

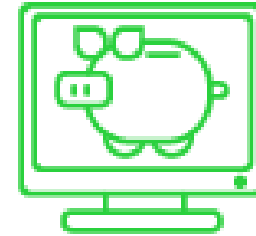
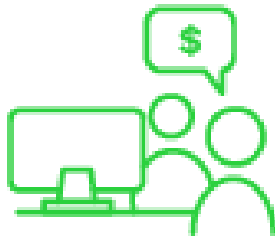
Credit Counselling  
Society presents

# Homeownership: Are You Ready?



**We Help. We Educate. We Give Hope.**

# We Help. We Educate. We Give Hope.



- **Credit Counselling**
- **Debt Solutions**
- **Education**

- **Non-profit**
- **Accredited**
- **Award-winning**

- **25+ years**
- **~ 1 million supported**
- **\$750+ million re-paid**

# | Top Reasons for Financial Hardship

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1. Unemployment / Underemployment
2. Excessive use of Credit or Using Credit for Living Expenses
3. Injury / Illness
4. No Budget / Lack of Financial Education
5. Separation / Divorce and Family Expenses
6. Failed Business/Used Credit for Business Expenses
7. High Housing Costs

# AGENDA

**01** – Wants versus needs

**02** – Are you ready to buy a home?

**03** – Financing options

**04** – Buying a home

# | Objectives

## **Articulate**

What you need in a home

## **Identify**

The costs associated with buying a home

## **Recognize**

Assess whether you are financially ready to buy a home



# What does homeownership mean to you?



# | Wants Versus Needs

We all need shelter

How much space do you need?

How long do you want your commute to be?



Be specific - what do you want different from you have now?

Why do you want to buy?

# | Are You Ready?

	Yes/No
Are my expectations realistic?	
Do I have the down payment ready?	
Will I qualify for a mortgage?	
Have I saved enough for all of the extra costs?	
Do I know what it will cost per month to own a home?	
Do I have a back-up plan if something should happen?	



# Set SMART Goals

Set a SMART goal for your down payment!

**Specific**



What?

**Measurable**



How Much?

**Achievable**



Realistic?

**Relevant**



Money  
Values?

**Timed**



When  
(Deadline)?

# Goal Setting in Action - Example



**1.) My Goal is:**

To save a down payment

**2.) I want to achieve this in:**

3 years

**3.) The total cost of my goal is:**

\$25,000 CAD

**4.) I will set aside**

\$321/ bi-weekly pay

**to achieve this goal**

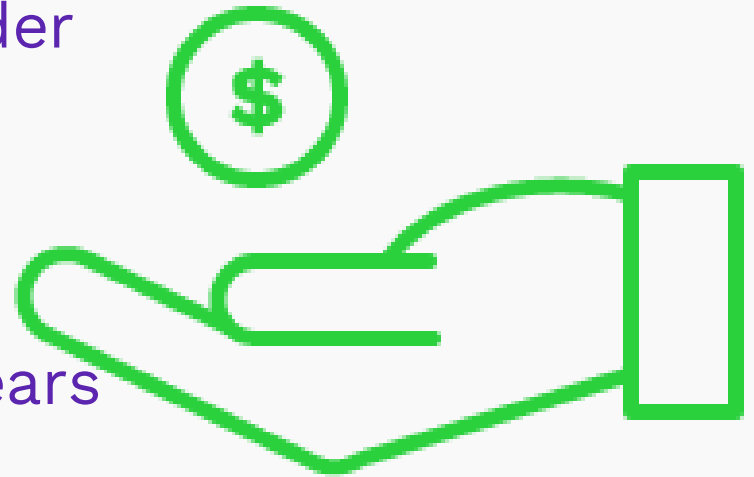
# | Mortgages

- Secured financing from a financial institution to purchase a home
  - The bank can force the sale of your home if you're unable to make payments
- Lenders have specific criteria that must be met for approval
- Maximum term is 25 years



