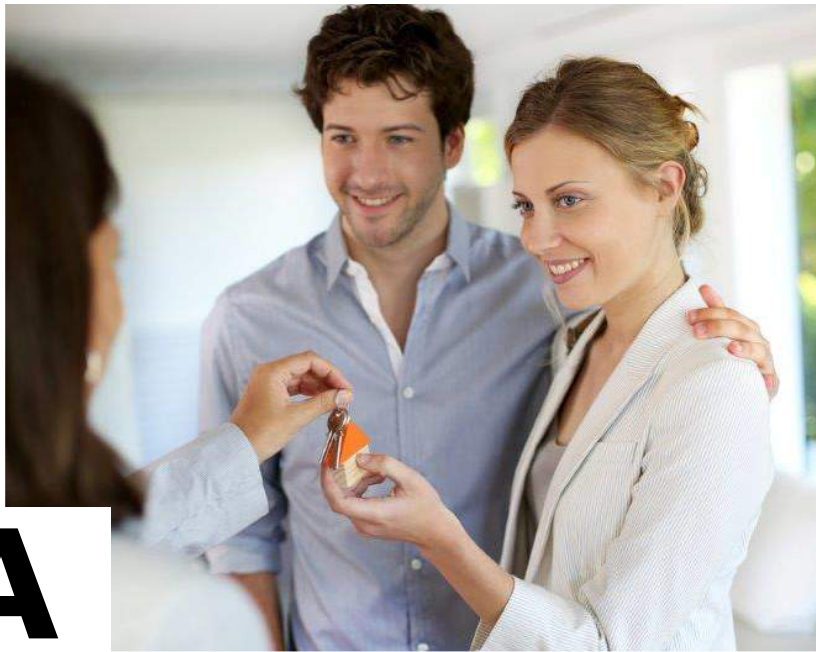


10 STEPS TO PURCHASE WITH COMPLETE PEACE OF MIND



A HANDY GUIDE TO BUYING A HOME



ARE YOU LOOKING TO INVEST IN REAL ESTATE?

This is one of the main reasons why people decide to become homeowners. Some people decide to purchase a home to avoid paying rent, while others receive a donation or an inheritance and decide to invest it. In the end, there are many reasons to invest in real estate.

DO YOU WANT A MORE STABLE SITUATION?

For many people, being a tenant represents a certain lack of security. At any moment, the owner can decide to sell or renovate the home, forcing you to move. The best solution to give you peace of mind would be to own a property.

ARE YOU HOPING TO CREATE A LEGACY?

The value of real estate tends to increase over the years. For this reason, some choose to purchase a home in order to create a legacy that they can transmit to their offspring, to ensure that their close ones have what they need when they die.

DO YOU NEED CHANGE?

People that buy a home are not necessarily making their first purchase. Many individuals even have one or several secondary homes. Furthermore, some decide to sell their main home to buy another one which better suits their needs

Buying a property is a decision not to be taken lightly. This is an investment that entails monthly fees and that commits you to paying a mortgage over several years, which is why financial stability is so important. Take the time to determine whether this is the right time to become a homeowner and if you are doing so for the right reasons.

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INTRODUCTION

Buying a property is no small task and many people feel lost in the process, without knowing where to start. This is even more true for people buying a home for the first time.

A successful real estate project implies being surrounded by certified and experienced professionals. In getting good advice, you will be sure you are making the best choices.

This guide is divided into 10 main steps that are intrinsic to buying a property. It is designed to advise the buyer in a straightforward and easy manner, going through each of the procedures that are part of the process.

The XpertSource.com platform was created to help buyers as they purchase their property. It brings together a network of real estate agents, mortgage brokers, building inspectors, evaluators and notaries that are there to guide you through each step.

By sending your project to XpertSource.com, you are ensured that you will be put in contact with certified professionals that have all the right authorizations to carry out their work. Their background is also verified with the Office de la Protection du Consommateur (OPC).

STEP 1:

EVALUATING YOUR BORROWING CAPACITY

Buying a home may be a good investment, but it's important to do it at the right moment. If you already have several loans in your name and your [credit score](#) is not good, you may want to postpone your real estate project.



In order to determine your borrowing capacity, you have to calculate your debt ratio. Two commonly used ratios are the following: Gross Debt Service (GDS) and Total Debt Service (TDS).

