

BUYING A HOME

A few things you should know

If you are a first time home buyer, you should read this. It will give you a few hints about the ins and outs of purchasing a home. If you have already owned a home or two, well you might find something interesting which will assist you in your next purchase.

So you have decided to buy a home. Good for you. The one thing you have to remember is where you are going to live, and how long you intend to live in that community. I always tell people that you should build or buy your home with eventual selling in mind. You never know when you might have to sell. A strange design or a location in the wrong place (maybe right for you but not others) could leave you with a white elephant. So first things first. If you have no intention of living in the same place for two years or more, you might be better off renting unless you are buying in a community where the housing market is going through the ceiling. Chances are that your house will increase in value (maybe) at a slow rate. So if you buy a home, and two years later it goes up only two or three percent, you could lose money just in real estate commission, and legal fees on resale. That is one of your first considerations before buying.

You have made the decision to buy. Your first problem is the down payment. Most Canadian banks will finance for only 5% down. Now some banks are doing 100% financing. There is of course a Canada mortgage and housing fee which usually is 2½% of the mortgage. Sometimes banks will have deals where they will pay for your appraisal or even give you a “cash back” for dealing with them. You will want to check your bank to see if any of these perks are available.

When you buy your home, be careful of your location. Like I said before, the day may come when you will want or have to sell. Schools and access to medical facilities are all features that will add to the value of your home in the future. It may also add a premium to the price of the home you are purchasing now. Remember not everybody wants to live in the country, even if it is called an estate. Don't get me wrong, if the country is what you want, do it. You still have to travel to town, hospital etc. I am not knocking country, but this is your first home. Generally most people buy five homes

during their life time. So you will be looking to sell this first home sometime in the future.

Don't get yourself in a situation where you end up being house poor. You may find the house of your dreams, and decide to get it but the price you pay is so high that it takes almost all of your income to pay for it. Your dream house can put you in the poor house for a long time. You eventually get tired of not going anywhere because your house is taking most of your pay cheque. Go to your bank, and get pre-approved. Bankers, being "bean counters", will review your financial situation and will tell you how much of a house you can safely afford. Remember, they don't want to have to repossess your house because you can't make the payment. Oh yes, don't go for the 40 year mortgage. Believe it or not, you can get mortgages for that long. If you can't afford a payment based on 20-25 years calculation, don't buy that house. You can't believe the amount of interest you will pay on a 40 year mortgage. Keep away from them. Once you get pre-approved from the bank, you are now in a position to know how much of a house you can buy. Stick to the amount of your loan approval. Remember you don't want to buy so much house that you end up in the poor house.

Proper legal advice is critical, what is also critical is to have the proper guidance and advice from your real estate providers. You have several options: a) seek the advice and guidance from propertyguys.com, b) hire a real estate agent, you will have to pay a 5 to 6% real estate fee for their services, c) hire a mortgage broker, you will pay a fee for the broker to find an institution to give you a mortgage. Your real estate provider should give you all the directives and support you need while in the process of buying or selling your home. Your next step is to visit as many homes as you can, until you find the home that suits your and your families needs and is within your budget. Now there is a trend for people to buy homes on the internet. Homes are displayed, and a video shows what the home looks like inside. There are people who choose to buy homes this way, this maybe something you may try. It's always important to check out the neighbourhood your interested in living in. How do the people in the neighbourhood keep up their properties and their homes, do they take pride in their properties? If you find a house that suits you, how long has it been listed? In some neighbourhood's, houses sell like hot cakes. In others, they take a long time to move.

There is a good chance in the future you will want to sell this house and move up a notch. Keep this in mind when buying.

So you have narrowed the field down to the home you want. You want to make an offer. Ask the real estate provider for the tax bill. The evaluation on the property tax bill will give you an idea as to what the property is worth. Evaluations can be deceiving since they are usually not done on a yearly basis by the tax department, and a lot of work might have been done on the property since the last evaluation which may have increased the selling price. If there are other homes in the area, ask the real estate provider to give you some of the asking prices for homes in that area. It will then give you an idea of what you might offer for the home you are interested in.

Most purchase and sale agreements for homes are pretty much standard. There is a space for extra conditions to the sale that the buyer might and should include i.e. purchase subject to financing, building inspection by a certified inspector etc. There might be some of the household effects you want included as part of the purchase price. Any extra conditions you want attached to the purchase of the property goes in here.

Hire a building inspector, and get a written report. This could cost you between \$300.00 and \$500.00. It is like insurance. He will inspect the house inside and out, and if there are any problems, major or minor, he will document them. This report may allow you to negotiate your original offer to a lower one, or after you read the report you may decide that there are so many problems that you don't want the house after all.

So your offer has been accepted. You have your down payment. I should have mentioned this before. When you get approved by a bank or a financial institution for a certain mortgage amount, ask how much money is going to be advanced to your lawyer. A lot of times the financial institution fails to tell you this, and all of a sudden you find out that there are certain costs that the financial institution is going to charge you which will be deducted from the advance of your mortgage. All of a sudden, you find yourself short a few thousand dollars, and unable to close the deal. Another example is property taxes. Generally the owner has paid his property taxes. But on closing there has to be an adjustment. For example, if the taxes are \$2,000.00, and are paid, and you take possession of the home on July 1st, well you are going to live in the house for

the last 6 months of the year, the owner will want to be reimbursed for the taxes he paid since he is not living in the house. You will owe him \$1,000.00: same thing if he leaves you with a full tank of oil or propane.

