requirements set by the buyer in the offer to purchase that must be met for the home purchase to move forward. While sellers prefer a firm offer (no conditions), common conditions include a home inspection and mortgage approval. Other conditions may be things the seller must pay for, such as repairs and carpet cleaning. Once the offer is accepted by the seller, the buyer takes action on satisfying the conditions. An offer is firm once all conditions have been satisfied, and this is when the sign changes from “for sale” to “sold”.

What Happens on Closing Day?

Note: The information provided here is not intended to replace the guidance from your real estate agent, lawyer, and/or lender. It is intended to summarize and help you understand the process of closing the deal and taking possession of your new home.

On closing day, all funds are transferred, and ownership of the home is transferred from the seller to the buyer. This is the final step in your real estate transaction. It includes a sequence of events that occur in a methodical manner, so being organized is key to a smooth experience.

Before Closing Day

You require a real estate lawyer for the closing process. Meet with your real estate lawyer about two weeks prior to your closing date. They will let you know required paperwork, such as home insurance and your down payment. (Your

down payment is a certified cheque, minus the deposit you paid earlier.) Your lender gives your lawyer the mortgage money, who then pays the seller, registers the new home in your name, and collects the keys.

Your down payment must be as good as cash. It can't be tied up in stocks, bonds, mutual funds, or assets. Now is the time to make the money available (liquid).

Arrange professional movers, if required. Be sure you arrange for them to come at the right time of day as well, because you will pay extra if they arrive early and your new home isn't officially yours yet. Your movers may need a heads-up about large, heavy items that won't fit into a box, such as a piano.

Arrange home insurance. Your lender will not provide you with mortgage money without home insurance. Obtain this by phoning your insurance company. They will require details about the home, such as square footage, age of the home, furnace, distance from a fire hydrant, etc.

Arrange your utilities. All your utility service providers (such as phone, cable, Internet, power, gas, and water) will need to know your new address and the day you are taking possession.

Announce your new mailing address. Make a list of all people (family, friends, co-workers) and organizations (credit card companies, government departments, alarm company, clubs, etc.) that will need to know your new mailing address. Begin contacting them by telephone and email. It is also a good idea to have your mail forwarded by the post office for a month or two after you move, because you will then realize who still needs to know your new mailing address.

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On Closing Day

On closing day, your real estate agent will meet you at your new home later in the day. You will go through a final walk-through inspection of the home, and you will receive your new keys. Be sure to check all the appliances and home systems, because it is the seller's responsibility to make sure everything is working.

Note: It is a good idea to change all the locks in your new home shortly after moving in.

It can be tricky to move out of your existing home, take possession and move into your new home on the same day. If you are currently renting, choose a mid-month closing date. This gives you two weeks to pack up, as well as to prepare your new home for moving in (such as cleaning, painting, and small or not-so-small renos). If you are selling your existing home, try to arrange the closing of that sale (you as the seller) to be at least a day or two after the closing of your new home sale (you as the buyer). Discuss bridge financing for this with your lender.





Tips for a Hassle-Free Move

Moving is stressful. It requires much planning and effort not only on moving day, but the weeks leading up to it. You usually have 30-60 days between your offer to purchase is accepted and your possession date to get organized and avoid as much chaos as possible. Here are 22 tips and tasks for a hassle-free move.

Planning Ahead

1. Write a list. A week-by-week “to do” list will help ensure that you use your time wisely and that nothing gets missed.

2. Book your movers early. If you're using a professional moving company, you will want to book them as early as possible.
3. If you're getting help from friends, they'll appreciate knowing in advance, so they can keep that day open for you. Even if you are getting help from friends, you may wish to book professional movers for very large, heavy items, such as a piano or grandfather clock.
4. Ask your professional movers about any special instructions. For example, they will require that all boxes be filled and closed. They can give you a list of items they are unable to transport, such as propane tanks, paint, or hazardous materials.
5. Purge. This is your opportunity to get rid of any items that you no longer need. The more you purge, the less you pack. Consider having a yard sale or donating items in good, usable condition to a local charity. Some items you may even be able to sell at an online classifieds site.
6. Collect packing supplies. This includes boxes, newspaper, packing tape, and pens for labelling. You can get free used boxes from grocery and liquor stores. Smaller boxes are good, because they are easier to manage on moving day.
7. Consider arranging a sitter for your children and pets, if you're moving locally. Moving day will not be much fun for them, and you'll be more focused and time efficient.
8. Arrange your utilities, including as phone, cable, Internet, power, gas, and water.
9. Announce your mailing address to family, friends, and all companies and organizations that send you mail. Have your mail forwarded for a month or two after you move, in case you have missed letting anyone know.

Packing

10. Be eco friendly. Linens and other fabrics can be used to wrap breakable items. Clean socks are great for packing glasses. Reusable bins are perfect packing containers, as well as for storage in your new home. Laundry baskets and luggage can also reduce the number of boxes you will need.

11. Pack from least to most important. You should be completely packed the day before moving day. Start early by packing items that you won't need anytime soon, such as decorative and seasonal items. Pack your day-to-day necessities last, such as frequently used cooking utensils and toiletries.

12. Label your boxes. Indicate on each box which room it is intended for (kitchen, bathroom, etc.) and what is inside. Try to keep like items together.

13. Make sure each box isn't overpacked or too heavy. Your moving company will probably require that each box is full, shut, and taped. They will also appreciate boxes labelled as "this side up" and "fragile". Avoid packing too many liquids.

14. Take pictures of your electronics wiring. Before you unplug and pack up your television, stereo, and any other electronics with a mess of wires, taking a photograph will help you when you are setting them up again in your new home.

15. Keep all valuable items and documents in a safe, secure place. Always know where they are, before and on moving day. This is one box you don't want to get lost.

16. Don't pack up your cleaning supplies. You'll need them to sweep and wipe surfaces of the home you're leaving, and to begin a thorough cleaning of your new home.

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17. Sandwich bags, freezer bags, and plastic wrap are handy for small items when you take apart items, such as lamps and small furniture.

18. Avoid substantial grocery trips close to moving day. Clean, defrost, and wipe your refrigerator and freezer the day before moving day.

On Moving Day

19. Pack a bag of items that you will need for the day, such as if you were going on a short trip. You'll appreciate having your toothbrush and pajamas close at hand after a busy day. Other than this, do not pack anything on moving day. All your packing should be complete the day prior.

20. If you've acquired help from friends, be ready for them. Delegate tasks, so no one is standing around guess what needs to be done. Also, remember to feed and hydrate them. They'll appreciate something convenient to eat, such as pizza or sandwiches.

21. On moving day, you may wish to simply get the right boxes into the right rooms. Moving day is not the time to unpack and organize your belongings in your new home. Take time for a pre-cleaning, and carefully find the right spot for each of your items.

22. Once everything is out of your old home, take digital pictures of each room as proof that you left it in good, undamaged condition.

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