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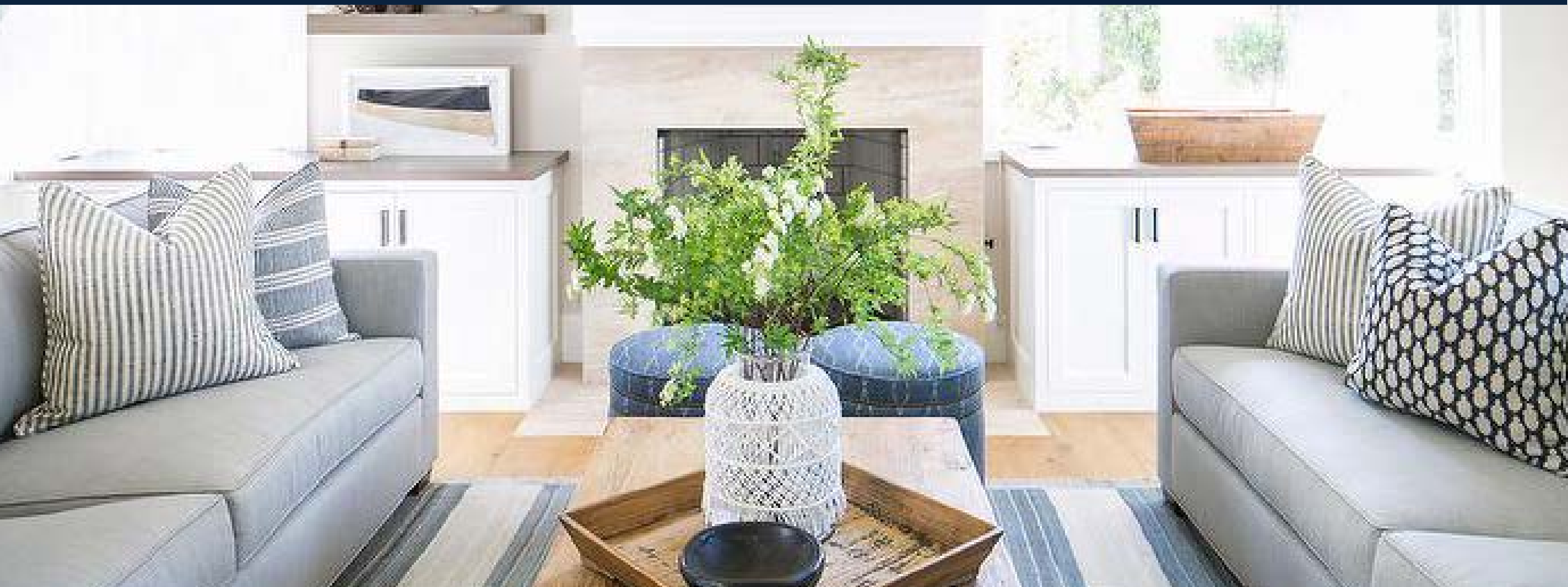

Buyer's Guide

A guide to buying real estate in Toronto

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Introduction

While every financially significant investment poses risks, the Canadian real estate market offers more opportunities than ever before. Whether you are an experienced real estate investor with a sophisticated and diverse portfolio, or a first-time homebuyer contemplating the purchase of your first home, it's important to educate yourself on the latest economic and real estate market trends, the basics of the home buying process and to understand the unique local market trends impacting your neighbourhoods of interest. It's also essential that you select a skilled and experienced real estate advisor to help you navigate the process.

The Aguanno & Kemp Team provides homebuyers with expert advice, accurate market and property information, prompt access to coveted properties and the highest level of service and discretion. We offer skilled and authoritative assessment of real estate opportunities, as well as exclusive access to some of the best properties on the market — many of which may never be available to the public on MLS.

