FIRST-TIME HOME BUYER'S WORKBOOK

A guide to starting your exciting journey toward lifelong homeownership

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Congratulations!

You're taking the first step toward homeownership

Buying your first home can be very exciting, but it can also be overwhelming as you consider making one of the most significant financial decisions of your life. This workbook will help you understand the financial commitments of homeownership and the home buying process so that you feel confident in making informed decisions. In this step-by-step guide, we'll answer some commonly asked questions and introduce you to key concepts and resources that can help you prepare for an exciting journey toward successful homeownership.

TIP

At the end of this workbook is a Glossary of Terms, complete with detailed descriptions that provide additional context and explain concepts that may be unfamiliar. These terms are first identified throughout the workbook by a double underline. Before continuing, you may find it helpful to review those terms so that you are familiar with their meanings as you follow the steps.

INTRODUCTION TO THE HOME BUYING JOURNEY

Are you a new graduate, a newlywed, a new parent, transitioning to a new career or newly retired? Whatever your stage of life, if you have never bought a home, the prospect of navigating the process can seem daunting. This is completely normal and while it may feel uncomfortable, it can be easily overcome by understanding the process and being prepared to ask the right questions of yourself and your mortgage professional.

Many first-time buyers begin their journey with a visit to an open house, but this should probably be one of the last steps. Once a dream home is found, the process of securing it can move rather quickly, which is why it is important that you are prepared and have done your homework. Ideally, you want to know what you can afford and what you will qualify for before you begin your search.

Completing this workbook is a terrific start to understanding what the "right" housing decision is for you and your family, now and into the future.

Congratulations on taking this important step. Continue to the next page to begin!

HOW DO PEOPLE PAY FOR A HOME?

In the simplest of scenarios, a person with unlimited financial resources would purchase a home with 100% cash from their own savings. This cash buyer would then find a house they like and make an offer either directly to the seller (known as a private sale) or through a Realtor® (a listed sale). If the offer gets accepted by the seller, a closing date is set. On the closing day, legal professionals make sure the seller gets their funds and the property gets transferred into the buyer's name. Both the buyer and seller pay the applicable closing costs and the buyer takes possession of the home.

Unfortunately, this is not a common scenario. Most first-time home buyers require financing assistance (or a mortgage loan). The following example breaks this down further:

- John wants to buy a home that has a purchase price of $500,000.
- Luckily, John has saved $25,000 cash, which he has set aside in his bank account to use towards the purchase of a home.
  - This $25,000 is known as the down payment.
- His dream home costs $500,000, but with only $25,000 of his own resources available, John needs to find a financial institution (a Lender) that is willing to lend him the outstanding $475,000.
  - This type of real estate-related loan is called a mortgage.
- $475,000 is 95% of the $500,000 purchase price ($475,000/$500,000 = 95%), or, as it is more commonly referred to, a 95% loan-to-value (LTV) mortgage.
- Typically, the types of institutions able to issue a mortgage include: Banks, Mortgage Finance Companies (previously called "monoline lenders", which are lenders focused solely on issuing mortgages), Credit Unions and Trust Companies. Each of these companies would have their own unique guidelines against which prospective borrowers would be measured during the institution's decision-making process. Prospective borrowers can sometimes get frustrated by these guidelines because they can seem inflexible and may require the borrower to obtain or prepare additional paperwork, etc. However, these guidelines are in place to ensure the borrower is effectively qualified to maintain affordable homeownership for the long term.

MORTGAGE DEFAULT INSURANCE

In Canada, any property purchased with a down payment that is less than 20% of the purchase price, will be required (by law) to have mortgage default insurance (more commonly referred to as "mortgage insurance"). This insurance is designed to protect the lender in the event the home buyer defaults on their mortgage. A mortgage default insurance premium will be added to the mortgage amount and amortized over the life of the mortgage loan. This is not an upfront cost.

It's helpful for borrowers to put themselves in the Lender's shoes and imagine what questions they would ask, or what information and reassurances they would need, of someone who was asking to borrow $475,000.

DOCUMENTS YOU WILL REQUIRE

The documents or "docs" a borrower may have to gather to help them qualify for hundreds of thousands of dollars in mortgage loans can often be collected in a few hours. However, the sooner you start collecting these docs in your home buying journey, the better. Preparing and presenting these documents to your mortgage professional, in advance, may help reduce any surprises that can occur during the home buying process.

Employment and Income Verification Documentation

Some of the documents you should start collecting early in your journey include:

T1 General(s)	T1 Generals from the two most recent years.
Notice(s) of Assessment (NOA)	NOAs from the two most recent years.
Paystub(s)	Two recent paystubs.
Job Letter / Letter of Employment	A job letter from your employer's HR department, prepared within the last 30 days, that outlines your position/pay/tenure with a contact number that would allow the Lender to perform a verbal confirmation of the information presented in the letter.
Documented History of Funds	Traditionally a 90-day history of the funds you are using for down payment by way of bank or investment statements.

Collecting these docs early in the process can occasionally mean that, by the time you find a home to purchase, some of the information will have become outdated. However, these can usually be obtained again quickly and are necessary to ensuring you satisfy the Lender's guidelines before moving forward with a purchase.

Now that you have a better idea of how you can use a mortgage to help purchase a home, let's look at two factors Lenders consider when making decisions about who to grant a loan to. In the next section, you will discover how a borrower's credit profile and income can play a critical role in the Lender's decision-making process.

CREDIT PROFILE

Did you know that never applying for credit, because you pay for everything with cash, can actually work against you when trying to buy a home? Many prospective buyers are surprised by this. However, imagine you are a Lender trying to determine whether someone can pay down their mortgage loan without having any documented proof of a history of consistent repayment.

Lenders work with credit bureaus to obtain a potential borrower's credit report. An individual's credit report not only contains personal identification information, but also a record of payment history on loans, credit cards, lines of credit, and cell phones, as well as outstanding balances, maximum credit limits, and minimum payments. Additionally, the credit report shows how many times the borrower has applied for credit and if they have had any collections or past bankruptcies/credit counselling.