To gain access to a mortgage loan, the GDS must be inferior to 32%, whereas the TDS may not surpass 40%. You will need to know your repayment capacity depending on your:



Monthly gross income (before taxes and deductions)



Loans (credit line, personal loan, credit card, automobile rental)



Monthly rent or monthly mortgage (including heating, electricity, home insurance, condo fees and all other related taxes)

GOOD TO KNOW

Expenditures that do not incur debt such as groceries, phone packages, transportation or leisure are not considered in the debt ratio calculation. However, it is widely recommended that you take them into account in order to be aware of all the costs that will be a part of your budget.



STEP 2: DETERMINING YOUR DOWN PAYMENT

In Quebec, it is impossible to get a mortgage loan without a down payment. If you want to buy a property, you will need to have access to a down payment totalling at least 5% of the purchase price (so \$15 000 for a \$300 000 home). Several [options](#) are available to gather this sum:

Municipal programs

Most big cities such as Quebec, Montreal or Laval offer homeownership programs designed to help people become homeowners. These programs are available as credits, interest-free loans, discounts on building transfer rights or discounts on property taxes.

Home buyer's plan (using RRSP)

The Home buyer's plan (HBP) is a program that was put in place by the federal government. This program allows you to use a part of the amount in your Registered Retirement Savings Plan (RRSP) account to buy or build a home. You can use up to \$35 000 of the sum in your RRSP account (\$70 000 for a couple).

Personal loan or credit line

A personal loan and a personal credit line are two options that can help you prepare a down payment for your buying project. The difference between the two is that the personal loan involves you having to make regular payments depending on a precise time limit, which is not the case for a personal credit line which is more flexible.

STEP 3: LEARNING ABOUT MORTGAGE LOANS

Buying a real estate property will probably be the biggest purchase you make in your lifetime. You will certainly have to get a mortgage loan that requires a commitment over several years. Before you [meet with a mortgage broker](#) to find the best loan for your needs, it is important that you learn certain notions about mortgages:

Closed mortgage

Involves paying a fixed amount over the full duration of the mortgage. The interest rate is smaller but is spread out over a longer period. Financial penalties apply if you wish to increase your payments in order to reimburse your loan more quickly.

Open mortgage

Is characterized by a shorter duration and a higher interest rate. You can reimburse your loan at all times, in whole or in part, without penalty. This is the ideal option for people who are expecting a sizeable revenue stream in the short-term (selling a home or receiving inheritance money).

Fixed rate

Ensures that you pay fixed rates over the full duration of the mortgage. This is a guaranteed rate where mortgage rate variations are blocked. Even though it is higher than a floating rate, a fixed rate makes things easier for your financial planning process

Floating rate

Involves mortgage payments that will be higher or lower depending on the state of the financial market. The advantage with this type of rate is that you will have lower monthly payments when rates go down. However, there is a significant risk that the rates will increase in case of a market collapse.

Payment frequency

We may think that the frequency of mortgage payments does not have an impact on a mortgage loan, but it can generate considerable interest savings. Therefore, you can decide to pay your mortgage on a monthly, bi-monthly or weekly basis.

Payback period

This represents the total delay to reimburse your loan. The longer your payback period, the higher the interest rate you will pay. Most Quebecers opt for a mortgage that spans over 20 or 25 years.

Mortgage loan terms

Commits you to a predetermined reimbursement over a certain period (between 6 months and 10 years). Once this period is over, you will have to renegotiate the terms of your loan, if you still have a balance to pay.



STEP 4:

ASKING FOR A PRE-APPROVED MORTGAGE

Mortgage pre-approval involves finding the banks that are there to help you with your real estate project, as well as the amount they are willing to offer for the mortgage. This is the best way to know the maximum price that you are able to invest in your future home



[Mortgage pre-approval](#) offers safety with regards to the mortgage rate. The former will be locked over a short period (between 30 and 120 days in general). Afterwards, you will be free to ask (or not) for a mortgage loan with the bank in question.

Filing a mortgage pre-approval application by yourself may risk affecting your credit score in the event of a refusal, as Canadian law requires banks to report it. The alternative would be to go through a [mortgage broker](#) who can get you a pre-approval based on your financial information, without disclosing your identity to different lenders.

STEP 5: VISITING AND FINDING A HOME TO BUY

Now that you know more about your borrowing capacity, this is the time to start visits in order to find the home of your dreams. In defining your criteria and hiring a [real estate agent](#), you will be maximizing your chances to find a property that suits your needs. Your agent will be a great ally in [negotiating conditions and the sale price](#) of the home.