The Home Buying Process

Finding and purchasing a home involves the general steps outlined in the following section; however, most homebuyers and real estate investors have unique financial, property and personal requirements that demand advice from a real estate advisor with specialized expertise. These include instances when you wish to purchase a:

- Home that is dependent on the sale of another property
- First home
- Vacation home
- Secondary or multiple investment property
- Canadian property from overseas
- Property located outside of Canada

Step 1: Secure Financing

Before starting your home search, it's important to evaluate your financial situation, confirm your budget, familiarize yourself with mortgage options and secure pre-approval from your lender. This will help you conduct your search with confidence and negotiate your desired home successfully.

ESTABLISH YOUR BUDGET

As a general guideline, total monthly housing costs for your primary home, including mortgage payments, taxes, maintenance fees, insurance, interest charges and utilities, should not exceed 32% of your gross monthly household income. This percentage is known as your gross debt-to-income or gross debt service (GDS) ratio.

Many financial advisors also suggest that total monthly debt, including mortgage payments, credit card, lines of credit and car payments, should not exceed 40% of your gross monthly income. This percentage is known as your total debt-to-income or total debt service (TDS) ratio.

The maximum amount you can afford to spend on a home depends on these numbers and the size of your down payment.

In addition to GDS and TDS ratios, financial institutions base their lending decision on your credit history, job stability and the amount of your down payment. Interest rates also affect the amount of financing you will be able to obtain.

Those purchasing a real estate investment property should consult their financial advisor to understand tax and financial implications of their purchase.

CONFIRM DOWN PAYMENT

If your down payment amount is less than 20% of the total purchase price, you will need to purchase mortgage loan insurance that guarantees the debt against default. In most cases this will be added to the mortgage loan.

CHECK YOUR CREDIT RATING

Your credit report plays an important role in your mortgage approval process and in determining the interest rate and other loan terms that a lender offers you. Before meeting with a potential lender, you may wish to confirm your credit rating so you have time to resolve any issues. Contact Trans Union of Canada: 1-800-663-9980 or Equifax Credit Information Services Canada: 1-800-465-7166 for more information.

UNDERSTANDING MORTGAGES BASICS

Interest Rates

Mortgage interest rates are fixed, variable or adjustable.

»» **Fixed:** A fixed mortgage interest rate is a locked-in rate that will not change for the term of the mortgage.

»» **Variable:** A variable rate fluctuates pending market conditions while the mortgage payment itself remains unchanged.

»» **Adjustable Mortgage Interest Rate:** With an adjustable rate, both the interest rate and the mortgage payment change based on market conditions.

Open or Closed Mortgage

Closed Mortgage: A closed mortgage cannot be paid off, in whole or in part, before the end of its term. A closed mortgage is a good option if you'd prefer a fixed monthly payment and wish to predict your monthly expenses. However, because there are often penalties or restrictive conditions if you pay an additional amount, a closed mortgage may be a poor choice if you decide to move before the end of the term or if a decrease in interest rates is anticipated.

Open Mortgage: An open mortgage is flexible. You can typically pay off part of it or the entire amount at any time without penalty. This may be a good option if you plan to sell your home in the near future or if you intend to pay off a large sum of your mortgage loan. Most lenders allow open mortgages to be converted to closed mortgages at any time, though often for a small fee.

Amortization

Amortization is the length of time the entire mortgage debt will be repaid. Many mortgages are amortized over 25 years, but longer periods are available. The longer the amortization, the lower your scheduled mortgage payments, but the more interest you pay in the long run.

Conventional vs. High Ratio Mortgages

Conventional Mortgage: A conventional mortgage is a mortgage loan that is equal to, or less than, 80% of the lending value of the property. The lending value is the property's purchase price or market value — whichever is less. For a conventional mortgage, the down payment is at least 20% of the purchase price or market value.

High-ratio Mortgage: If your down payment is less than 20% percent of the home price, you will typically need a high-ratio mortgage. A high-ratio mortgage usually requires mortgage loan insurance. CMHC is a major provider of mortgage loan insurance. Your lender may add the mortgage loan insurance premium to your mortgage or ask you to pay it in full upon closing.

Mortgage loan insurance, protects the Lender and, by law, most Canadian lending institutions require it.

The cost of high ratio mortgage loan insurance is in the form of a premium. The premium is calculated as a percentage of the principal and can be paid in a single lump sum or be added to your mortgage and included in your monthly payments.