All of the information that makes up the credit report influences a borrower's credit score. Knowing what your credit score looks like is one of the first things you'll want to explore along your home buying journey. If you have a low credit score, it could mean that you will have to spend some time working to improve your credit rating before you can realistically start thinking about buying a home. In both the Glossary and Resource sections of this workbook you will find additional information about credit, as well as information about how you can pull your own credit report.

What Can Negatively Affect Your Credit Score?

Actions that may have a negative effect on your credit profile and credit score include: being late on trades (even being late on a trade at the time your credit report is pulled), having previous collections, having open collections, having a lot of recent credit inquiries, having short tenure on your trade lines (also known as "trades"), being over limit on a trade even by a dollar, and being close to the limit on a number of trades (high credit utilization).

What Can Improve Your Credit Score?

Some things that can improve your overall credit profile and credit score include having perfect repayment history, low credit utilization, and having long-time or multiple trade lines.

LOW CREDIT UTILIZATION

Low credit utilization demonstrates to the Lender that you have some restraint and don't necessarily use all of the credit available to you. The greater the difference between your maximum credit available and the balance you carry, the better your credit score.

CREDIT PROFILE QUESTIONS | PART 1	
DESCRIPTION	YES NO (CHECK ONE)
Do you know your credit score and if so, is it 700 or above? *(While lending institutions set their own guidelines regarding the minimum credit score needed to qualify for a mortgage, credit scores of 700 and above are generally considered good.)*	Yes No
Do you currently have at least two open trades, each with maximum limits of at least $2,500, open for a minimum of two years? *(This question speaks to your "depth of credit". The longer your history of repayment the stronger your credit depth.)*	Yes No
Are you currently below your maximum limit on all trade lines?	Yes No

* If you answered "No" to any of the questions in Part 1, we recommend that you speak with a mortgage professional who can help you obtain your credit score, understand your profile and if necessary, suggest steps you can take to build and improve your credit history.

TIP *Some credit profiles can be dramatically improved in a matter of months while others will require years to get back on track. Getting a grasp of what your current credit profile looks like should be your number one priority. Please seek the advice of a mortgage professional immediately if you have any doubts about the strength of your credit score or overall credit profile.*

CREDIT PROFILE QUESTIONS | PART 2	
DESCRIPTION	YES NO (CHECK ONE)
Do you have any collections? Yes No	
Have you ever entered into any one of the following: Bankruptcy, Credit Counselling, or a Consumer Proposal?	Yes No

* If you answered "Yes" to either of the questions in Part 2, we recommend that you seek the advice of a mortgage professional who can help you understand how to improve your current credit profile.

TIP *If, at any time, you find yourself in a difficult financial situation and are considering filing for bankruptcy, a consumer proposal or help from a Credit Counselling agency, before making such a decision it is highly recommended that you seek the advice of a lawyer and/or accountant, in addition to a mortgage professional. Entering into any of these could inhibit your ability to purchase a home for years to come, which is why you should first ensure you understand all of the options and alternatives available to you.*

INCOME

Did you know that overestimating income during initial conversations with your mortgage professional is probably the most common reason deals fall apart after an approval? That is why it is critical to get a handle on what income is applicable and can be used for mortgage qualification purposes.

Income can come in a variety of forms. One of the most basic examples is an employee who is on a guaranteed salary with no bonus or variable portion to their income. This could be a long-time employee who makes $50,000 a year with no bonus or overtime potential.

Some of the more difficult incomes are those without guaranteed hours, seasonal jobs, 100% commission employees, and people who are business-for-self, otherwise known as "self-employed".

Lenders typically want to see good job tenure both in the industry and with your current employer. Income that is taxable and guaranteed is generally the most straight forward to use. Any income that has a variable component generally requires a two-year history.

Collecting your income documents early in the process, along with answering and discussing the following questions with your mortgage professional, are the best ways to limit preventable surprises in your home buying journey.

INCOME QUESTIONS | PART 1	
DESCRIPTION	YES NO (CHECK ONE)
Have you been at your job with your current employer for more than two years?	Yes No
Is all of your income coming from a guaranteed salary or guaranteed minimum hours?	Yes No
Are income taxes taken off each one of your paystubs by your employer?	Yes No

* If you answered "No" to any of the questions in Part 1, you will most likely need to provide documentation to support a two-year average income via T1 Generals and NOAs. Ideally, the two year average comes from the same employer; however, every circumstance is unique, which is why it is recommended that you seek the advice of a mortgage professional to discuss your specific situation.

INCOME QUESTIONS | PART 2	
DESCRIPTION	YES NO (CHECK ONE)
Are you a seasonal employee?	Yes No
Is any of the income you are considering for mortgage qualification purposes coming from employment insurance (EI)?	Yes No
Do you work for a family member?	Yes No
Are you on probation at your employer?	Yes No
Is your job considered temporary, contract, casual, or part-time?	Yes No
Is any of your income coming from alimony or child support?	Yes No
Are you self-employed or working for a corporation in which you have an ownership stake?	Yes No
Is any of your income coming from a non-guaranteed bonus or overtime?	Yes No

* If you answered "Yes" to any of the questions in Part 2, you will most likely need to provide documentation to support a two-year average income via T1 Generals and NOAs. Again, every circumstance is unique, which is why it is recommended that you seek the advice of a mortgage professional to discuss your specific situation.

INCOME QUESTIONS | PART 3	
DESCRIPTION	YES NO (CHECK ONE)
Is any of your income coming from a non-taxable source (e.g., government child benefit payments, gifts or inheritance, etc.)?	Yes No
Is any of your income coming from Foster Care income?	Yes No

* In general, if you answered "Yes" to either of the questions in Part 3, you may (or may not) be able to use this portion of your income for mortgage qualification purposes. However, every circumstance is unique, which is why it is recommended that you seek the advice of a mortgage professional to discuss your specific situation.

