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A Guide To Your Hassle-Free Home Purchase!

Buying a home can seem like a frightening prospect. Whether it's your first home or your fifth, so much is at stake-your savings, your credit rating, and you're financial freedom. It's difficult to find the courage to sign on the dotted line even if you want that home very, very badly.

How do you determine whether the purchase of a home makes sense? What's the easiest way to examine the whole picture from emotions to economics? We suggest that you read this entire report before you go house hunting. You'll learn how to separate whims from true needs. You'll discover how to prepare a game plan for your real estate venture, how to research effectively, choose wisely, finance appropriately and survive the whole procedure with your smile in place.

SEVEN STEPS FOR SUCCESS

1. Establish your needs and your wants.
2. Determine how much you can afford.
3. Get pre-qualified or pre-approved by a lender.
4. Find a good real estate agent to help you.
5. Find a home that meets your needs.
6. Make an offer to buy a home.
7. Save as much as you can on the purchase.

STEP ONE: ESTABLISH YOUR NEEDS AND WANTS

Begin your search for a perfect home by making a careful assessment of the kind of home you need and want. We recommend that you write it down. Take time, right now, to be as specific as you can about your particular requirements.

STEP TWO: DETERMINE HOW MUCH YOU CAN AFFORD

Set up a budget for yourself. Decide how much you can really afford to invest for your monthly house payment. Be realistic. Most lenders suggest that your payments be no more than 32 percent of your total monthly income including monthly property taxes and 1/2 utilities and no more than 40% of your gross

income for all your combined debt. Often a car loan or credit card debt can really affect your home purchase ability. A good mortgage broker can often restructure your debt to increase your purchase levels while reducing your monthly payments for secondary debt.

STEP THREE: GET PRE-QUALIFIED OR PRE-APPROVED BY A LENDER

You can save yourself time and heartache by meeting with a lender before you start your search for a home. A lender can let you know what specific loan programs would be best for you. He can also help you understand what it takes to qualify for the loan that you want. By taking a look at your financial situation and looking at your credit history, a lender can usually give you a good idea if you can qualify for the loan amount that you want. Many lenders call this 'Pre-Qualifying A Buyer'.

To be absolutely certain that you can be approved for a loan, you may want to ask to be pre-approved. In the approval process, all of your documentation is completed and submitted to an underwriter. The pre-approval that you will receive is an actual loan commitment from a lender - your guarantee of loan approval. For more information about the Pre-Qualification or Pre-Approval process, contact a Home Loan Specialist.

STEP FOUR: FIND A GOOD REAL ESTATE AGENT TO HELP YOU

You can learn a lot about an agent by just letting him/her talk to you about how he/she helps her buyers. Within a few minutes, you will probably be able to determine if his/her style is in line with yours. Ask as many questions as you can up front. Finding a good agent will save you huge amounts of time and effort.

STEP FIVE: FIND A HOME THAT MEETS YOUR NEEDS

Five tips for successful house hunting:

1. Keep an organized record of all your research data. Write down comments about the homes that you see. Keep track of your likes and dislikes.
2. Make sure that your agent is aware of your time schedule and your expectations. Do you like to look at one or two homes in a session? Four? Eight? Discuss all of this with your agent.
3. Tell your agent about any homes that perk your interest and those you'd like to know more about. Include those homes you discover as you explore the area yourself or those you see advertised in the newspaper.
4. If you want to spend time driving around looking at homes for yourself, ask your agent for a list of drive-by homes, which you can consider first from the outside. Your agent can then make appointments to show you the interior of those that appeal to you.

5. Express your likes and dislikes to your agent after you see a home. Honest communication is essential. Some buyers are shy and hesitant to tell an agent what they really think of a house. They think the agent may take it personally. Remember that the homes don't belong to the agent! You must be straightforward about your likes and dislikes to enable the agent to do the best job for you.

STEP SIX: MAKE AN OFFER TO BUY A HOME

Your real estate agent can help you make an offer to buy the home that you select. It is important to know beforehand whether your agent represents you or the seller. Some agents work only for the seller. In this case the agent may not be able to advise you in making a fair offer. By looking at homes selling in the area and the length of time it takes to sell, you should be able to get a good idea of value.

STEP SEVEN: SAVE AS MUCH AS YOU CAN ON YOUR INITIAL INVESTMENT

There are only two major investments to consider when buying a home. These are the initial investment (including down payment and closing costs) and the monthly payment (including principle, interest, taxes, and insurance). Here are some ways to save on your initial investment:

1. Choose a 25% down payment loan. You do not necessarily have to put 25 percent, but anything less and you will incur a high-ratio mortgage insurance premium that varies between 3/4% and 3.25% of the mortgage amount, depending on how much downpayment security you offer. This is required according to the Canadian Banking Charter to secure our Canadian banking system. There are even no downpayment provisions, but there are very stringent credit and security provisions at 0% down. However, 5% down is very common and while you have the premium, it is added to the mortgage, blended into the payment and scheduled over the term of the mortgage so you hardly notice it's affect. The most important fact is you get your home today, pay the fee off unnoticed over time and realize all the equity growth to more than offset any insurance fees. You Win!
2. As part of your offer, you could ask the seller to pay some of your closing costs. Sellers are allowed to contribute to a buyer's closing costs in some markets, but in our local Chilliwack market, such a bargaining ploy would not be received well by the seller and may well hurt your negotiation strength, since it would make you look financially weak. Also CMHC financial requirements are clear that low down payment mortgagees must provide their own downpayments and closing costs in order to qualify for their mortgages.
3. Shop around for your home insurance. A little shopping can save you a significant amount of money. Because of recent 2005 insurance changes, any offer you make must be subject to the buyer certifying insurance.