You now need a lawyer. When you pick a lawyer, ask up front what his fees are. A good lawyer will be able to tell you almost to the cent what your closing costs are going to be. If he can't, find another lawyer who can. The last thing you want is a surprise a couple of days before closing and that all of a sudden you have to come up with an extra \$2,000.00 or \$3,000.00 because of certain information that doesn't get explained to you by either the real estate provider, the bank or the lawyer. Certainty is a wonderful thing. This is information your lawyer will have, and you should know it well in advance of the closing.

Your lawyer should take care of you. He will certify title to your property. That means that he guarantees that the title is free and clear. Whoops he made a mistake. The title to your property is not clear. The problem with the title to your property could be a small one that he can clean up, or it could be a major problem costing thousands of dollars. An example of this could be the previous owner having a judgment registered against him, and the lawyer missing it in the search or seeing it, forgetting to pay it out. There might be a right of way across your property which he missed. You call your lawyer, and tell him about the problem. He now has to report the problem to his insurer. You now have to get another lawyer to take action to get this matter taken care of i.e. you will have to sue for negligence. Once you get into a lawsuit, you might be talking two or three years before it gets resolved. You may not be able to collect all your legal fees. Trust me, there is a better solution. Buy title insurance from a title insurance company. As soon as there's a problem, they take over for you and settle matters. I'll give you an example. I had a client who bought a home with the intention of having a cattle ranch. The lawyer doing the search missed a red flag that showed the farm being in a water shed area and no new farming could take place. He bought the property for \$140,000.00, and started farming. Six months later, he was ordered by the government to stop farming within 60 days. The title insurance company repurchased his farm for the same price he paid, found him a new farm, paid all his legal fees and costs to relocate. If he would

have had to sue his lawyer, he would have won but he would have never been compensated for all his costs. So get title insurance. It's cheap, and covers a whole lot of other problems other than the title to your property. Good luck with your house purchase.

Martin J. Siscoe.

BUYING OR SELLING A HOME IN NEW BRUNSWICK, CANADA

If you are purchasing a home in Campbellton, Bathurst, Acadian Peninsula or the Miramichi area of New Brunswick, our firm will be pleased to help you complete your transaction. We take care of all the details of your purchase or sale from the moment you sign the purchase and sale agreement until we send you a plant after you move in to your new home. There are no surprises when we help you with your purchase or sale. If you are selling your home, our fee is \$450.00 plus HST. We have no control over disbursements. They could be the discharge of a mortgage, judgement or some other matter. However, once we have your contract to sell your home, we will be able to determine what disbursements will be involved in your sale, and when we quote you a final price, it is the final price. There are no surprises. Sometimes when you sell your home, you may include some of the appliances with the sale. The purchaser will want a bill of sale. That cost is \$150.00 plus HST. If there is a mortgage on your property, and the mortgage company will not prepare the discharge, our firm will have to do it and register it. The cost of the discharge is \$150.00 plus HST plus \$65.00 registration fee. Of course, if your house sits on two parcels of land, the government will want \$65.00 per parcel so the cost would be \$130.00.

If you are purchasing a home here is what you can expect:

- Lawyers fee \$600.00 plus HST, no surprises

We have no control over disbursements, and depending on what your financial institution requires. The disbursements are listed below:

Search if property is on the old system	\$175.00 approximately	could be less
Certificate of Registered Ownership (if on new system)	\$35.00	search not required
Tax Certificate	\$23.00	
Registration of deed lots	\$65.00 per parcel	Some properties have two
Registration of mortgage We will try to consolidate transfers of more than one property to save on this cost	\$65.00 per parcel	
Transfer Tax	$\frac{1}{4} \times 1\%$ of the higher of the purchase price or evaluation	
Title Insurance	\$300.00	Usually requested by the bank (cheaper than a surveyor's Certificate)

Our lawyers and staff are friendly, courteous, and will look after all of your needs in a professional manner.

SELLING YOUR HOME

The day has come to sell your house. You are going to move up or downsize. If you bought your house with selling in mind, you are probably in a good location, and your home will sell rather quickly.

There are different options to sell your house, seek the guidance of propertyguys.com, hire a real estate agent, or hire a mortgage broker. Believe it or not, a lot of people buy homes through the internet. They view the pictures, see the inside, grounds, and buy. The advantage in selling your house this way is that you save on real estate commissions. This could be a fair chunk of change. The disadvantage is that you have to do the actual selling of the house, negotiating prices, items to be

included in the sale etc. If you don't mind doing this, then the savings in real estate commissions will be worth the hassle.

On the other hand, if you are like me, i.e. couldn't sell water in a desert, you seek the advice and guidance from a real estate provider. Then you have peace of mind and less stress. When you and the purchaser are only a few dollars apart, the real estate provider will really try to mediate that difference so that a purchase and sale takes place.

There are things that are very important when selling a home, be prepared everyday just in case the house will be shown. Make sure the house is clean and tidy, inside and outside. Making fresh cooking i.e. apple pie, bread etc. is a real selling point the day of the showing; it makes the house cozy and warm. So the purchaser has made you an offer. You have two options; you can accept or make a counter offer if you feel the price is too low. From this point, the real estate provider will become an intermediary, and hopefully, you will come to a price that is acceptable for both parties. Your next step is to contact a lawyer who will complete the closing for you. A word of caution, the deal is not complete until you have the money in your hands. Sometimes, people back out of real estate transactions for whatever reason. Specific performance (forcing someone to go through with a contract) is very difficult to enforce in Canada. The Courts usually allow you to sue for damages caused for breach of contract, but again this entails legal fees, and who knows how long before you get to Court. So don't spend your money until you have it. Good luck.

Martin J. Siscoe