What's Next?

Now that you have a general overview of some of the most important aspects of the home buying journey, a sense of your credit profile and an accurate estimate of your applicable gross income, it's time to move to the next stage. After you complete the following steps, working with a mortgage professional will help you determine the maximum mortgage payment you may qualify for. What you feel comfortable paying and what you might ultimately be qualified for are often two very different figures.

BUDGETING FOR UPFRONT AND ONGOING EXPENSES

How Much Can You Afford?

The following steps are helpful in determining your budget for purchasing a home, as well as understanding the costs to maintain it, long term. Steps 1 through 5 consider your lifestyle and discretionary spending. They will help you determine what you can comfortably afford on a monthly basis.

STEP 1 CALCULATE YOUR PERSONAL FINANCES

STEP 2 CALCULATE YOUR DOWN PAYMENT

STEP 3 PLAN FOR THE UPFRONT EXPENSES

STEP 4 CALCULATE THE COST TO MAINTAIN YOUR HOME

STEP 5 PLAN FOR A LIFETIME OF HOMEOWNERSHIP

Let's start by looking at your personal finances. Continue to the next page to begin!

STEP 1 CALCULATE YOUR PERSONAL FINANCES

The following worksheets will help you to determine your budget for purchasing a home.

A. Monthly Household Income WORKSHEET

Use this worksheet to calculate how much household income is earned each month.

MONTHLY HOUSEHOLD INCOME	
DESCRIPTION	AMOUNT ($)
Net Monthly Household Income *(Combined monthly income after tax and after standard payroll deductions have been removed for all people intending to purchase the home)*	$ 0.00
Other Income *(If applicable)*	$ 0.00
Monthly Household Income Total: *(CALCULATE: Add up all the Income listed above)*	$ 0.00

B. Monthly Household Personal Expenses WORKSHEET

Use this worksheet to calculate your monthly personal expenses.

MONTHLY HOUSEHOLD PERSONAL EXPENSES	
DESCRIPTION	AMOUNT ($)
Transportation *(Car payments, insurance, fuel, public transportation, etc.)*	$ 0.00
Child Care *(Daycare, babysitting, etc.)*	$ 0.00
Clothing *(Average monthly clothing cost for the home buyers and their dependants)*	$ 0.00
Debt Payments *(Current monthly payments on credit cards, lines of credit, student loans, etc.)*	$ 0.00
Groceries *(Average monthly food cost for the home buyers and their dependants)*	$ 0.00
Medical/Dental *(Average monthly medical/dental costs that are not already covered by your benefits)*	$ 0.00
Discretionary Expenses *(Phone, internet, cable, entertainment, gifts, personal care items, etc.)*	$ 0.00
Other Expenses *(Alimony/spousal support or child support paid to a former spouse, etc.)*	$ 0.00
Monthly Household Personal Expenses Total: *(CALCULATE: Add up all the Expenses listed above)*	$ 0.00

TIP

Housing expenses such as rent are not included in this worksheet, as these figures will be accounted for when considering the mortgage for your new home.

C. Available Funds After Expenses WORKSHEET

Use this worksheet to determine how much money you have remaining after paying your monthly expenses.

AVAILABLE FUNDS AFTER EXPENSES	
DESCRIPTION	AMOUNT ($)
Monthly Household Income Total *(Calculated on the Monthly Household Income Worksheet in Part A of STEP 1)*	$ 0.00
Monthly Household Personal Expenses Total *(Calculated on Monthly Personal Expenses Worksheet in Part B of STEP 1)*	$ 0.00
Available Funds After Expenses Total: *(CALCULATE: Monthly Household Income Total minus Monthly Household Personal Expenses Total)*	$ 0.00

D. Savings WORKSHEET

Use this worksheet to calculate how much money you have saved for the purchase of your new home.

SAVINGS	
DESCRIPTION	AMOUNT ($)
Household Savings *(Available funds that can be used for the purchase of a home)*	$ 0.00
Other Savings/Funds *(RRSPs, Investments, FHSA, Gifts, etc.)*	$ 0.00
Savings Total: *(CALCULATE: Household Savings plus Other Savings/Funds)*	$ 0.00

STEP 2 CALCULATE YOUR DOWN PAYMENT

The following worksheets will help you to determine how much money you will need upfront to purchase a home.

A. Down Payment WORKSHEET

For homes with a purchase price of $500,000 or less, the minimum down payment is 5%. When the purchase price is above $500,000 and below $1.5 million, the minimum down payment is 5% for the first $500,000 and 10% for the remaining portion. Before entering your final down payment amount, use Table A or B to determine the minimum down payment required, depending on the purchase price of your new home.

TABLE A

MINIMUM DOWN PAYMENT FOR PURCHASE PRICE ≤ $500,000	
Purchase Price:	$ 1.00
Minimum 5% applies to total Purchase Price:	5%
Minimum Down Payment Amount:	$ 0.05

TABLE B

MINIMUM DOWN PAYMENT FOR PURCHASE PRICE > $500,000 AND < $ 1,500,000	
Purchase Price:	$ 501,000.00
Minimum 5% applies to the first $500,000 ($500,000 x 5%):	$ 25,000.00
10% applies to the remaining portion [(Purchase Price - $500,000) x 10%]:	$ 100.00
Minimum Down Payment Amount:	$ 25,100.00

FINAL DOWN PAYMENT	
Down Payment Amount: *Enter your preferred down payment amount, which must be at least the value calculated in Table A or B.*	$ 0.00

NOTE: You can calculate the minimum down payment and confirm mortgage payments using the Mortgage Payment Calculator available on the Canada Guaranty website.