Loan To Value Ratio	Premium Rate (applied to Total Loan Amount)
Up to and including 65%	0.60%
65.01% to 75%	1.70%
75.01% to 80%	2.40%
80.01% to 85%	2.80%
85.01% to 90%	3.10%
90.01% to 95%	4.00%

***loan insurance may vary due to mortgage product and amortization length.*

Mortgage Term: The term is the length of time that the mortgage contract conditions, including interest rate, are fixed. The term can be from six months up to ten years. There are generally several term options for a mortgage and it's important to weigh the benefits and costs of each. A longer term (five years, for example) may allow you to plan ahead and protect you from interest rate increases, but may not offer you flexibility, should interest rates fall.

Pre-Approval: It is important to be qualified or pre-approved for financing before you start looking for a home. This lets us know what you can afford as well as providing a written confirmation or certificate for a fixed interest rate good for a specific period of time. You will need a mortgage broker to obtain this. If you don't have one we are happy to reccomend one. The benefit of a mortgage broker is that he or she operates independently of the lender and therefore can assist you in finding the best financial product at the best rate from a variety of sources and usually at no expense to you.

Using Your RRSP To Purchase A Home

The Home Buyers' Plan (HBP) allows each RRSP plan holder to borrow up to $25,000 from the plan to use towards the down payment of a home. Couples with separate plans can borrow up to $25,000 each up to a total of $50,000. Home buyers using this program have up to fifteen years to return the borrowed funds, interest free, to their RRSP. Using these funds towards the purchase of a home does not deregister the plan unless the monies are not returned as agreed. This allows participants to retain the tax advantages the RRSP offers.

Here Are The Major Guidelines For This Program:

- You are a first time home buyer or have not owned a principal residence in Canada during the past four years.
- The RRSP must have been in existence for at least 90 days.
- You must be a resident of Canada both at the time the funds are withdrawn and at the time the home is acquired.
- A minimum of 1/15 of the amount withdrawn has to be repaid annually.
- Repayment of more than 1/15 of the borrowed amount in any particular year will be carried forward and can be applied towards a future year's repayment

Not every RRSP is eligible under this program. Check with your investment firm to see if you qualify. Also, advise your lawyer well before closing that you will be using these funds.

Step 2: Define Your Goals, Needs & Budget

Prior to meeting with your real estate advisor, it's important to clarify your budget, personal property preferences and any anticipated life stage and lifestyle requirements that may impact the purchase of your home.

Budget Range:

Target Budget: ______________________________ Maximum Budget: ____

Preferred Property Type:

☐ Condo/Apartment ☐ Townhouse ☐ Single-Family Home ☐ Multiplex ☐ Vacation Home ☐ Other ____________

Primary Property Usage:

☐ Primary Family Home ☐ Vacation/Secondary Property ☐ Investment/Revenue Property ☐ Other _____________

Property Features:

How many bedrooms do you need? ______________ How many bathrooms do you need? ______________________

Do you need space for a home office? ____

What kind of parking facilities do you need? For how many cars? ____

Do you require air conditioning? ____

Do you require storage or hobby space? ____

Do you require garden/outdoor space? ____

Is a fireplace or swimming pool high on your list?____

What other things are on your wish list?____

____

Lifestyle & Life Stage:

Most people aim to find a home and neighbourhood that will meet their needs for the next five to ten years. We can help you assess how your lifestyle and life stage needs may impact the property or neighbourhood that is right for you.

How long do you plan on staying in this home?

Will you need a home that can accommodate different stages of life?

Do you have children or plan to have children?

Do you have teenagers who will be moving away soon?

Do you have family members with special needs?

Are you close to retirement?

Do you have an older relative who might come to live with you?


F___
You

Step 3: Conduct Your Home Search

Once we have an understanding of your budget and property preferences, you can expect us to provide you with:

Automatic Property Updates: As soon as a property that meets your desirable home criteria is posted on MLS, we will send you an email alert to direct you to that listing.