# | Down Payment

- Your down payment must be at least 5% of the purchase price
- You can borrow from RRSPs under the Home Buyers' Plan
  - Withdraw up to \$35,000
  - Must pay it back within 15 years



# First-Time Home Buyers Incentive

Federal government initiative to help people purchase their first home

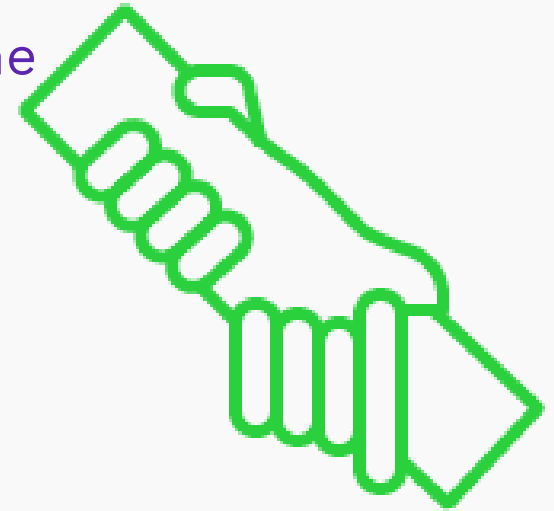
Loan is interest free



Government provides between 5-10% equity to help with the down payment



Loan is based on the fair market value (FMV) of the property



# First-Time Home Buyers Incentive

- Maximum Household Income:
  - < \$120,000 annually
  - \$150,000 if the home is in Toronto, Vancouver or Victoria
- Maximum Mortgage Allowed:
  - Household Income x 4
- Incentive must be repaid within 25 years or when house is sold based on the FMV at the time of repayment



# | Mortgages

## High Ratio Mortgages

- Default insurance is required if the down payment is less than 20%
- Can be paid as a lump sum or added to the cost of the mortgage



## Conventional Mortgages

- Insurance is NOT required if the down payment is greater than 20%



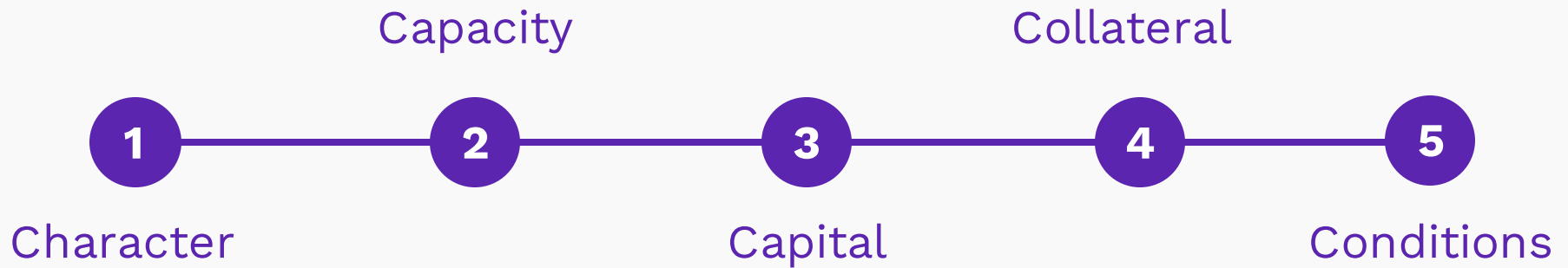
# | Stress Test

- Both types of mortgages must pass a “stress test”
- Stress test is:
  - 5.25% interest or;
  - The contractual mortgage rate plus 2%, whichever is greater
  - Credit Unions are exempt from Stress Test