TIP *The Government of Canada offers a number of programs and incentives designed to help first-time home buyers purchase a home. Speak with your mortgage professional to determine whether you are eligible for any of the available options outlined under the HELPFUL RESOURCES section at the end of this guide.*

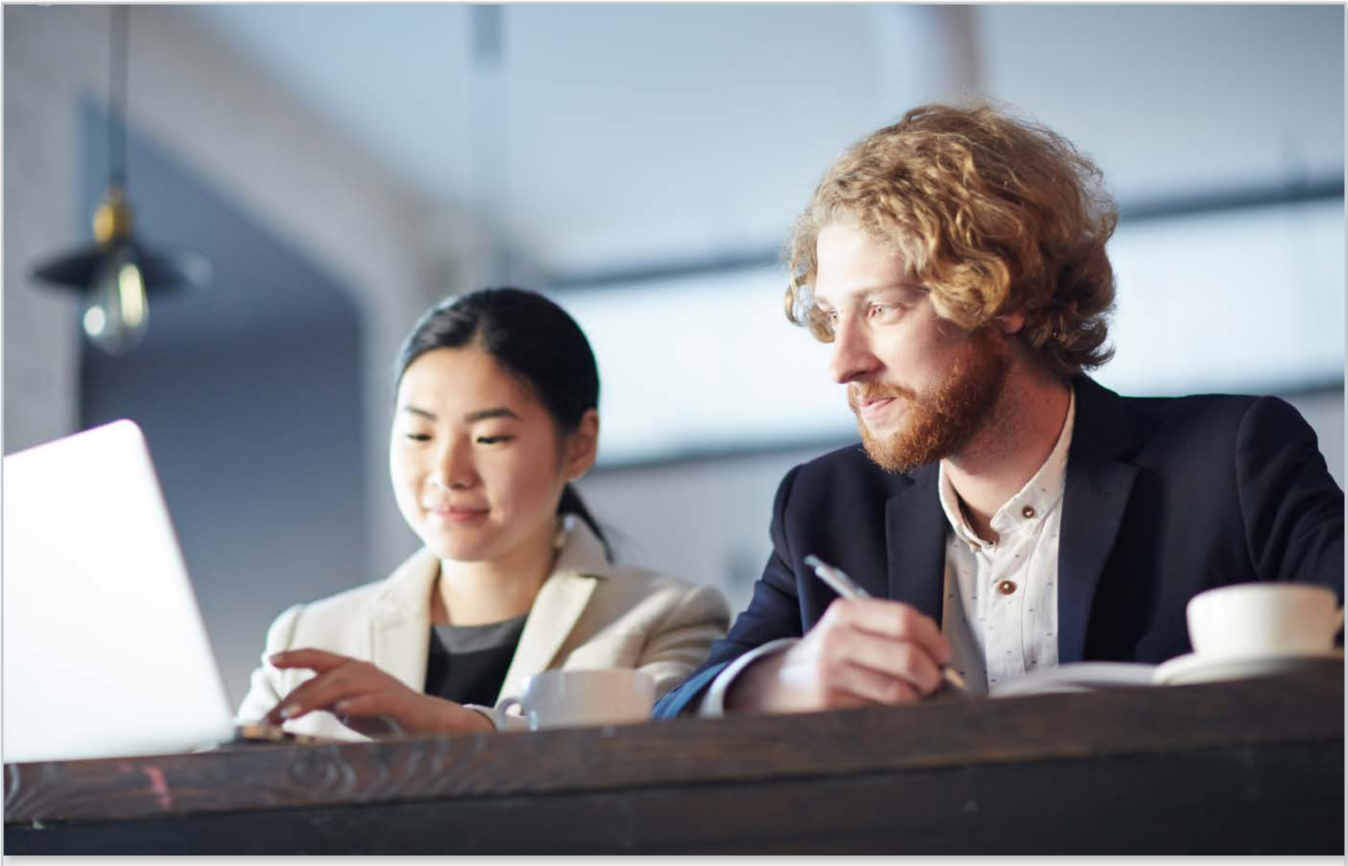
Gifts: Money received as a gift from a close family member may be acceptable to put towards a down payment for homes with 1 to 4 units. Close family members include a father, mother, child, brother, sister, grandparent, legal guardian, or legal dependent.

B. Purchase Price Feasibility WORKSHEET

This worksheet can help you determine whether you have saved enough money for the down payment on your desired home. If the resulting amount is a positive number, your finances are well aligned with the required down payment for the chosen home. However, if it is a negative value, don't be discouraged. It may just mean that you will have to consider choosing a less expensive property right now, or work towards increasing your savings to purchase your dream home later.

PURCHASE PRICE FEASIBILITY	
DESCRIPTION	AMOUNT ($)
Savings Total *(Calculated on the Savings Worksheet in Part D of STEP 1)*	$ 0.00
Down Payment Amount *(As entered in the down payment table in Part A of STEP 2)*	$ 0.00
Purchase Price Feasibility Total: *(CALCULATE: Savings Total minus the Down Payment Amount)*	$ 0.00

In the following sections, we will examine some of the other financial commitments associated with buying and maintaining a home so that you can you plan accordingly.



STEP 3 PLAN FOR THE UPFRONT EXPENSES

The following examples will help you consider how much money you will need to complete the purchase of a home.

The table includes examples of upfront expenses that you should be aware of when purchasing a home. These expenses are often referred to as "closing costs". You will be required to pay each of the applicable fees before the purchase of the house is complete or shortly thereafter. We recommend that you speak with your mortgage professional, friends and/or family members who have gone through this process and can help you understand the associated costs.

Every home buying experience is unique and while this is a thorough list, it is not a complete list of costs that may arise prior to closing on your new home. Also, not all of the listed costs may apply.

