



# MORTGAGE GROUP

The Solution to All Your Mortgage Needs

# First Time Home Buyer's Guide



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# PRE-APPROVAL DO'S AND DONT'S

## DO'S

**DO** give US a call prior to making any life changes. Your pre-approval will become invalid if there are any major changes to your situation.

**DO** disclose everything. Perhaps you have forgotten that you are a co-signer on another property. Maybe you've been divorced for years and have agreed that you don't owe each other a thing, but that pesky separation agreement still says otherwise.

**DO** consult a financial advisor to make sure your mortgage and home purchase fit with your overall financial plan and goals. This will ensure you do not become house rich and cash poor.

**DO** become familiar with first time home buyer programs available to you.

**DO** prepare a budget and make sure it includes property taxes, utilities, strata fees, and other cost you would not have paid as a renter.

## DONT'S

**DON'T** move money around to "make it easy". Often times large withdrawals and deposits look like money laundering. (Also, **DON'T** launder money)

**DON'T** get into any disputes that will lead to collections. For example, unpaid parking tickets, cellphone/cable bills, utilities, etc. Pay these bills even though you are disputing them.

**DON'T** make any changes to your credit. Don't open new credit lines or credit cards. This includes those "buy now pay later" offers. More importantly, **DON'T** close out old credit cards or credit lines.

**DON'T** quit your work, change employers, or become self-employed. Even if it is a better paying position, it will likely cancel your approval. When you change employers, 99% of the time they will require a probationary period. Your income does not count during this time.

**DON'T** get a new vehicle or trade up to a more expensive payment. If your payments increase by \$400 per month, you've just reduced your mortgage approval by \$100,000.



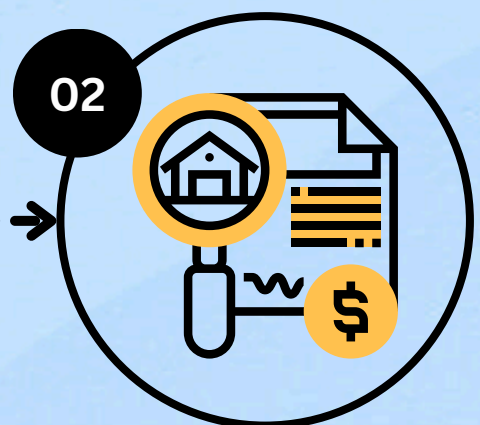


# SO YOU'RE BUYING YOUR FIRST HOME



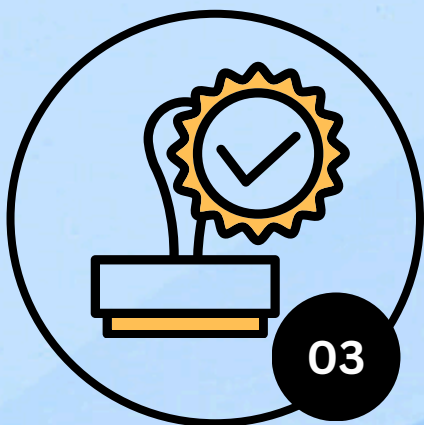
## Initial Application

Connect with us and discuss your situation with one of our mortgage specialists. Tell us your story! We will send you a link to complete your application online.



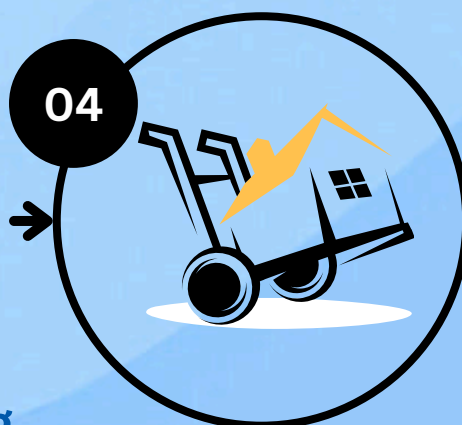
## Document Collection & Credit Check

Since we can't ask lenders to just "trust us," you'll receive a list of documents to submit. We identify any problem areas and work with you to shore up the missing information.



## You are Pre- Approved!

Once everything looks good, we walk you through a shopping budget and lock in a rate for 120 days. Some of the best lenders do not do rate holds, so we may switch it up when you find your dream home.



## House Shopping

It would be a good idea to connect us with your Realtor and we can run the numbers on any property you are considering. We also have a phone app you can download and crunch payment scenarios 24 hours a day.



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# DOWN PAYMENT 101

## SALE OF A HOME

This is easy to document as we only need to show the sale contract with subjects removed, the mortgage statement, and our calculation of your net cash from the sale. We will factor in real estate selling costs, mortgage balance (including penalties), and legal fees to close the transaction.