Before going forward with a purchasing project, it is necessary that you make sure that the property's location fulfills your needs (daycare, schools, work, leisure, family and friends).

The size of the home is also an important aspect to take into account, **even more so if you plan on growing your family in the upcoming years.**

Other questions will be related to the characteristics of the property, its general state, related spending, upcoming renovations and for condos, asking about the fees they charge and what is included.

To help you prepare each visit, click on the link to find a list of **25 questions to ask** to leave nothing to chance.



IN DOING BUSINESS WITH A CERTIFIED REAL ESTATE AGENT FOR YOUR REAL ESTATE PROJECT, YOU WILL BENEFIT FROM SEVERAL PROTECTIONS.



The real estate agent's professional responsibility insurance will protect you in case of a mistake, a non-intentional issue, negligence or omission on the part of the agent.



The Real Estate Indemnity Fund (FICI) protects you if a problem occurs with your real estate transaction (fraud, dishonest operation, embezzlement).



The Real Estate Brokerage act (similar to the Consumer Protection Act) includes several regulations with regards to the brokerage contract which ties a real estate agent to their client.

It must be noted that these guarantees only apply if you are working with a [real estate broker](#) that is a member of the Organisme d'autoréglementation du courtage immobilier du Québec (OACIQ).

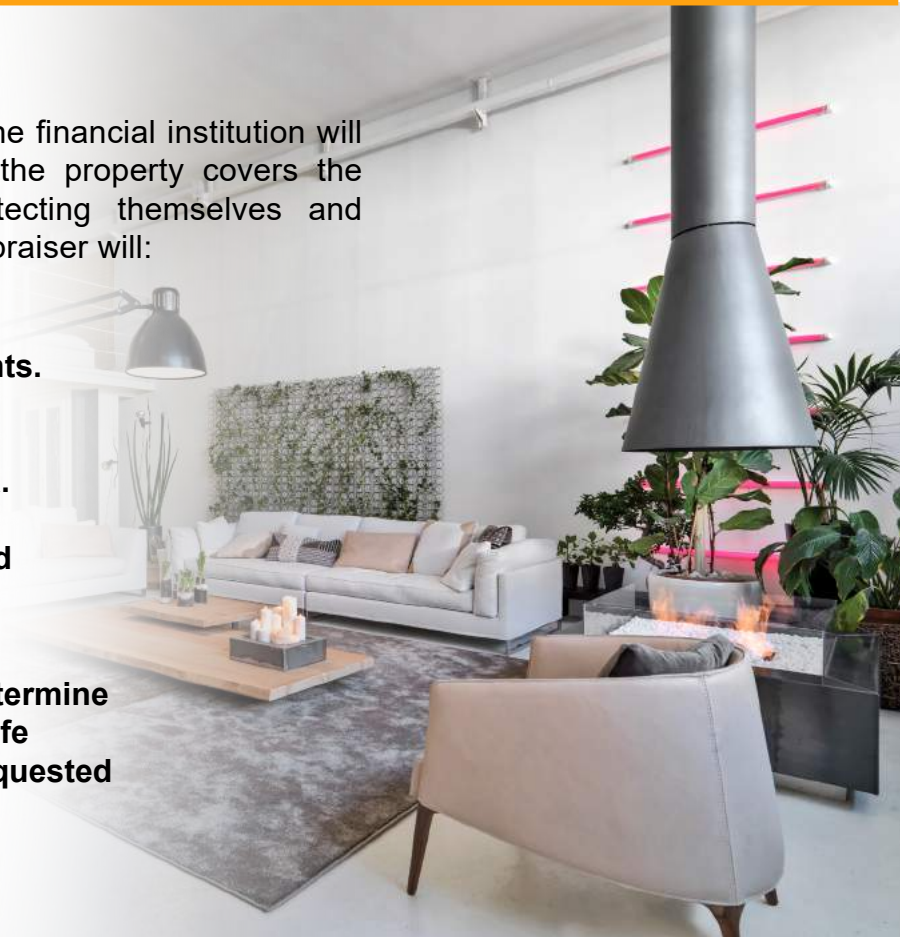
STEP 6:

EVALUATING THE HOME YOU ARE INTERESTED IN

A home appraiser will be useful in defining the market value of the home before you make an offer to the seller. Most of the time, your lender will hire a [chartered appraiser](#), but you will have to pay them yourself.