UPFRONT EXPENSES | EXAMPLES

DESCRIPTION	AMOUNT ($)
Appraisal/Property Valuation Fees *(In most cases, these can range from approx. $300 to $500.)*	$ 0.00
Home Inspection Fees *(In most cases, these can range from approx. $500 to $2,000.)*	$ 0.00
Land Transfer Tax *(Applicable in all provinces, except Alberta and Saskatchewan. This can range from approx. 0% of the home's value after applicable rebates to approx. 3% in other situations.)*	$ 0.00
Legal Fees and Disbursements *(Commonly known as closing costs, in most cases these can range from approx. $700 to $2,000.)*	$ 0.00
Lock Change Fees *(In most cases, these can range from approx. $50 to $250.)*	$ 0.00
Mortgage Default Insurance Premiums if Not Included in Your Mortgage *(Mortgage insurance premiums can either be paid upfront or included with the mortgage to be amortized over the life of the loan.)*	$ 0.00
Moving/Storage Expenses *(These can range from approximately $0 to over $5,000 depending on the distance/size of the move as well as the home buyer's timeline, resources, and circumstances.)*	$ 0.00
Prepaid Property Taxes *(At closing, if the seller has already paid the property tax on the home beyond the purchase closing date, that seller will receive a credit and the buyer must then pay this credit amount upfront to cover the money already paid by the seller.)*	$ 0.00
Status/Estoppel Certificate/Form B Fees for Condo/Strata Properties *(The name of this document will depend on how this document is referenced in your province. Fees can range from approximately $0 - $400, again depending on the province in which you reside and the individual lender requirements regarding the prospective building or situation.)*	$ 0.00
Survey or Certificate of Location Fees *(In most cases, these can range from approx. $100 to $400, if applicable.)*	$ 0.00
Telephone, Internet, Cable Connection Fees and/or Deposit Fees *(If applicable.)*	$ 0.00
Title Insurance *(Often required by lenders. Please see the Glossary of Terms for a more complete description. This can range from approximately $150 to over $500 and may be dependent on coverage taken, property size and value.)*	$ 0.00
Utility Transfer Fees – Water, Hydro, Gas *(In most cases, these can range from approximately $50 to $300.)*	$ 0.00
Other	$ 0.00
Estimated Upfront Expenses Total: (*CALCULATE: Add up all applicable Expenses listed above*)	$ 0.00

TIP

The First-Time Home Buyer's Tax Credit can provide up to $1,500 in federal tax relief to eligible first-time home buyers. Please note that you must apply for the credit on your tax return in the year you bought your home. For more information about this credit, please click here to visit the Canada Revenue Agency website.

STEP 4 CALCULATE THE COST TO MAINTAIN YOUR HOME

The following worksheets will help you to determine how much money you will need each month to maintain your home after the purchase has been completed.

Monthly Housing Expenses WORKSHEET

The following is a list of monthly (reoccurring) housing expenses that you can expect when you own a home. Use this worksheet to estimate your total monthly housing expenses. For existing properties, your real estate professional can help you by providing some of the costs that the current owner incurs each month.

MONTHLY HOUSING EXPENSES	
DESCRIPTION	AMOUNT ($)
Monthly Mortgage Amount*	$ 0.00
Property Insurance *(This can range from approx. $50 to $500 per month in most cases and will be affected by the type of property and its location.)*	$ 0.00
Property Taxes *(This can range from approx. 0.05% to 2% of the assessed value of your home annually and will be affected by the type of property and its location. For example, the estimated calculation of a $500,000 property x 1% = $5,000 annual property taxes. Annual property taxes of $5,000/12 = $416.67 monthly property taxes.)*	$ 0.00
Heating *(For an estimate of heating costs, multiply the square footage of the property by 0.04 for a condo and 0.06 for a house. For example, a 2,000 sq. ft. home will have an estimated monthly heating cost of 2,000 x 0.06 = $120.)*	$ 0.00
Hydro *(This can range from approx. $50 to $400 per month and will be affected by the property type and size, as well as its location.)*	$ 0.00
Water *(Can range from approx. $25 to $150 per month and will be affected by the number of people in the household, the property type and its location.)*	$ 0.00
Alarm Monitoring *(If applicable.)*	$ 0.00
Condo Fees *(When purchasing a condo or townhouse, a monthly fee often needs to be paid to the strata. This fee can include some of the fees listed above and will vary drastically due to type, age, size, location, and history of the complex in which you are buying. Monthly fees can range from $250 to over $800 per month.)*	$ 0.00
Other Expenses:	$ 0.00
Monthly Housing Expenses Total: *(Add up all applicable Expenses listed above)*	$ 0.00

**You may wish to use Canada Guaranty's Mortgage Payment Calculator as discussed in the Resources page of this workbook to calculate your estimated monthly mortgage amount and mortgage default insurance premiums.*

TIP

Debt Service Ratios (GDS/TDS): *Lenders use Gross Debt Service (GDS) and Total Debt Service (TDS) ratios to determine whether you can qualify for a mortgage. To learn more about Debt Service Ratios, please refer to the Glossary of Terms.*

Home Maintenance SUMMARY

This summary can help you confirm how easily you will be able to maintain your home after you've completed the purchase. If the resulting amount is a positive number, your finances are well aligned with the home you have selected. However, if the resulting amount is negative, you may want to consider choosing a less expensive property or reducing your personal expenses to reallocate funds to make the home purchase possible.

HOME MAINTENANCE EXPENSES	
DESCRIPTION	AMOUNT ($)
Available Funds After Personal Expenses *(Calculated on the Available Funds After Expenses Worksheet in Part C of STEP 1)*	$ 0.00
Monthly Housing Expenses Total *(Calculated on the Monthly Housing Expenses Worksheet in STEP 4)*	$ 0.00
After Home Purchase Maintenance Expenses: *(CALCULATE: Available Funds minus Monthly Housing Expenses Total)*	$ 0.00

STEP 5 PLAN FOR A LIFETIME OF HOMEOWNERSHIP

The following examples will help you consider how much money you may want to set-aside for future housing-related expenses.

Thinking about future expenses can help you prepare for the additional costs you may incur throughout your homeownership. This is another opportunity to have a discussion with your mortgage professional, friends and family to get an idea of the financial commitments associated with the following examples and others that may not be listed. When considering expenses in your long-term planning, you may wish to speak with a financial advisor about starting a savings plan.