Advance Access To Exclusive Properties: In some neighbourhoods, homes are sold within days, or even within hours, of being listed on MLS. Others are marketed and sold within a real estate company's network without ever being made available to the public. In some cases, we may be able to arrange for advance access to properties that are represented within their professional and company network.

Property Tours: We will schedule walk-throughs of properties matching your preferences and needs. You may also review properties on realtor.ca, or by visiting open houses, then contact us to schedule a private tour, should there be one that matches your needs.

Evaluation Of Options: It can be challenging to determine the fair market value of a home and to assess whether it is "good value" for its listed price or for your budget. Variables that impact the value of a home or property include its location, neighbourhood, community plan, proximity to amenities, lot attributes, views, property size, interior and structural condition, construction type, age, unique features, and the state of the local real estate market.

Step 4: Submit Your Offer

Real estate laws vary widely from region to region, and it's essential that you protect your legal interests and account for any specific contractual contingencies that are unique to your area and desired property. Some general considerations include:

Legal and Contractual Obligations: In Canada, an offer commits you to legal and contractual obligations as soon as the other party has accepted it. Prior to submitting an offer, ensure you are clear on the legal obligations you are undertaking, should the offer be accepted.

Valuation: Prior to writing your offer, we will provide you with information on recent area sales, local market information and background on whether there are competitive bids, which will help you determine your initial offer as well as your target price for this specific home.

Background Research: With some investigation, we may also be able to assess your seller's background and objectives for selling, which may assist you in crafting a competitive offer.

Offer Details: The details of an offer typically include: your legal name and that of the vendor, the legal civic address of the property, the price you are offering to pay, inclusions (items in or around the home that you think are included in the sale should be specifically stated in your offer, such as appliances, lighting fixtures or window coverings), amount of your deposit, dates you take legal and physical possession of the home, legal "subjects" or "conditions" upon which the contract becomes final (such as satisfactory home inspection report or financing approval), and the date the offer expires. Your offer is a legally binding document and should be prepared by a real estate professional or lawyer.

Home Inspection: This condition provides an opportunity to have the property inspected by a qualified person who will look for any major defects in the building prior to your entering into a firm agreement. Many Buyers choose to have a termite inspection done as well. This will depend on the property age and type, and whether competitive bids are anticipated.

Time Frame: Ensure that any time frames indicated in your contract are realistic, particularly if your offer is still subject to securing a mortgage loan, a situation we advise against by ensuring you secure pre-approval in advance. Increases in market activity as well as increased vigilance by lenders may mean that mortgage approval requires more time.

Fintrac: (The Financial Transactions And Reports Analysis Centre Of Canada) As of June 23, 2008, for every Purchase and Sale in real estate, the Brokerage must obtain an Individual Client Information Record. This record sets out the Buyer/Seller name and address, and the nature of their principal business/occupation and date of birth. Everyone will need to show a piece of identification that confirms their identities. For example birth certificate, driver's license or passport. For more information go to www.fintrac.ca

ELEMENTS OF THE OFFER

Irrevocable Date: For the offer to be valid, it must contain a number of specific dates and times. Your initial offer will be valid for a specific period of time, usually until midnight of the same day or the following day, after which the offer is deemed to be void. This time frame is called the irrevocable period.

Completion Date: This is the date set for the transfer of ownership of the property negotiated between you and the Seller, and can also be referred to as the closing date.

Requisition Date: This is the period in which your lawyer must determine if there are any problems with the title of the property and is usually set 15 days prior to the completion date.

Fixtures: Fixtures are any items permanently attached to the property. For example, a bathtub, sink or toilet permanently plumbed in would be a fixture. Technically, anything nailed to the building is a fixture while items screwed in (because screws can be removed) are chattels. This is often an area of contention when buying a resale home. So be aware of this distinction and, if in doubt, put it in the offer.

Chattels: Chattel, unlike fixtures, are not deemed to be part of the property and must be specified in the offer if you want them included in the sale. The following are some items you may wish to include in the offer: area rugs, ceiling fans, chandeliers and other light fixtures, draperies, wood burning stoves and accessories, microwave ovens, refrigerators, freezers, stoves and ovens, washers and dryers, window air conditioners, garage door openers, storage sheds, swing sets and other playground equipment, garden furniture, barbecues, central vacuums and equipment.