Before approving your mortgage loan, the financial institution will want to make sure that the value of the property covers the mortgage loan, with the aim of protecting themselves and their clients against bad deals. The appraiser will:

- ✓ Visit the home in order to examine the different elements.
- ✓ Establish a list of similar homes sold in the same area.
- ✓ Compare supply and demand in the concerned sector.
- ✓ Produce a report that will determine whether the purchase is a safe investment, worthy of the requested loan.










GOOD TO KNOW

An appraiser will not have a vested interest in the sale of the property (they don't take any commission for the property). Their role is to give you an impartial opinion. This is a certified profession that requires university training and being a member of a professional order. Expect to get a trustworthy report regarding the true value of your property.

STEP 7:

MAKING AN OFFER

An offer to purchase a home is a document that commits a buyer towards a seller with regards to purchasing a property. The seller will be able to accept, refuse or present a counteroffer. It is important to know that once the seller has [accepted your offer](#), it will be very hard for you to back out. On the other hand, signing an offer to purchase ensures that you will be the one buying the property and not someone else. The following information is included in the document:


-  **The purchasing party's identity,**
-  **A description of the goods** (address, number of rooms, size)
-  **Proposed price** to buy the property.
-  **Sales conditions** (you can require that the sale be conditional to getting a loan, a positive pre-purchase inspection and that the signature of the sales contract be done in front of a notary).
-  **The obligations of the seller** (selling the home in its current state, with or without furniture) **and the buyer** (getting a mortgage loan).
-  **Transfer date** (in general, 30 to 60 days after the date of the offer)
-  **Deadline for acceptance** (it is recommended that you indicate a date for the seller to accept or refuse the offer. A typical delay is somewhere between 24 and 72 hours).

GOOD TO KNOW

If you work with a real estate agent, they will prepare the purchase offer. However, if you are looking for a home by yourself, it is important to go through a notary when filling out this document in order to avoid certain pitfalls.

STEP 8: CARRYING OUT AN INSPECTION

The role of a [building inspector](#) will be to analyze the visible components and easily accessible elements of the different systems within the home (plumbing, heating, roof, insulation) in order to detect eventual problems and hidden defects. This expert is a key actor who can help you renegotiate the terms of a purchase offer and in more severe cases, operate a full cancellation of the bid.




To find a [good building inspector](#), it is **important** that you avoid choosing an inspector who has been recommended by a real estate agent, as there will be a conflict of interest. Moreover, it is important to verify that they have valid insurance coverage for mistakes and omissions in building inspection.

In working with [XpertSource.com](#) to find an inspector, you will save precious time that you would have spent researching and completing verifications.

Professionals that are in our network are pre-qualified and have the right authorizations to operate. Their background is also verified with the Office de la protection du consommateur (OPC).

STEP 9: GETTING A MORTGAGE LOAN

Contrary to popular belief, financial institutions each have their own set of criteria to decide whether they grant a loan to the applicant. You will have to provide several documents, such as your credit score which will be meticulously analyzed. Different mortgage lenders will pay special attention to your debt ratio.

A photograph showing a man and a woman sitting at a wooden table in a cafe or office setting. The man, on the left, has a beard and is looking down at a smartphone. The woman, on the right, is wearing a grey blazer and has her hands clasped. On the table are two coffee cups, a small vase with dried flowers, and some papers. The background is softly blurred, showing a window and some indoor plants.

If you haven't asked for a mortgage pre-approval, you will have to start the approval process immediately following the deposit of a purchase offer which has been accepted by the seller.

Be sure to work with [a good mortgage broker](#) who will compare available loans for free in order to help you find the best rate.

STEP 10:

SEALING THE TRANSACTION IN FRONT OF A NOTARY

The [notary](#) acts as a public officer recognized by the state, for whom real estate laws have no secrets. Moreover, the documents they write have an authentic character and are valid in court. They will be able to share good advice regarding the decisions you will be making during your real estate transaction.

The notary's role is to help you avoid bad surprises that could occur when buying a house (for example, being stuck with the debts of the former owner who renovated the home or becoming responsible for the seller's mortgage debt).

Moreover, they are here to verify that the documents presented by both parties are congruent and they protect the money involved in the real estate transaction.