# | Qualifying for a Mortgage

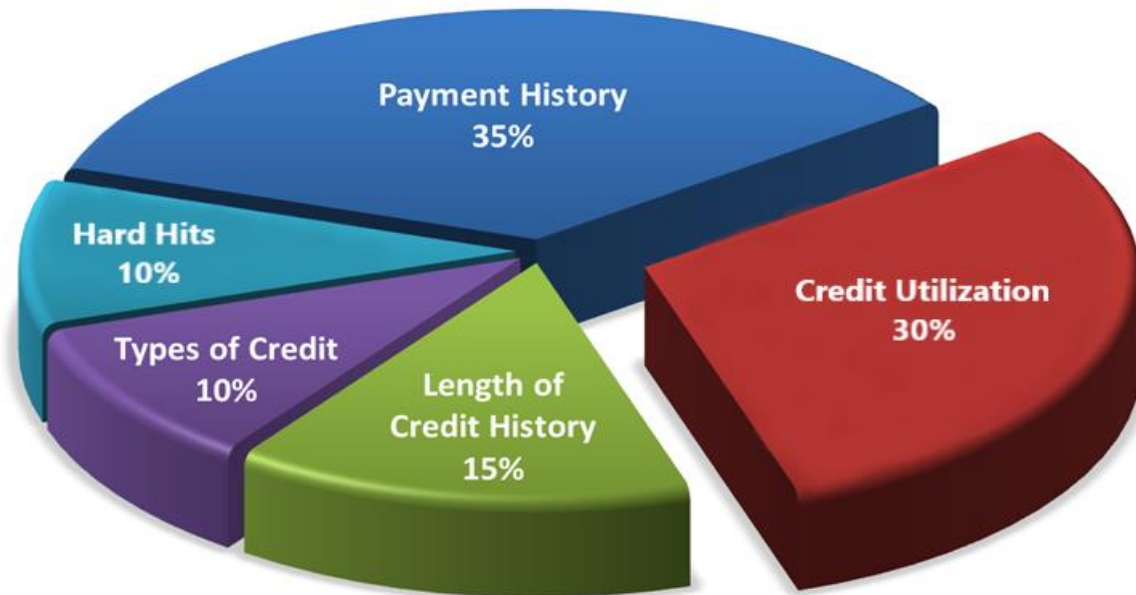


# | Your Credit Score

- A predictor lenders use to see the likelihood of debt repayment
  - Ranges from 300-900
  - Higher score = less risk to lender
- Each lender has their own score calculation



# | Your Credit Score



# | Homeownership Costs

**Costs to be aware of when you own your own home:**

Mortgage  
Payments



Home Insurance

Property Taxes

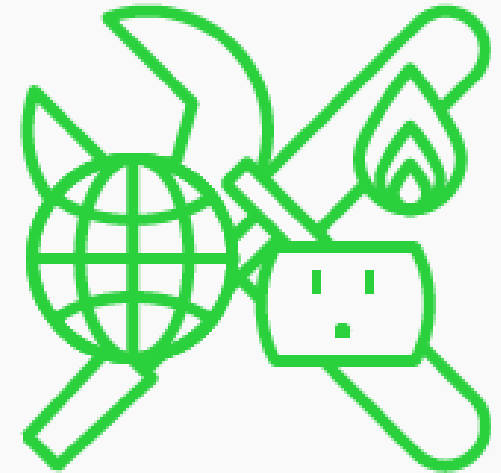


Utilities (sewer,  
water, garbage)