The Deposit: A deposit cheque must accompany the offer to the Seller. The amount of the deposit will vary depending upon the value of the property but usually represents between 5% and 10% of the purchase price.

Negotiating The Offer: After signing the offer, we will register it with the listing broker. The Seller has a number of options available:

- Reject the offer;
- Accept the offer exactly as presented, making no changes;
- Make a counter-offer back to you with whatever changes the Seller wants, such as price, closing or conditions.

You then have the option of accepting the Seller's counter-offer or making your own changes and signing the newly amended offer back to them. This is where our negotiation skills come into play.

Step 5: Negotiate Successfully

Preparation: After submitting an offer, you should be prepared to negotiate, not just on the initial price, but on all key factors impacting the sale of the home including deposit, inclusions, dates for completion and possession, and deadlines for subject removals. Ensure you know your budget and requirements prior to submitting your offer so you don't commit to additional costs in the heat of the process.

Multiple Offers: In high-demand, low-investor areas, you may find yourself bidding against other buyers. Some sellers in high-demand niche markets may also intentionally list their home at a low price hoping to stimulate multiple offers. This doesn't necessarily mean that the price will be bid up significantly over the asking price, but it does mean that due diligence is required on your part and the part of your REALTOR® to ensure the offer you submit is strategic, competitive and reflective of what you are ultimately willing to pay for the property.

Whether you are anticipating competition or not, you should be pre-approved for your mortgage prior to your home search and well in advance of writing an offer. In a multiple offer situation, this will impact your ability to negotiate successfully, particularly if others making an offer are already pre-approved. It also lets you know the maximum you can afford in what may be a stressful situation.

Potential Responses:

You can expect one of three responses to your offer:

»» **Accepted as is:** the deal is complete and once signed by the seller, the offer becomes a binding legal contract.

»» **Counter offer:** the seller may make changes to your offer, such as adjustments to the price, closing date or conditions. You may accept the counter offer and close the deal by signing the document. Or, you may make another counter offer back to the seller.

»» **Rejection of the offer:** the seller may choose to reject the offer and the sale will not go through.

Offer Acceptance: Once both parties come to an agreement, negotiations conclude and you move on to the next steps in the buying process. You will have a set period of time in which to satisfy the legal conditions ("subjects") agreed to in your contract, such as completing a satisfactory home inspection report or securing financing. Only after your subjects/conditions are removed do you have a legally binding document.

Step 6: Close the Deal

The closing or completion day is the day you take legal possession of your new property.

Preparation: As this day nears, we will monitor the progress of your transaction to ensure there are no last minute issues that need to be dealt with.

Completion (Closing) Day: On completion day itself, legal property ownership is transferred to your name. The mortgage amount is provided to your lawyer or notary by your lender and you will receive a Statement of Adjustments with costs payable, including: balance owing, legal fees, property transfer taxes and other completion costs. Your lawyer or notary will pay the seller, complete necessary documents and register your home at the Land Titles Office in your name. On your closing day, your lender provides the mortgage money to your lawyer/notary, you provide the down payment (minus your deposit) to your lawyer/notary as well as remaining closing costs. Your lawyer/notary pays the vendor, registers the home in your name and provides you the deed to your new home.

The Role Of Your Lawyer: Your lawyer's job is to certify good and marketable title to the property, free of encumbrances, liens and judgements. We will deliver all documentation related to the sale to your lawyer.

Registering The Mortgage: The lawyer receives instructions from the mortgage company, prepares the draft mortgage document, forwards the draft to the lender, makes amendments if required and arranges for you to sign the documents. The mortgage company then releases the funds to your lawyer. Some lenders prefer to pay the property taxes on your behalf to ensure the taxes are never in arrears. In this case, the mortgagee will hold back a certain amount from the advance on closing to start a tax account. Your payment will include the taxes in addition to the regular principal in interest. Check with your mortgage representative to see how your taxes will be handled.