FORESEEABLE COSTS

- 1** **Down payment:** you must have an amount equivalent to at least **5%** of the sales price. To avoid paying mortgage insurance, you will have to plan for **20%** of the purchase price.
- 2** **Mortgage insurance:** if your loan is equivalent to more than **80%** of the amount necessary for the transaction, you will have to purchase insurance. This insurance will serve to cover your loaner if you are unable to reimburse your loan.
- 3** **Notary fees:** the notary's fees for a real estate transaction vary between **\$800** and **\$1600**. Add to that certain fees related to the treatment of your file, which should reach between **\$400** and **\$500**.
- 4** **Pre-purchase inspection:** cost between **\$250** and **\$400** for a condo and **\$450** and **\$550** for an individual home. Prices can reach **\$625** for a duplex, **\$700** for a triplex and **\$1000** for a larger property.
- 5** **Evaluation fees:** depending on the level of experience of your home appraiser, the price to evaluate your property will vary between **\$300** and **\$500**. The evaluation report will be valid for 6 months.

6

GST/QST (for new homes): if you are buying a new home, or one having undergone major renovations, you will have to pay consumer taxes (GST and QST). These represent approximately **15%** of the purchase price.

7

Transfer rights tax (Bienvenue tax): this tax is equivalent to a certain percentage of the purchase price of your home. The amount will be charged directly by the municipality where you are settling down as a new homeowner. Depending on the city and the value of your home, the transfer tax will vary between **1** and **3%** of the price of the home.

8

Municipal and school tax adjustment: municipal and school taxes represent an annual amount that homeowners must cover. It is most likely that the current owner has already paid this tax for the year, which is why an adjustment must be made.

The reimbursement will be calculated by the notary and added to the set of fees you will have to cover when purchasing the property. For reference, this tax represents **\$400** for a property whose value is between **\$200 001** and **\$300 000**, and **\$530** for a home whose value is between **\$300 001** and **\$400 000**.

9

Moving fees: certain companies offer moving trucks (without movers) for **\$20** to **\$40** per hour. If you decide to hire a moving company, expect to pay between **\$85** and **\$110** per hour for a truck and two movers. In general, a package will be imposed depending on the number of rooms to work on, the number of movers needed and the distance of the move.

10

Home insurance, energy consumption, renovations, condo fees and other related spending: it would be relevant to get this information from the seller before you make an offer to purchase.

BUYING A HOME TO RENOVATE IT

A home that needs to be renovated will be less expensive at the time of purchase, but it will be important for you to evaluate costs related to the work in order to avoid paying more than the property is actually worth.

Before you make an offer, it is important to learn about the cost of renovations that you are looking to carry out. If you are confident with your choice, [ask for quotes](#) from home renovation contractors. By comparing different quotes, you will be sure to get the best price/quality ratio for your renovation project.

You should certainly determine whether you want to make partial renovations over a long period or carry out the full project before you move into the home. This choice will impact your budget, seeing that you will probably be paying rent at the same time as your mortgage.

All these variables must be calculated in a way to properly organize your budget. Don't forget that unplanned situations and delays are common during renovations, which is why it is so important to set aside a sum, so you don't end up in a bad financial situation.



TRAPS TO AVOID

- 1** Omitting to check your real estate agent's authorizations is one of the main mistakes to avoid in a real estate transaction. Agents that are a part of [XpertSource.com's](https://www.xpertsources.com) network all have a professional responsibility insurance policy and a permit from the Organisme d'autogréglementation du courtage immobilier du Québec (OACIQ).
- 2** Make sure you have picked a real estate agent that is familiar with the residential sector you are coveting. Know that [XpertSource.com](https://www.xpertsources.com) will connect you with real estate agents by taking into account the areas they cover.
- 3** If you are not a seasoned negotiator, it's best to work with a [real estate agent](#). They will be able to help you get a lower price than what you would have gotten looking for a home by yourself, in addition to helping you save a lot of time.
- 4** The [expert who will evaluate your property](#) must belong to the Ordre des évaluateurs agréés du Québec (OEAQ).
- 5** Don't sign a document if you aren't accompanied by a [real estate agent](#) or your [notary](#).
- 6** Always ask about the different fees involved before making an offer (home insurance, energy spending, condo fees, etc.).
- 7** Take the time to reflect before you make a purchase offer. If accepted by the seller, it will be difficult, even impossible to rescind said offer.
- 8** Make sure you find a [building inspector](#) with several years of experience in the field and don't hesitate to ask for references.
- 9** The inspector must also have professional insurance covering errors and omissions for building inspections.
- 10** Plan your budget adequately and don't forget to set aside a certain amount for unplanned situations that could occur along the way.