Maintenance/  
Repair Costs

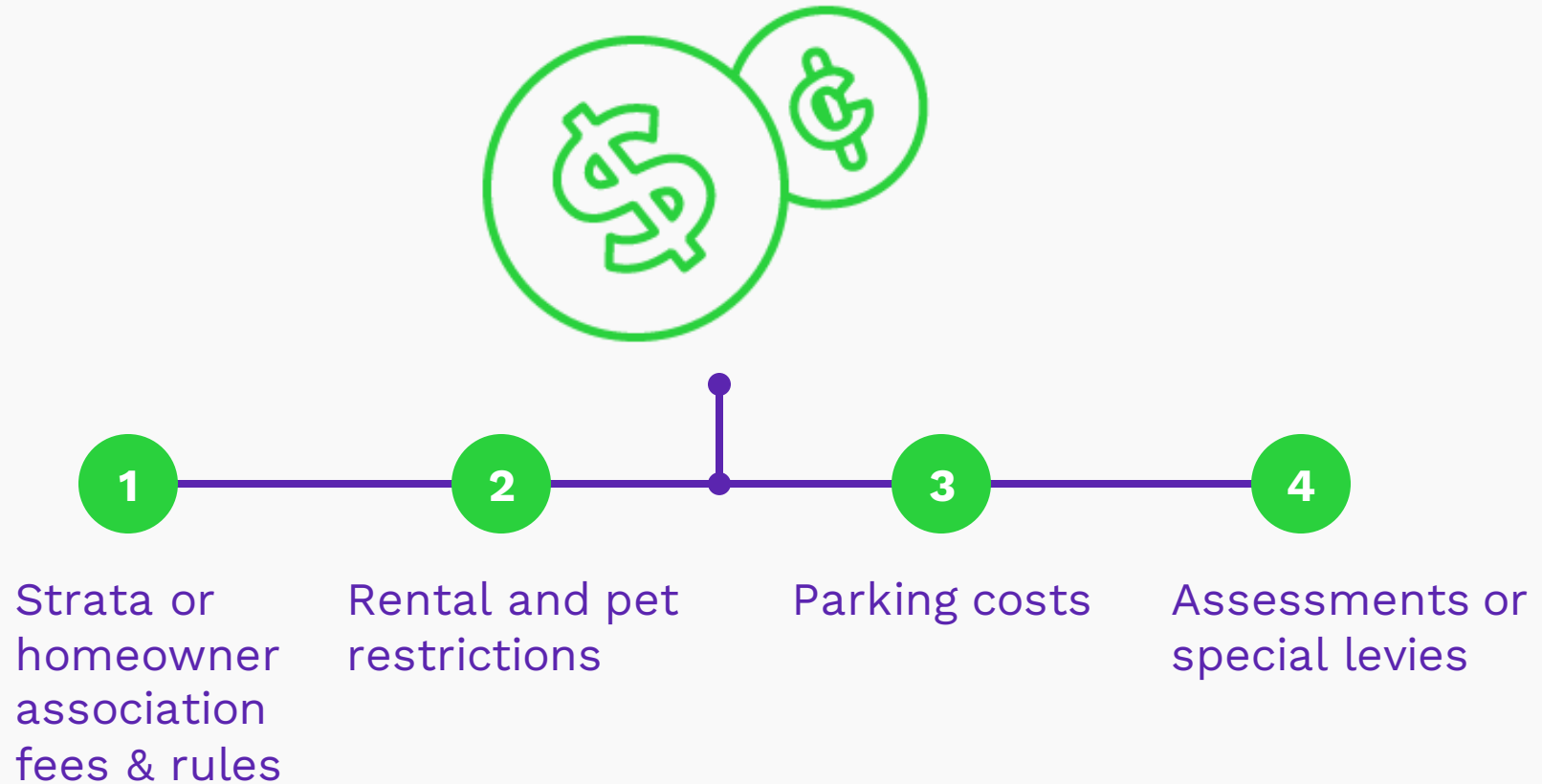


Furnishings



# | Condo, Town, or Row Home

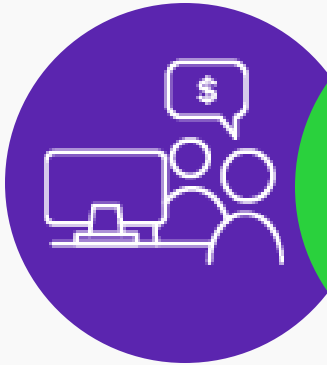
Additional costs to be aware of:



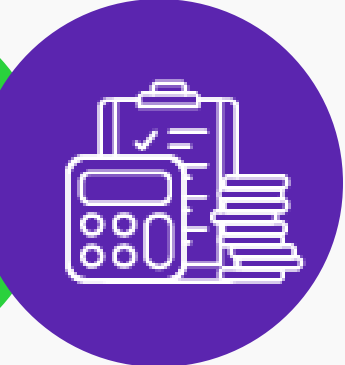
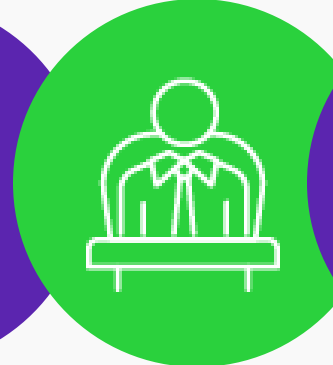
# | Who's Involved

