

SHOPPING FOR A HOUSE?

Start Off on the Right Foot!

House-hunting is no simple matter. It is a stressful and emotional process that requires patience and objectivity. You have everything to gain by starting off on the right foot.

Before launching your attack on the real estate market to find your dream home, make sure you know how much you can afford to spend on a property. "This first step is crucial," says Colette Blais, Home and Consumer Financing Advisor at the Fédération des caisses Desjardins. "In addition to making your house-hunting easier, knowing how much you can borrow stops you from visiting houses that are over your budget, which can only lead to disappointment."

START WITH A VISIT TO THE CAISSE

The mortgage calculation tools available online can give you an idea of your borrowing capacity, but they won't give you an accurate picture of reality. "In fact, you should be aware that most of those simulators are designed to come up with the maximum amount you can borrow," Blais explains. "The calculation is purely mathematical and does not take any other aspects of your personal situation into account." That's why it's important to visit the caisse. There, you benefit from the expertise of an advisor who, in addition to giving you advice on the home buying process, will also give you a precise idea of how much you can borrow.

"The advisor looks after the buyer's interests. He or she will help the buyer determine the amount that they should pay each week or month on the mortgage loan, taking into account their lifestyle, regular expenses, future projects, and so on," Blais adds. The advisor adds perspective to the simulator's calculations and will make sure the buyer is in a comfortable financial position.

DOWN PAYMENT

When you take out a regular mortgage loan, a minimum down payment of 20% of the property's purchase cost is generally required. "The buyer can usually get that amount from their savings or from the equity on the sale of their existing property, if that is the case," Blais says.

The Home Buyers' Plan (HBP) is also well known today as a means to finance a down payment. Since the last federal budget, the HBP has offered the possibility of withdrawing up to \$25,000 from your registered retirement savings plan (RRSP)—\$50,000 for a couple—to finance the purchase of your home without paying income tax. You then have 15 years to pay that amount back into your RRSP. It's a bit like lending money to yourself.

It's also good to know that you can use the HBP even if you do not have an RRSP. "First of all, the buyer must have unused RRSP contribution room," Blais explains. "Second, they can borrow the amount of the down payment from the caisse, as long as they keep within the maximum contribution limit. Then, they can deposit that amount into an RRSP and, from there, use the HBP," the advisor continues. "After that, the buyer uses the amount withdrawn from the RRSP through the HBP to pay back the loan to the caisse."

You can then use the subsequent income tax refund to complete your down payment or pay start-up costs related to your home purchase (notary, insurance, real estate transfer, etc.). You will even have 15 years to pay back the amount withdrawn from your RRSP. However, it is



important to remember two things: the money deposited in the RRSP must remain there for at least 90 days before you can withdraw it, and, obviously, you will only receive your tax refund at the end of the fiscal year in which you made the contribution.

BORROWING WITH A LOWER DOWN PAYMENT

You can also take out a mortgage with a down payment of less than 20%. In this case, your loan must be insured by the Canada Mortgage and Housing Corporation or by Genworth Financial Canada. This is a completely transparent process that your caisse will undertake on your behalf. The minimum down payment required is between 5% and 10% of the property's value. The price to pay is an insurance premium that

NOT YOUR FIRST TIME?


It is still a good idea to meet with your caisse advisor to assess your situation. Purchases and sales rarely happen at the same time, so you need to plan for every eventuality. For instance, you may need a bridge loan to pay the down payment on your new home if you do not yet have access to the money from the sale of your current property. This is one of the options available to help tide you over in the interim between purchasing and selling a property. Don't hesitate to talk about your needs with your advisor.

PRE-APPROVED MORTGAGE LOAN

Once you're ready to start actively looking for a house and consider yourself in a position to buy, your advisor can offer you the pre-approved mortgage loan. On the housing market, you will then be able to say that you are "pre-qualified," which means you have a financing agreement with your caisse that guarantees you the amount and interest rate on your loan.

There are many advantages to the pre-approved mortgage loan. For one, it makes negotiating with the seller or real estate agent easier, since you know exactly what your borrowing capacity is. It also guarantees you an interest rate for at least 90 days and allows you to benefit from any rate reductions if the rate on the day you sign the contract is lower than the rate initially agreed. And, finally, a pre-approved mortgage speeds up the money transfer process.

LETTER OF FINANCING

You will understand the benefits of pre-qualifying when you come to make your first Offer to Purchase. At that point, the seller or real estate agent will want you to prove you are serious by providing a letter of financing confirming that your caisse will loan you the necessary amount to purchase the property. "Stress levels are at their highest once you present your Offer to Purchase," remarks Blais. "Being pre-qualified removes a lot of this stress and makes both the buyer and the seller feel more secure." And remember, once you pass this stage, all that remains to do is to have the property appraised. 



ARE YOU THINKING ABOUT BUILDING?

Having a home built or building it yourself can be an attractive option. But pay careful attention to the base price given by the builder, as well as your initial estimates. Don't forget that you will have to add sales taxes, and remember to allow leeway for "extras" that you might not be able to resist. Ask your advisor for a copy of the guide to building your own home, where you'll find some useful advice and answers to your questions.



can be paid at once or spread over the full amortization period of the mortgage. "To some people, this insurance premium seems high, but considering that a home purchase is a long-term investment, it may be more advantageous to buy and have the loan insured rather than waiting until you save up the 20% down payment," says Blais.

The Borrower Profile

A tool available only at Desjardins

Desjardins is the only financial institution to offer the "borrower profile," a simple and practical tool that ensures you choose the right financing products for your needs. Just as the investor profile looks at your risk tolerance level in the choice of your investments, your borrower profile will help you determine the kind of loan you should opt for, depending on your tolerance to interest rate fluctuations. Are you more comfortable with a stable rate and payments, or would you rather have a highly flexible financing tool, made to measure but sensitive to fluctuations? Perhaps you are somewhere in between? Open or closed mortgage, fixed or variable interest rate... your borrower profile will help you decide. Talk to your advisor for more details.