

GARIBALDI MORTGAGE

First Time Buyers' Info Summary

▶ Mortgage Financing Options

So you are considering purchasing your first home – congratulations! This is a very exciting and special point in your life as well as a great learning experience.

There are a couple of basic financing options you should be aware of, as follows:

Conventional financing – this is what banks and lenders call your mortgage application if you are putting at least 20% down.

High Ratio financing – this requires 'mortgage insurance' from CMHC or GE Capital, and is required if you are putting less than 20% down. In this instance, 2 approvals are necessary, one from the bank, and one from one of the mortgage insurance providers.

With high ratio mortgage financing, the level of down payment you have, affects the cost or premium of the insurance. For example, with 5% down, the insurance premium is 2.75%, and with 10% down, the insurance premium is 2%. This insurance is a one-time fee for as long as you own the property, and it can be added to the mortgage. You do not have to pay this out of pocket. If you choose an extended amortization of 30 or 35 years, then a premium surcharge is added. The surcharge is 0.20% for every 5 years beyond 25 years, so for a 35 year amortization, you add .40 to the premium. With recent federal government changes however, effective March 18th, 2011, the maximum amortization you will be able to have for a high ratio mortgage is 30 years.



► The Paperwork

When applying for a mortgage, you will have to provide the following information:

- A completed application, which is basically a summary of your personal information regarding where you work, and information regarding your assets and liabilities.
- Confirmation of your income and employment. This is usually provided by way of a combination of the following: employment letter from your employer confirming your position, income, and length of time employed, current payslip, past T-4's, and/or your tax returns and/or Notice of Assessments from Revenue Canada. If your income fluctuates from year to year, a 2 to 3 year history is required.
- Verification of your down payment and closing costs. This is required so the bank can see where the source of the down payment is coming from. This is usually provided by way of RRSP or bank account statements, family gift letter, tax refund or vacation pay slip, bill of sale from a vehicle, or any other documentation that confirms where the funds have come from. The banks like to see a 3 month history of your accumulated savings.
- It is an excellent idea to go through this process in advance of looking for your new home, so you have a good idea of what you qualify for, and also so you can arrange a rate hold. This is referred to as a pre-approval, and there is no cost or obligation to arrange.

► RRSP Withdrawal

Revenue Canada allows you to withdraw up to \$20,000 from your RRSP if you are a first time homebuyer. Funds withdrawn must be repaid over a 15 year period. You may pay back the RRSP funds earlier, however if you do not make an installment, the portion that was supposed to be repaid is included as income for that year; <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rrsp-reer/hbp-rap/menu-eng.html>.

► BC Government Property Transfer Tax Waiver

When buying a home in BC, there is usually a BC Government property transfer tax. As a first time home buyer however, this can be waived if certain conditions are met. If the purchase price is over \$425,000, or you do not meet the qualifying guidelines, the tax is calculated as: 1% of the first \$200,000 and 2% of the balance. See attached for qualifying guidelines.

► Closing the Deal

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|---------------------------------------|---|
| Property Transfer Tax | Please refer to attachment. |
| Legal Fees & Disbursements | Shop around for the best "legal package". You should ask for a quote for fees & disbursements for conveyance & mortgage. Depending on your transaction(s), you could expect costs between \$800 to \$1500. |
| Property Taxes | Depending on what time of the year your purchase closes, you will probably have to reimburse the vendor for any taxes that they may have already pre-paid. |
| Survey Certificate or Title Insurance | You will likely need a survey certificate if you are purchasing a single family home. The cost is approximately \$350.00, or you can obtain title insurance as an alternative for \$200.00. Your realtor may be able to obtain an existing survey from the vendor(s) to save you some money. A survey is not required if you are purchasing a townhouse or condo. |
| Building Inspection | You may decide to have a building inspection done. A qualified building inspector will go through your new home with you for several hours and then afterwards provide a written analysis of the structure of the home. This cost is approximately \$375.00. |
| House Insurance For Fire & Contents | If you are buying a house or ½ duplex, you will have to purchase the necessary fire insurance coverage for your dwelling. Depending on your new home, you can expect an approximate cost of \$500 - \$800. |

ATTACHMENT A

PROPERTY TRANSFER TAX AND THE FIRST TIME HOME BUYERS' PROGRAM



February 2008

Property Transfer Tax

You pay property transfer tax each time you register a property at the Land Title office.

The First Time Home Buyers' Program

If you are purchasing your first home, you may qualify for an exemption from property transfer tax if certain requirements are met.

WHAT ARE THE REQUIREMENTS?

Purchaser

You qualify for the exemption if:

- you are a Canadian Citizen, or a permanent resident as determined by Immigration Canada,
- you have lived in British Columbia for 12 consecutive months immediately before the date you register the property, or you have filed 2 income tax returns as a British Columbia resident during the 6 years before the date you register the property,
- you have never owned an interest in a principal residence anywhere in the world at anytime, and
- you have never received a first time home buyers' exemption or refund.

Property

The property you purchase qualifies if:

- the fair market value of the property is not more than the current threshold of \$425,000,
- the land is 0.5 hectares (1.24 acres) or smaller, and the property will only be used as your principal residence.

If the property does not meet all of these requirements, you may still qualify for a partial exemption.

HOW DO I APPLY FOR THE EXEMPTION?

You apply for the exemption when you register the property at the Land Title office.

Generally, a lawyer or notary public registers the property and applies for the exemption on your behalf.

The Land Title office sends your application to the Ministry of Small Business and Revenue to verify your eligibility.

Make sure you do not apply for the exemption if you have owned an interest in a principal residence anywhere in the world at anytime. If you do this, you will be assessed for the tax due and an additional penalty equal to the tax due.

If you do not apply for the exemption when you register the property at the Land Title office, you can apply for a refund of the property transfer tax you pay within 18 months of the date you register the property.

WHAT ARE THE REQUIREMENTS TO KEEP THE EXEMPTION?

- You need to occupy the property within 92 days of the date you register the property and continue to use the property as your principal residence for at least 1 year after you register the property.
- If the land is vacant when you purchase the property, a principal residence needs to be built on the property within 1 year of the registration date, and you need to reside on the property for the remainder of that year. The fair market value of the land, plus the cost of building any improvements on the land cannot exceed the current threshold of \$425,000.
- The ministry will send you a letter at the end of the first year you own the property. If your property purchase was registered on, or after, February 20, 2008, the letter will ask you to confirm that the property is still your principal residence. If your property purchase was registered before February 20, 2008, the letter will ask for details

of your financial account(s) that you have registered against your property from the date of registration until February 20, 2008.

- If your property purchase was registered before February 20, 2008, and you paid down your mortgage before *February 20, 2008*, there are limitations on how much of your financing you can pay down. For further details, please see [Bulletin PTT 004](#), *First Time Home Buyers' Program*.
- You may still qualify for a partial exemption if you pay down your financing more than the limitation amount before February 20, 2008, or if you move off the property before the end of the first year.
- It is your responsibility to make sure the ministry receives all of the necessary information. If the ministry does not receive the information, you will be assessed for the property transfer tax due.

More Information

This brochure provides general information on the First Time Home Buyers' Program. For details on the program, please see [Bulletin PTT 004](#), *First Time Home Buyers' Program*. This bulletin is available on the BC Government website at www.gov.bc.ca/sbr

If you have any questions, please contact:

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