You need to have funds **beyond your down payment** to pay for these things

Realtor



Home Inspector



Mortgage Broker or  
Financial Institution

Lawyer or  
Notary

# | Buying a Home

<b>COSTS</b>	<b>Example using a \$500,000 home</b>
<b>Down payment</b>	\$25,000
<b>Property taxes</b>	\$2500
<b>Transfer taxes</b>	\$8000
<b>Realtor fees</b>	Only applicable to seller
<b>Initial deposit for Utilities</b>	\$250
<b>Legal fees</b>	~ \$1000
<b>Inspection</b>	~ \$500
<b>Homeowner's insurance</b>	~ \$1200
<b>Moving costs</b>	~ \$800
<b>TOTAL</b>	<b>~ \$39,250</b>

# | Inspections

- Inspectors provide insight into the quality and condition of:
  - Structural components, roofing, exterior components, plumbing, electrical, heating & A/C, interior, insulation and ventilation
- Look for someone qualified with good references





# | We Want Your Opinion

QR Code



Survey Monkey



<https://www.surveymonkey.com/r/69B6FMJ>

# | Cost Comparison

<b>Townhouse – 3 bedroom, 3 bathroom</b>		
	<b>Ownership - \$700K</b>	<b>Rental</b>
<b>Monthly payment</b>	\$3,879	\$2,500
<b>Annual</b>	\$46,548	\$30,000
<b>Strata Fees</b>	\$4,800	None
<b>Insurance</b>	\$800	\$500
<b>Taxes</b>	\$2,500	None
<b>City Utilities</b>	\$1,000	Included in rent
<b>Maintenance</b>	\$2,000	Landlord's responsibility
<b>TOTAL</b>	<b>\$57,648</b>	<b>\$30,500</b>

# | Try it on For Size

- Consider what you really can afford, not just what the bank offers you
- Can you manage the additional costs of homeownership?
  - Draft a budget including all ownership costs
  - Save the additional monthly amount for 6 months to see if it's doable



# | Things to Consider

- What's more important: location vs. space?
- Sacrifices will likely need to be made
- Get pre-approved for financing before looking
- Consider your long term plans and needs



# | Final Tips

Buy only what you need

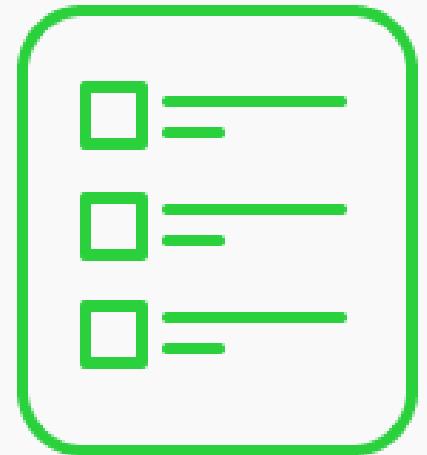


Test drive having a mortgage

Account for all the extra costs before setting a goal and buying a home



Free tools and resources available at: [www.mymoneycoach.ca](http://www.mymoneycoach.ca)



# CONCLUSION

**01** - Articulate what you need in a home

**02** – Identify the costs associated with buying a home

**03** – Assess whether you are financially ready to buy a home







# ADDITIONAL RESOURCES

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Some helpful  
resources for  
you to get  
started

# How We Help

-  **1-888-527-8999**  
Book a free financial consultation with a credit counsellor
-  **Education@nomoredebts.org**  
Contact a Financial Educator
-  **nomoredebts.org**  
DM us via online chat
-  **@nomoredebts.org**  
Sign up for our newsletter



@creditcounsellingsociety



@CrdtCounselSoc



@nomoredebts