OTHER EXPENSES | EXAMPLES	
DESCRIPTION	
Air Conditioner/Water Treatment System	Gardening Tools/Landscaping/Lawn Service
Appliances Replacement/Repair	Hot Water Tank Replacement
Deck or Patio Build/Repair/Removal	Humidifier/Dehumidifier
Home Decorating	Paint/Wallpaper
Driveway Re-paving	Renovations/Repairs/Upgrades
Electrical Upgrades/Improvements	Roof Repair
Furnace Inspections/Warranty	Snow Removal Equipment
Furniture	Window Coverings

TIP

If at any time during the home buying process (including after subject removal) you consider taking on a new financial commitment (i.e., buying a car or taking on more consumer credit), or wish to make a significant life change (i.e., pursue new employment), please speak with your mortgage professional first to understand how these decisions could impact your mortgage approval.

WHAT NOW?

1. **ASK QUESTIONS:** Continue to speak with your friends and family to learn about their home buying experience. They can help by referring you to professionals who can teach you about the specifics of buying a home.
2. **UNDERSTAND THE TERMS:** Refer to the Glossary of Terms found on the following pages of this workbook. Here, you will also find information about some of the products offered by Canada Guaranty, which may be helpful when considering your mortgage options.
3. **FAMILIARIZE YOURSELF WITH YOUR FINANCES:** Continue to create a budget, review your credit score, and get to know the expenses associated with buying and owning a home. If you have not already done so, start to collect your tax documents, such as T1 Generals and Notices of Assessment from the past two years, as well as a job letter and two paystubs from your current employer.
4. **GET PRE-APPROVED:** When the timing is right to move forward in your journey, talk to a mortgage professional about getting pre-approved. Just remember that a pre-approval can give you a better idea of what you can qualify for and may include holding a mortgage rate for a period of time; however, it does not guarantee that you will be approved once you are ready to make a home purchase. An official and complete review of your documents is only performed by the Lender and Mortgage Default Insurer (if applicable) once you have an accepted offer on a home. Additionally, even if the Lender approves of your credit and all required documentation, a review of the specific property you wish to purchase must be completed by the Lender and Mortgage Default Insurer (if applicable) before the final mortgage approval is granted.
5. **SHOP FOR YOUR NEW HOME:** This is where the fun really begins! Start researching online and/or build a relationship with a real estate professional who can help you find your dream home.

TIP

While getting pre-approved through your mortgage professional is highly recommended, home buyers should remember that they are not truly approved for financing until the Lender and, if applicable, the Mortgage Default Insurer have reviewed their file in its entirety. This includes the Offer to Purchase and property itself. Having a financing condition is extremely important. Subject-free offers are very risky, especially for home buyers who require a mortgage. It is always recommended that you consult with both your real estate and mortgage professionals before making an offer, and before removing any conditions.

CONCLUSION

You have reached the end of the First-Time Home Buyer's Workbook and hopefully feel more confident about taking the next steps toward owning your first home. By using the tools and resources outlined in this workbook, you are well on your way to achieving successful and sustainable homeownership. For more tips and guidance on the home buying process, we encourage you to contact a mortgage professional. Good luck and enjoy the journey!

HELPFUL RESOURCES

We have compiled a list of helpful resources to guide you through your home buying process. Here you will find links to websites that can help you to build your team of professionals, learn more about the home buying process, and where to start looking for your first home.

SPECIALTY PRODUCT INFORMATION *from* CANADA GUARANTY

ENERGY-EFFICIENT PROGRAM

Qualified borrowers who purchase a newly constructed, energy-efficient home may be eligible to receive a 25% premium refund.

PURCHASE ADVANTAGE PLUS

Borrowers purchasing a home with the intention of making value-added improvements to the property can now include those costs within their first mortgage.

PROGRESS DRAW ADVANTAGE

Borrowers who are constructing a new home or making major renovations to an existing property will benefit from this program. Both contractor-built and self-built projects are eligible under the insured Progress Draw Advantage.

Please speak with your mortgage professional to learn more about these and the many other products available from Canada Guaranty.

FIRST-TIME HOME BUYER GOVERNMENT INCENTIVE PROGRAMS

The Government of Canada offers a number of programs and incentives designed to help first-time home buyers purchase a home. Speak with your mortgage professional to determine whether you are eligible for any of the following options.

HOME BUYERS' PLAN (HBP)

First-time home buyers can withdraw up to $60,000 of their RRSP savings ($120,000 for a couple) to help finance their down payment; however, this must be repaid within 15 years of the home purchase.

FIRST HOME SAVINGS ACCOUNT (FHSA)

A registered plan that allows first-time home buyers the ability to save funds to buy or build a qualifying first home, tax-free (to a limit). Home buyers can make annual contributions of up to $8,000, to a lifetime limit of $40,000, and have up to 15 years from their first contribution or until their 71st birthday (whichever comes first), to use the funds to purchase a home. This program acts as an RRSP/TFSA hybrid, providing a tax deduction on contributions and tax-free withdrawals when used for a first home.

GLOSSARY OF TERMS

Amortization

Amortization refers to the process of gradually paying off a debt, in this case a home loan, through regular payments over time. These payments cover both the principal amount borrowed and the interest accrued on that principal. Initially, a larger portion of each payment goes towards paying the interest, while the remainder reduces the principal balance. As the loan progresses, the proportion shifts so that more of each payment goes towards reducing the principal. This structured repayment schedule ensures that by the end of the loan term, the entire debt is fully repaid.

- NOTE: As of December 15, 2024, first-time home buyers and those purchasing a newly constructed home can extend their amortization period beyond 25 years, up to 30 years. This extension lowers monthly mortgage payments, enhancing affordability for owner-occupied homes.

Credit Bureau

An agency that researches and collects individuals' credit information, produces a credit report which contains the credit score, then makes the information available to lending institutions so that they can use it to help make credit-granting decisions. The two main Credit Bureaus in Canada are Equifax and TransUnion.