Insurance: You are required to place fire insurance on the property. The coverage should be for at least the amount of the mortgage to be acceptable to the mortgagee. A guaranteed replacement clause is usually acceptable and must take effect on the closing date.

Statement Of Adjustments: The closing balance to be paid by the Buyer is "subject to the usual adjustments." The statement of adjustments is a system of credits and debits whereby amounts are added to or subtracted from the balance to be paid by the Buyer, depending on whether or not the Seller has paid certain items in advance.

Legal Fees: A lawyer will usually charge between $750 and $1,000, plus disbursements, for a straightforward real estate transaction. This is payable prior to closing.

Land Transfer Tax: Payable by the Buyer on closing, the tax is based on the purchase price.

From Now Until Closing

TOP FIVE PRIORITIES

1. Moving Truck – Book it early
2. Lawyer – Do they have all the documents they need?
3. Bank/Mortgage Broker – Do they have all the docments they need?
4. Home Insurance Company – Obtain home insurance
5. Schools – Set up or change registration for children

TO SETUP OR DISCONNECT

- Gas and/or oil
- Hydro
- Landline phone and/or cellular
- Internet
- Cable or satellite
- Alarm system
- Lawn care providers

NOTIFY OF ADDRESS CHANGE

- Canada Post
- Car insurance
- Credit cards
- Magazine and newspaper subscriptions
- Child Tax and/or Tax Credit Program
- Banks
- Revenue Canada
- Vehicle registration
- Doctor and dentist
- Pharmacy
- Health card
- Family and friends

Homeownership Costs

The following is an estimate of the costs involved in purchasing a home and the normal operation of a home in Ontario. Costs vary from one area of the province to another so these figures should be used only as a guide.

CLOSING COSTS

Home Inspection: A home inspection is strongly recommended for most residential properties and may be a condition of the offer. This ranges from $350 -$500 depending on the size and value of the property.

Termite Inspection: You may wish to hire a termite inspector as well as a home inspector if you are buying in an area of the city where termites are known to be a problem. This could add $250 to $350 to the cost of your inspection.

Title Insurance: Title insurance provides insurance against the future costs of remedying most problems with the title on your property.

Land Transfer Tax: See Completing the Sale. (Pg. 22)

Appraisal Fees: When you apply for a mortgage, the lender will want to see an appraisal on the property to ensure that the price you are paying falls within the accepted range of value for that type of property and that area of the city. The fee for this is usually between $250 to $350.

Land Survey: When you make an offer on a freehold property you will usually ask the Seller to provide a copy of the survey for the property. The purpose of this survey is to show the boundaries as well as the footprint of the building on the site. If there is no survey available, you may wish to hire a surveyor to prepare one at a cost of approximately $1,000 to $2,000.

HOME OPERATING COSTS

Realty Taxes: Property owners have the option of paying their property taxes in instalments over the course of the calendar year. Mortgage companies may insist that they pay the property tax and collect it with your monthly mortgage payment. Realty taxes range from $1,000 to $25,000 a year depending on the size and location of the property. Taxes are reassessed on an ongoing basis.

Heating: Home heating will usually be provided by natural gas, oil or electricity. Costs vary depending on the type of fuel, size of home, amount of insulation, exposure and usage.

Electricity: Costs vary greatly depending on usage, for example how many people you have in the home, the size of your home, and how many energy efficient cost measures you have undertaken (such as Energy Saver appliances). Usually billing is every second month, or you can go on equal billing and pay monthly.

Insurance: Insurance is essential for all homeowners and is required by your mortgage company before it will release funds to close the deal. Premiums are based on the replacement cost of the building and start at around $350 to $700 per year.

Water & Waste Management: Most properties in Ontario are now on water meters and are billed according to usage. As of November 1st 2008, you water bill will also include a fee for waste management. Your waste management fee will pay for garbage, recycling, green bin, litter prevention, landfill management and other diversion programs. These utility bills will be sent about three times a year.