## SAVINGS/CHEQUING

We will need to show a 90-day history of the funds in the accounts. You will need actual statements (not screen shots) with your name, address and account numbers. It is okay if the bank accounts are accumulating through the 90-days as long as we can see the source. Your statements will typically show payroll deposits and this is completely acceptable. The problem will be if there are large deposits. Each one will require an explanation. Did you sell a boat? We will need to prove that.



## RRSP/FHSA

You will have to show proof as above with the savings section. On top of this, you will need to send the lender holding the RRSP a withdrawal form to complete. This can take up to 10 business days. If you choose to use your RRSPs for your down payment, you will have to pay it back over 15 years beginning the 2nd year. A \$35,000 RRSP withdrawal is \$200/mo for the next 15 years. This is on top of your mortgage payment. If your cash flow is already tight, this makes it worse.



## TFSA/STOCKS AND INVESTMENT FUNDS

Just like your bank account, you will need to show a 90-day history with statements. The most common issue is these account statements will typically be generated quarterly. If you are between quarters you will need to find a way to get interim statements. These have to be actual statements, not screen shots, with your name, address and account numbers.



## GIFTS

Gifts are a completely legitimate source of down payment, as long as:

1. It can be verified – this may be through a simple gift letter and proof of deposit into your account. Or it can be complicated with some lenders requiring a 90-day proof of funds from the giftor and/or a signed verification form from their bank.
2. The gift must come from a straight line in your family tree. Which means gifts are acceptable from your grandparents, parents, and children.
3. The gift requires no repayment.



## DON'T MOVE YOUR MONEY

Wherever your down payment is, don't transfer large sums of money around. Don't lend money and then have it put back into your bank account before funding. This can create red flags when your mortgage application is being underwritten by the lender. Lenders have an obligation to ensure there isn't any money laundering going on and these transactions make them suspicious. Even if that's not the case, it could look like you have borrowed money for your down payment, which could kill your approval.



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# YOU FOUND A PROPERTY NOW WHAT?

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## Get an Accepted Offer

Great job negotiating! But remember, a pre-approval does not guarantee actual approval. The lender must also like the property. Higher than anticipated property taxes or strata fees could reduce your approval. Give us 7-days "subject to financing" and we can figure it all out.

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## Submit to the Lender

We shop the market again to make sure you still have the best deal for your specific situation. We settle on a lender and send everything in. The lender will review and come back with a list of conditions.

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## Conditional Approval

You now have a conditional approval! We work with you to satisfy those conditions and obtain the final approval. Some of your documents are only good for 30 days and will need updates. Some lenders will need an appraisal, which we will arrange. This is the stressful fun part of the process. Don't worry, we got this.

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## Removing Subjects

We give you (and your Realtor) the good news! All conditions have been met and you can remove your financing subjects. Congratulations, new home owner! (I like that sound of that!) BUT hold on, this is not the end.



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# FAQ

## WHAT ARE CLOSING COSTS?

These are all the additional costs to secure a mortgage and purchase a home. These costs cannot be included in the mortgage and must come from your own resources. The lender will ask to see that you have enough funds to close, which is typically 1.5% of the purchase price. Actual closing costs are to be confirmed with your real estate lawyer and real estate agent. A worksheet is provided on the next page to give you a ball-park estimate. We will go over this together once you have found a home.

## WHAT IS AN FHSA?

The FHSA (First Home Savings Account) is a new kind of registered account for first time home buyers. You can open an FHSA if you do not own a home, have not owned one in the past four years, and are at least 18 years old. There is a total contribution limit is \$40,000 and an annual limit of \$8000. Any unused contribution room carries forward up to the total limit. Contributions to this account are tax deductible (like RRSP). Gains and withdrawals are tax free (like a TFSA) so long as they are withdrawn for a home purchase. 15 Years after opening a FHSA, you will need to withdraw the funds or transfer them to an RRSP.

## WHAT IF MY PRE-APPROVAL EXPIRES?

If your pre-approval expires before you find your new home, we will gather some updated documentation, check your credit again, and send in for a new pre approval. Repeated inquiries can affect your credit score, but it will only be a concern if there are a large number of them. For example, applying for a mortgage, car loan, and credit card all in the same month would be a bad idea.