Credit Inquiry

An inquiry is when a financial/lending institution pulls your credit report after you have applied for new credit.

Credit Report

A report that contains detailed information about a person's credit history, including repayment records on credit cards, loans, mortgage loans, lines of credit or cell phones, etc., as well as current balances, minimum payments, maximum limits on each trade line, number of credit inquiries (number of times the person has applied for credit), any collections that the person has had, identification information like their SIN number, employer, home address, bankruptcy information and more.

Credit Score

Your credit score is calculated based on the information reflected on your credit bureau. Scores range from 300 to 900 and are influenced by several factors. The higher your score, the better. Lenders use this score as a predictive tool to help determine the likelihood of you paying back your loan and on time. Having a strong credit score is one of the most important factors a Lender will consider when determining whether to grant a loan. The credit score can also influence the interest rate of the loan as well as other conditions and terms that are connected to the loan. More information about credit scores can be found under the "Debt and Borrowing" section of the Government of Canada website.

Debt Service Ratios (GDS/TDS Ratios)

Lenders use the following standard measures of affordability when determining how much they will lend to a home buyer. Speak with your mortgage professional to learn how each is calculated and guidelines as they apply to your unique qualification circumstances.

- Gross Debt Service (GDS) is the percentage of the borrower's income needed to pay all required monthly housing costs (mortgage payments, property taxes, heat and 50% of condo fees).
- Total Debt Service (TDS) is the percentage of the borrower's income needed to cover all monthly housing costs (GDS) plus any other monthly debt obligations that the individual has, including credit card debts, lines of credit payments, and car payments, etc.

Deposit

A deposit is money placed in trust by the purchaser when an Offer to Purchase is made. The sum is held by the real estate representative or lawyer/notary until the sale is closed, at which point it is paid to the seller.

Down Payment

A down payment, which must be a minimum of 5% of the purchase price, is the portion of the home price that is not financed by the mortgage loan. For homes with a purchase price of $500,000 or less, the minimum down payment is 5%. When the purchase price is above $500,000 and below $1.5 million, the minimum down payment is 5% for the first $500,000 and 10% for the remaining portion. The buyer provides the down payment from their own resources or other eligible sources before securing a mortgage.

First-Time Home Buyer’s Tax Credit

This program provides up to $1,500 in federal tax relief to eligible first-time home buyers.

Gross Income

This is an individual’s total personal income before taking off taxes or other deductions. An individual’s annual gross income can often be found on line 15000 of their most recent NOA (Notice of Assessment). As an example, imagine someone with only one source of income (their job). Consider that they are salaried and make $50,000 a year and assume that, after taxes and deductions, they take home $35,000. Their Gross Income would be $50,000 and their Net Income would be $35,000.

GST/HST on a Purchase Price

Where applicable, GST/HST (Goods and Services Tax/Harmonized Sales Tax) is charged on new homes only and not on resale properties.

Home Inspection

A home inspection is a professional consulting service that determines the condition of the home based on a visual inspection of accessible features. It focuses on the performance of the home, rather than cosmetic, code or design issues. Inspections are often performed during a real estate transaction, but may be done at any time.

Land Transfer Tax and Land Registration Fee

This is charged whenever a property changes ownership and is based on the purchase price. In some cases, first-time home buyers may be exempt from a portion of this cost. Fees will vary by province. In most provinces and territories, first-time home buyers can apply for a rebate on their land transfer tax. For more information about land transfer tax and how to qualify for a first-time home buyer rebate, please visit your provincial government’s website.

Legal Fees and Disbursements

These are fees paid to a lawyer for drafting the title deed, preparing the mortgage, and conducting various searches and disbursements. Disbursements are administrative expenses incurred, such as registrations, searches, supplies, etc., plus GST/HST.

Mortgage

This is a loan used to finance the purchase of a property. The Lender gives the home buyer a loan for a portion of the purchase. With the loan the home buyer can purchase a property that might otherwise be unaffordable. In exchange for lending the money, the home buyer agrees to pay back the loan – plus interest – over a certain period of time, referred to as the “amortization period” (traditionally 25 years). The interest rate is almost always set for a shorter term than the amortization period. This means that over a 25-year amortization period, the home buyer will have several different interest rate terms. For example, the first five years may be locked in at a certain interest rate, but after that 5-year term is completed, the interest rate would be reset for the next approved term.

The buyer makes regularly scheduled payments, which consist of a principal repayment portion and an interest portion, until the loan is paid off. As added security, the Lender registers a lien on the property. This means that if the home buyer sold the property before paying off the loan in its entirety, the Lender would collect the money from that sale needed to pay off the rest of the loan before the seller collects any proceeds from the sale. This also allows the Lender to start a process that could result in a forced sale of the property if the home buyer fails to make the payments on the mortgage.

Mortgage Default Insurance Premium

Home buyers providing a down payment of less than 20% of the purchase price of the home must pay a one-time insurance premium – per property. Mortgage default insurance is calculated on a percentage of the mortgage amount and compensates mortgage lenders in the event the borrower defaults on their mortgage. Premiums are traditionally added to the total mortgage amount and amortized over the life of the mortgage. For example, if the value of the property is $100,000 and the home buyer needs a mortgage greater than $80,000 to purchase the property, they would be required to pay the Mortgage Default Insurance Premium as dictated by the Federal Government in Canada.

Please note that in the provinces of Quebec, Ontario and Saskatchewan, mortgage default insurance premiums are subject to a provincial sales tax (PST). Even if the premium is not paid upfront and is rolled into amortized mortgage payments, the applicable PST cannot be added to the loan amount and must be paid at closing.

Notice of Assessment (NOA)
This is the statement that the Canada Revenue Agency (CRA) sends you after you file your taxes for a given year. When a person files their taxes, they do so either through an accountant or by filling out their T1 General form themselves. The NOA is a preliminary assessment (reassessments are sometimes necessary), conducted by the government, used to confirm whether the taxpayer completed their T1 General correctly. The NOA notifies the taxpayer of the amount of taxes still owed (if any) for the year filed, the amount of tax already paid (if any), tax credits received and contributions to a Registered Retirement Savings Plan (RRSP). The NOA may be used to confirm what a person's gross income was for the year.