Condominium Basics

Condominiums have grown in popularity over the past three decades as an alternative form of home ownership. If you are considering this option, the following information should prove helpful. A condominium can be an ideal starter home, since it may cost considerably less than single family homes in the same neighbourhood. However, a condominium can restrict your freedoms through a list of rules and bylaws governing how you may use the unit. It's important be fully aware of the corporations bylaws before you buy.

How Do Co-ops And Co-ownerships Differ From Condominiums?

In an equity co-operative the owner is not registered on title but receives a form of proprietary ownership. The corporation is registered on title and issues a share certificate to each owner. The corporation owns the property and the rights of occupation come from a separate agreement that sets out the exclusive right of each owner to occupy a certain unit. This agreement also sets out the owner's obligations to pay a proportionate share of the building's mortgage, operating expenses and property taxes. Since responsibility for payment of taxes and mortgage in a co-op is joint, if one owner goes into default, the other owners must make up the shortfall or risk losing their equity.

Many older co-ops have no mortgage and Buyers must pay cash since most banks are reluctant to finance share certificates. However there are some institutions that provide financing for these types of properties. In a co-ownership, each Buyer has his or her percentage interest in the property registered on title. Possession of an individual unit in the property comes by way of a separate agreement which sets out each owner's rights and responsibilities.

Mortgages are often available for this type of property through credit unions and trust companies. As a result of these factors, reselling a co-op or co-ownership is often more difficult than selling a condominium.

Make sure you work with a lawyer who is familiar with this area of real estate law.

How Are Condominiums Owned?

Condominium ownership is generally divided between two or more parties, each of whom owns a portion of the structure separately and a portion of it in common. For instance, if you are an owner in a high rise apartment building where there are several other owners, you own a unit individually and it is legally registered in your name. You also own a proportionate share of the common areas in the development. These generally include the outside grounds, recreational facilities, lobby, stairs, halls and elevators, as well as the air conditioning, electrical and plumbing systems. Some common areas may be reserved for the exclusive use of specific owners such as roof gardens, balconies, parking spaces and storage lockers. As a unit owner, you are automatically a member of the condominium corporation. In essence, you're a voting member of a self-governing community with one vote per unit.

What Is Included In The Maintenance Fees?

In addition to the costs associated with owning your own unit (mortgage payments, taxes and so on), you are also required to pay your shared cost of maintaining the common areas in a monthly maintenance fee. It's important to know what is and is not included in your maintenance fee. For example, heat may be included while the cost of electricity may not be.

What Is A Reserve Fund?

In Ontario, at least 10% of this maintenance fee must be held in a reserve fund to pay for minor repairs on items like heating systems, roofs and plumbing. If you are considering buying a unit in an older building, be sure that the reserve fund is sufficient to pay for any anticipated major repairs. Newer buildings may not have have had time to accumulate a large reserve fund. Information on the status of the building's reserve fund is contained in the Status Certificate.

Frequently Asked Questions

Many Buyers do not fully understand the home buying process and what role a REALTOR® plays.
The following are some of the most frequently asked questions that Buyers ask:

What Does It Cost As A Buyer To Use A Realtor?

The compensation that a REALTOR® receives typically comes from the Seller's proceeds. In other words, there is no cost for a buyer to use a REALTOR® in a traditional REALTOR®/Buyer relationship. In a Buyer agency agreement, there may be some cost to the Buyer, but even these agreements are usually worded so that the REALTOR® is compensated from the Seller.

Can My Realtor Give Me Information Regarding Properties From Other Companies?

Yes, if that other company is a member of Multiple Listing Service® (MLS®) – which most real estate companies are. For Sale By Owner (FSBO) properties are not listed in MLS so a REALTOR® likely would not be able to provide information regarding them. However, with a Buyer Representation Agreement, your REALTOR® may be able to help you purchase a FSBO.

What If I Find A Property On My Own?

You should contact your REALTOR® and not the property owner or the REALTOR® listing the property. Having the address or the MLS number is very helpful and will assist your REALTOR® in gathering information regarding the property.

Can I Go To An Open House Without My Realtor?

You can go to open houses without your REALTOR®. However, you must inform the attending REALTOR® that you already have your own REALTOR® working for you.

NOTES

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