

HOME BUYERS FAQ (FREQUENTLY ASKED QUESTIONS)

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1. Where do I start?

Where you start depends on a number of factors. Is this your first home? Are you up sizing, downsizing, or do you simply want a New home? Many people check out the classified ads, browse the Internet or drive around the neighborhood where they want to live. This can be very time consuming and you could overlook a recently listed property or not have access to all the details.

2. Do I need an Agent?

A Real Estate agent can provide you with a wealth of information that is not available to the general public. Usually, after an initial meeting to determine your requirements, your agent will locate a number of suitable properties for your consideration and provide you with the details (listing cuts, pictures, etc.). Your agent will arrange viewings on those that are of interest to you. Some properties are not listed for sale and quite often the agent will have to seek out homes that fit your needs. Once you find the property you want to buy, your agent will prepare the Offer to Purchase and negotiate on your behalf. He/she will guide you through the home buying process, one step at a time. Buying a home should be an enjoyable experience. By keeping you informed, an agent can help you avoid stressful situations.

3. New house vs. older house?

Depending on your financial and family situation, and where you want to live, usually determines the type and style of home you buy. If you want to live in an existing built-up residential area, chances are there are no vacant lots on which to build a new home. **Older homes** in established areas often have more finished basement areas, exterior improvements such as landscaping flower gardens and/or paved driveways. They may also have a garden storage shed and a fenced in backyard. Providing that the layout, room sizes, heating source, etc. meet your requirements, existing homes are usually a good investment. Your agent should recommend a full building inspection to determine

that you will not have to incur any unforeseen major expenses once you've moved in.

New homes offer a lot of flexibility. Ramar Construction Ltd. has plans to fit almost any budget. Once the style and location of the home is established, you can work with the builder to customize to your needs. New homes that are built by Registered Builders come with a New Home Warranty*. You can observe the budding of your home from the ground up and take part in the placement of fixtures, cable, phone and electrical outlets. Kitchen layout, paint colors, flooring and plumbing fixture colors - it's all up to you!

4. What does 'turn key' mean?

"Turn Key" means, literally, just that, once your house has been completed, inspected and the closing has taken place, you will be presented with the keys to your new home. Once you get to the front door, you just turn the key in the lock and start moving in. There are some things that you do have to arrange for, such as utilities (since the accounts will be in your name the providers require the new owners to request the service) i.e. power, cable, phone, water, fuel oil or propane.

5. What is "sweat equity"?

"Sweat Equity" comes in many forms. Basically what the term means is that a buyer can substitute a skill, product or service as a portion of the down payment or purchase price of the new home.

There are limitations regarding dollar amounts as well as the types of skills or services that qualify. For instance, a fully qualified electrician may only do electrical work. Some things that can qualify are: painting; landscaping (seeding, laying sods, etc.); trim work; flooring, gypsum, board hanging and/or taping; all of which must be coordinated with the project manager to ensure compliance with the established closing date.

6. Is there a guarantee on a new home?

Most reputable builders are members of the Atlantic New Home Warranty Program. The contractor pays a premium for each home built and the warranty is made out to the New Home owner. The standard period of coverage was five years. Effective May 1, 2000 the structural term was increased to seven years. It is referred to as the Platinum 7 warranty. Consumers may also choose the Ultimate Plus warranty, for an additional fee, that extends and broadens the scope of the items that are covered.

For more in-depth information please contact the Atlantic New Home Warranty web site www.anhw.org or call 450-9000; Toll free 1-800-320-9880.

7. Is there HST on the purchase price?

Existing residential homes are not subject to HST if the home is only 6 months old, the HST would have been paid or included in the new purchase but would be reflected in the asking price. Most new home prices are inclusive of the HST of 15%, with the applicable rebates of approximately 4.02% being credited to the (seller) builder.

What that means is that instead of the buyer having to pay the full 15% up front, the builder will be responsible for submitting the full amount due less the rebate credit of 4.02% (10.98%), at time of closing. The limit for a full 4.02% rebate applies to new homes up to \$150,000. A special formula is used to calculate the amount due on homes that are over \$150,000.

8. Can I buy, subject to the sale of the home I own now?

This is a dilemma faced by the majority of buyers that already own a home. There is a provision to make the purchase of one home subject to the sale of another by implementing a clause in the Purchase and Sale Agreement. This is commonly referred to as a "Schedule K" or "Subject to the Sale" clause. The problem is that once you have found the "perfect" house, other buyers will have found the same house too. If your present house does not sell quickly enough, you will probably have to begin looking all over again. This process may repeat itself a number of times before all the conditions come together.

Some people are concerned that if they sell their home too quickly, they will be forced to buy a house they won't like, or have to rent until something suitable comes along. The seller has the option of inserting a condition that would allow for a period of time (usually one or two weeks) in which to find a suitable property or else the sale could be declared null and void.

When making the purchase of a new home you can generally negotiate with the builder to "Hold" the particular lot that you want your house to be built upon, allowing for a reasonable amount of time to find a buyer for your home. Should the lot become unavailable, you can still have the same house built on another suitable lot.

9. How much can I afford to spend?

Most financial institutions have mortgage specialists that can pre-qualify for a mortgage in a matter of hours. They will take into account the gross income of all parties making the purchase, (husband & wife, live-in partners, parents, adult children, etc.) and who will be named as owners on the deed and be financially responsible for making the payments. The size of the down payment, assets, debts and other liabilities will be calculated and the result will determine the maximum amount of the monthly payment.

Interest rates vary from one financial institution to another. There are also a number of incentives offered. Depending on your own personal financial situation, it pays to shop around for the best deal for you. Your agent can provide you with contact names and phone numbers for Mortgage

Specialists in your area. They even make house calls, evening and weekend appointments.

10. How much money will I need up front?

In addition to the down payment some of the usual cost of purchasing a home include, but are not limited to the following:

Building Inspection Fee; Mortgage Application Fee; Appraisal Fee. High Ratio Mortgage Insurance; Cost of a Survey; Legal Fees; Closing or Adjustment Costs - prepayment of property taxes that were paid in advance by the present owner, oil or fuel adjustment, condo fees, etc.; Land Transfer Tax; Property Insurance and Moving Costs.

Quite often the lending institution will waive an appraisal or mortgage application fee, (if you ask them to). New homes normally do not have any prepayment of property taxes, survey costs or building inspection fees. You will however need to factor in the cost of appliances, new window dressings and cost to bring in a new phone or cable line.

11. Can I use money from my RRSP for my down payment?

Money from an RRSP may be used for the down payment on a home, subject to certain conditions. At the present time the maximum amount allowable that can be used toward the purchase of a home is \$20, 000. The amount withdrawn must be repaid within a 15 Year period. It would be best to check with your investment counselors to see if you qualify as some RRSP's are locked in and cannot be withdrawn as a lump sum or prior to maturity,

12. Will I need a lawyer?

Lawyers play an integral part in the home buying process. A lawyer should review the Agreement of Purchase and Sale as soon as possible to ensure that all conditions and clauses are dealt with in a timely manner and check for omissions. Once all the conditions have been met they will carry out a Title Search to ensure that the seller is the actual owner and that there are no liens or encumbrances on the property.

In addition, your lawyer will advise you regarding a survey, taking title and prepare all documentation required for the closing. They also handle the documents and funds pertaining to the mortgage, obtain a Tax Certificate from the Municipality and calculate the closing costs and adjustments. Once the sale has been completed, the lawyer will register the Deed in your name forward all documents to you, usually within 3 to 4 weeks from date of closing.