Net Income
The residual amount of earnings after all deductions have been taken from gross pay, such as payroll taxes and retirement plan contributions.

Property/Home Insurance
A type of insurance coverage that provides financial protection from damages to the property resulting from perils such as fire or theft. Common forms of property insurance include homeowner's insurance, renter's insurance, earthquake insurance, and flood insurance.

Property Valuation/Appraisal Fee
A fee incurred when an estimate/evaluation of the market value of a property (appraisal) is conducted.

Status/Estoppel Certificate/Form B (for condominium or strata units)
A status certificate [known as an Estoppel or as the Form B (in B.C.)] is a report on the current state of a condominium corporation, which offers a financial overview of the building and those who manage it.

Survey/Certificate of Location Fees
A survey identifies the boundaries and measurements of the land, positions of major structures and any registered or visible easements (such as a driveway) or encroachments (such as a neighbour's fence) on the property.

Strata Properties
Strata properties are adjoining in some way (like apartments or townhouses) and are normally purchased under strata title because they share some common areas such as roofs, elevators, driveways, gardens, etc. The common areas must be collectively maintained by all unit owners and all associated expenses incurred are shared. Strata buildings typically require the owners to pay a monthly fee that covers the ongoing expenses of maintaining the common areas of the property.

T1 General
The T1 General is a form a taxpayer or their accountant fills out to file their taxes for a given year. The completed T1 General is sent to the Canada Revenue Agency (CRA). The CRA reviews the T1 General and will confirm if it was filled out correctly or not. Confirmation of this comes in the form of the Notice of Assessment (NOA) that CRA sends to the taxpayer.

Title Insurance
Title insurance is an insurance policy that protects the Lender and/or the homeowner against challenges to the ownership of their home or from problems related to the title of the home. It provides coverage against losses due to title defects where there is an issue with the title that prevents free and clear ownership. Examples of defects include rights of way, encroachments (from neighbouring properties), or unpaid liens, etc.

Trade Line
A trade line (also referred to as a trade) is a credit account record provided to the credit reporting organizations (Equifax and TransUnion). A trade can include a mortgage, line of credit, credit card or any other credit-related item that is reported by a financial institution or lender.

RESOURCES

Starting Your Home Buying Journey

1. GENERAL TIPS AND EDUCATIONAL RESOURCES:
   - The Canadian Real Estate Association (CREA) website provides several resources and useful videos for home buyers. Visit the CREA website for more information: www.crea.ca/buyers-or-sellers/crea-resources/

2. CREDIT CHECK
   - To get a sense of what your credit profile will look like when your lender reviews it, you can schedule your own report for a small fee. Visit the Equifax website at https://www.consumer.equifax.ca/personal/. Alternatively, you may also visit the TransUnion website at https://www.transunion.ca/.

     For additional information about improving your credit score, correcting errors and ordering a credit report, visit the Government of Canada website: www.canada.ca/en/financial-consumer-agency/services/credit-reports-score.html

3. RESEARCH HOME LISTINGS:
   - The website www.REALTOR.ca (formerly MLS.ca) is a good place to start researching homes available in your preferred neighbourhoods. Clicking on this link will take you to their home page where you can start your home search.

4. CALCULATE MORTGAGE PAYMENTS AND MORTGAGE INSURANCE PREMIUMS:
   - Canada Guaranty's Mortgage Payment Calculator helps you determine your mortgage payments and mortgage default insurance premiums. Visit the "Calculators" section of the Canada Guaranty website, found in the menu below the "For Homebuyers" option.
     - When using this calculator, from the "Product" drop-down menu, select "Standard Products".

5. BORROWING, DEBT MANAGEMENT AND CREDIT SCORE RESOURCES:
   - The Government of Canada website offers a number of resources to help you better understand how to manage debt, credit cards, mortgages, loans, lines of credit and more. Visit the Debt and Borrowing section to learn more: www.canada.ca/en/services/finance/debt.html

6. FIRST-TIME HOME BUYER GOVERNMENT INCENTIVE PROGRAMS
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Preparing to Make an Offer to Purchase: Build Your Team of Professionals

1. FIND A REAL ESTATE PROFESSIONAL:
   - The www.REALTOR.ca website can also be used to find a Realtor® in your local area. Clicking on this link will take you to their search page.

2. FIND A MORTGAGE PROFESSIONAL:
   - The website www.mortgageproscan.ca/findmeabroker can help you find a mortgage broker who is located near you. Go to your local bank branch, credit union, or mortgage lending institution to speak with one of their qualified mortgage professionals.

3. FIND A HOME INSPECTOR:
   - Search online or ask friends and family to recommend a home inspector located in the area you intend to purchase. If possible, choose a certified inspector that you can trust to objectively and independently provide you with a comprehensive analysis of the home and property's major systems and components. Visit the Canadian Association of Home and Property Inspectors website to learn more.

4. FIND A REAL ESTATE LAWYER:
   - Search online or ask friends and family to recommend a real estate lawyer located near you or the property you intend to purchase. Asking about their fees, references, and experience with real estate law can help you to determine whether the lawyer is qualified to assist you with your home purchase.

5. FIND A HOME INSURANCE PROVIDER:
   - Search online or ask friends and family to recommend a home insurance provider. Many online resources allow you to compare rates, giving you an idea of how much you can expect to pay on an annual or monthly basis.

NOTE: If you are reading a printed version of this workbook, please visit the Canada Guaranty website at https://www.canadaguaranty.ca/first-time-home-buyers-workbook/ to access the live links.

CANADA GUARANTY

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1 Toronto Street, Suite 400, Toronto, Ontario M5C 2V6
www.canadaguaranty.ca

Main Number 866.414.9109 | National Underwriting Centre 877.244.8422