



FINANCIAL FACTS

learn before you leap

Owning your own home is an exciting proposition. But before you can know whether homeownership is right for you, it's important to understand what's involved.

The worst mistake you can make as a new homeowner is to buy a house that ends up over-extending you financially. The key is to make sure that you can comfortably afford the mortgage payment and other monthly expenses that come with homeownership.

How much can you afford?

The first thing you need to do is figure out your net worth. Your net worth is the amount left over once you've subtracted your total debts from your total assets. This can work as a guide to show you how much you can afford as a down payment.

Prepare a budget

Next, prepare a budget. Detail all of your current monthly expenses and debt payments. Be as accurate as possible. Add everything up and then subtract this amount from your monthly take home amount. This will then give you a clear idea of how much you can truly afford for a mortgage payment each month.

How much can you borrow?

Before you start looking at homes, visit your mortgage broker for a pre-approved mortgage. The mortgage broker will look at your finances and determine the amount of mortgage that you are eligible for. The maximum amount you can qualify for depends on a number of factors but the most important are your household income, your down payment and the mortgage interest rate.

Monthly mortgage payments

Just like when you rent, as a new homeowner, you will have a monthly payment to make on your mortgage. The size of your mortgage payments will depend on your down payment, the amortization period (25, 30 or 35 years), the term (fixed rate, variable rate) and your payment schedule (bi-weekly, accelerated or monthly).

The down payment

In order to buy a home, the first thing you will need is a down payment. The

more money you put down, the less interest you will pay over the life of your mortgage. The minimum mortgage down payment amount that is typically required in Canada is 5%

In order to put less than 20% down, mortgage default insurance is required. Mortgage insurance premiums are paid once, but can be added to the principle of the mortgage.

Remember your budget

Quite often you will qualify for more than you expected. This is where preparing your budget beforehand is so important. Remember, your goal is to not over-extend yourself financially. Let your budget be your guide in determining how much mortgage to take on.

You now know how much you have to spend, but not all of it can go towards the purchase price of your new home. Some of it will have to be used to cover costs associated with buying a home.



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Condo Costs

If purchasing a condominium, there will be some fees in addition to the ones mentioned above. They are: Estoppels Certificate Fee: up to \$100 as well as initial payment of the monthly condominium fees.



OTHER COSTS

Additional Items

Appliances

Service connection fees: charges for utilities, telephone, gas, electricity, cable TV, satellite TV, internet, etc.

Renovations or repairs

Window treatments

Decorating materials

Snow-clearing equipment

Gardening equipment

Dehumidifier