## WHAT IS THE HOME BUYER'S PLAN?

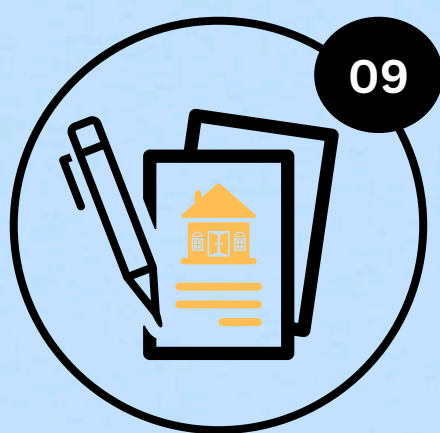
The HBP is a government program that allows each purchaser to withdraw up to \$60,000 from their RRSP account. The T1036 Home Buyers' Plan (HBP) Request to Withdraw Funds from an RRSP form can be found on the Canadian Revenue Agency Website. You fill out area 1 and the RRSP issuer (e.g. your bank) completes area 2.

## Everything Financial's Commitment to YOU

We will do a full review of your situation before your mortgage completes to ensure you have the right mortgage for your situation. Most importantly we will ensure it fits into your overall financial plan. As you are looking forward to your new home, we are looking forward to keeping you from being house rich and cash poor. We are always available if you have any questions. Please don't hesitate to reach out.



# WRAPPING THINGS UP



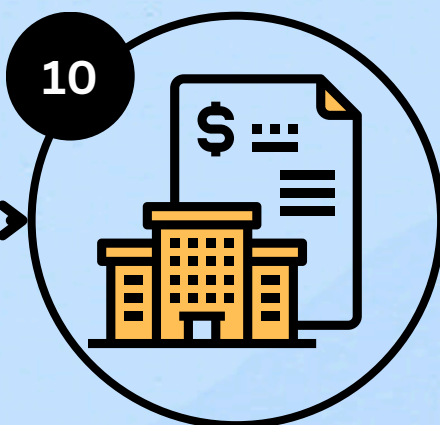
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## Sign Mortgage Documents

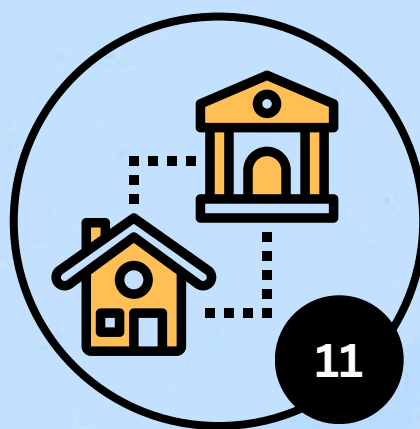
We show you how much money you've committed to paying and for how long. Gulp! Don't worry, think happy thoughts. Real estate is one of the best investments you can make.

## Sign with the Branch

Some lenders require you to attend a branch. They'll use the opportunity to upsell you on stuff. We'll let you know what you need or don't need. Some lenders are virtual so you can skip this step.



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## Close With the Lawyer or Notary

We'll call them the "solicitor." You pay them the big bucks to do all the money transfer and final paperwork. You bring your down payment to them. Your solicitor will receive instructions from the lender and pay out any existing debts per those instruction. They will pay the sellers the net proceeds and order a State of Title Certificate. This confirms you are the new owner of the property and removes the old owner.



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## Get your keys!

This is when you try to convince friends with pickup trucks to come hang out and have free pizza and beer. Oh, and if you could pick up that couch while you're here.... How about another cold one?



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# CLOSING COSTS

Net Purchase Price.....\$ \_\_\_\_\_

PLUS NET GST.....\$ \_\_\_\_\_

**Actual Purchase Price....\$ \_\_\_\_\_**

Deposit.....\$ \_\_\_\_\_

Down Payment..... \$ \_\_\_\_\_

Mtge Default Insurance.....\$ \_\_\_\_\_

**Total Mortgage Amount..\$ \_\_\_\_\_**

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Property Transfer Tax.....\$ \_\_\_\_\_

Property Tax Adjustment...\$ \_\_\_\_\_

Interest adjustment.....\$ \_\_\_\_\_

Appraisal Fees.....\$ \_\_\_\_\_

Building Inspection.....\$ \_\_\_\_\_

Home Owner's Insurance..\$ \_\_\_\_\_

Legal Fees.....\$ \_\_\_\_\_

Mortgage Broker Fees.....\$ \_\_\_\_\_

Miscellaneous.....\$ \_\_\_\_\_

**ESTIMATED TOTAL.....\$ \_\_\_\_\_**

## Life and Disability Insurance

Now that you have bought a house, we need to protect your investment. This includes both life and disability insurance. For most people, the insurance provided through your work should suffice, but we will do an analysis to make sure what you already have is enough to cover you and your new home. Should you need additional coverage, we are happy to recommend the right insurance coverage for your unique needs.

**BEWARE:** The lender will often want to sell you their own insurance products. This is often more expensive and provides less coverage. They are typically “post-claim underwriting” policies. Which means you won't know if you are actually approved until you have to make a claim.

