Become interested in rates

Borrowing money to buy a home is likely going to be the biggest financial commitment you ever make. So it’s important to do your research and understand what you’re getting into. Here’s a quick guide.

Interest rates
Homebuyers have enjoyed low interest rates for a while now. “And I think they’re going to hold for several more months,” said Toronto mortgage broker David Smith. “By the fall, we’re probably going to see 3.09 and 3.1 perhaps, and these are still extraordinary low rates and cheap money.”

Down payment
Put down at least 20 per cent of the home price, advises Will Britton, a financial adviser in Kingston, Ont., and a member of Advocis, the Financial Advisors Association of Canada.

You will qualify for a conventional mortgage loan, which is equal to or less than 80 per cent of the lending value of the property. Otherwise, a high-ratio mortgage requires mortgage loan insurance from a provider such as Canada Mortgage and Housing Corporation, and that will cost more.

Pre-approval
It’s important to be pre-approved for a mortgage by a bank. “Given how competitive the marketplace is, if your offer has a condition on financing, you won’t win the property,” Smith said.

It’s a good idea to carefully consider what you want in a house first before you start looking. - Stephen Coburn/Shutterstock

Understand the process

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For Metro

Buying a house can be an overwhelming financial decision. First-time homebuyers tend to be highly educated and are quite thorough with their research by using online tools to find potential properties and calculate costs. But they aren’t as confident when it comes to mortgages and the technical process of buying a house, said Terri Gibbons, with Canada Mortgage and Housing Corporation, who is based in North York, Ont.

“It is important for first-time homebuyers to determine how much they can afford before they begin the process, keeping in mind all of the upfront costs,” Gibbons said. “It is recommended that first-time buyers seek out a mortgage professional and ask lots of questions and clarify their understanding along the way.”

It’s also a good idea to carefully consider what they want in a house first before they start looking, she added. Considerations include number of bedrooms, location, resale potential, and any renovation costs.

“It is costly to move, so these considerations are very important,” Gibbons said. When all the ducks are in a row and first-time house hunters find the right property at the right price, Winnipeg real estate lawyer Leandro Zylberman advises to take a break before making an offer.

“When I get into the picture, it’s usually after the offer has been signed and accepted,” he said. “Once I get that, it’s too late to make any changes.”

If there are components of the offer the buyers don’t understand, they can make the offer subject to lawyer approval, Zylberman advised.

This part of the process is made easier with advice of a real estate agent, who doesn’t charge commission for buying a house, only for selling, Zylberman said, which is a definite perk for first-timers.

And don’t forget about the closing costs, which can be more than moving and lawyer fees. Many provinces have a land or deed transfer tax that catches many first-time homebuyers unaware.

From start to finish, the homebuying journey can be a long one. According to CMHC statistics, first-time homebuyers take three months longer than repeat buyers to make their purchase. That’s about 10 months total of planning. Almost two-thirds of first-time homebuyers are younger than 35, where only 20 per cent of repeat buyers are younger than 35 years of age.

A large majority, 82 per cent, of first-time buyers have a post-secondary education.