

INSPIRE PLAYBOOK

HOME BUYERS GUIDE

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“Ensuring the Highest Level of Service and Securing You a Better Rate On Your Mortgage”



About Me

Ahmad El-Farram is a licensed Mortgage Agent with Total Mortgage Source 360. Ahmad and his team service Newmarket, Aurora, York Region and all of Ontario.

Ahmad and his family of five have called Newmarket, Ontario home since 2010. Prior to receiving his mortgage license, Ahmad was the owner/operator of a successful Photo/Video marketing company

Whether you're purchasing your first home, wanting to save money with a better mortgage rate or needing to consolidate debt with a refinance, I know, it can all be pretty overwhelming. This is especially true if you don't know where to start or understand all the steps in the process. I'm here to help.

My passion is helping guide clients and friends just like you through the path to homeownership and financial independence.



HOW MUCH CAN YOU AFFORD

Let's be real — buying your first home is an exciting yet daunting experience, especially in this active Ontario real estate market. It's natural to feel overwhelmed by the range of emotions — from excitement to exhilaration, all the way to apprehension and disappointment — but don't worry!

At AskAhmad.ca and the Hometown Financial, our core mission is to help new home buyers and existing home owners navigate the home-buying process. As a mortgage agent I work with all of Canada's big banks, best Credit Unions and many other lending institutions including private lenders.



Debt Service Ratios

While it's easy to use the many mortgage affordability calculator to figure out how much you can afford to borrow for a new home purchase, it's a good idea to understand how lenders calculate the maximum amount they will loan you. The two calculations a lender does are: your gross debt service ratio (GDS) and your total debt service ratio (TDS).

Gross Debt Service - To calculate your GDS, lenders try to figure out the proportion of your income you would be paying each month to own a particular property. First, the lender will estimate your annual mortgage payments, property taxes, heating costs and 50% of your condo fees (if applicable). The lender will then add that up and divide it by your gross annual income. If the answer equals less than 39%, the lender can feel confident in your ability to pay your monthly housing costs.

Total Debt Service - To calculate your TDS, the lender will take the same GDS calculation but add in any other monthly payments you might have to make, including loans or the minimum payments on any credit card debt. So, the lender adds together your mortgage payments, property taxes, heating costs, 50% of your condo fees and debts, and divides the total by your gross annual income. If the answer equals less than 44%, the lender will know you have the money to make all of your monthly payments and you will be on track with getting approved for a mortgage.

The maximum amount you can afford to spend on a home depends on several factors, including the size of your down payment, your debt service ratio and your credit history. In addition to your GDS and TDS ratios, financial institutions base their lending decision on your job stability, income level and credit history. Interest rates also affect the amount of financing you will be able to obtain.



PRE-APPROVAL

When you get pre-approved for a mortgage, you'll find out the maximum amount you can afford to spend on a home, the monthly mortgage payment associated with your maximum purchase price and what your mortgage rate will be for your first mortgage term.

Applying for a mortgage pre-approval is free and doesn't commit you to a lender. However, getting pre-approved does hold the mortgage rate you are offered for 90 to 120 days. This means you're protected if interest rates rise while you're shopping for a home. If interest rates go down during this time, your lender will honour the lower rate when it comes time for your actual application. That said, a pre-approval isn't a full guarantee that you'll receive that rate. That relies on your finances staying the same when you finally apply for your mortgage.

WHAT IS A CONVENTIONAL MORTGAGE

A conventional mortgage is a loan for no more than 80% of the appraised value or purchase price of the property. To qualify for one, your down payment, or the cash you provide for the purchase price, must be at least 20% of the purchase price.

WHAT IS A HIGH RATIO MORTGAGE

A high-ratio mortgage is a loan with a down payment of less than 20% of the purchase price of the home you're buying. The term "high ratio" refers to the spread between the mortgage amount (the loan) and the purchase price (the value). This spread is more commonly known as the loan-to-value ratio. High-ratio mortgages require mortgage loan insurance, which is an extra premium that is added to your regular mortgage payments and protects your lender in the event you default.



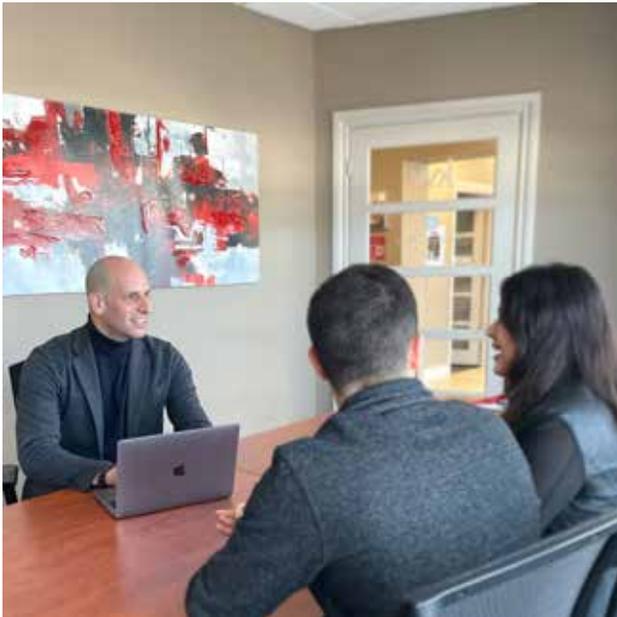
HOME BUYERS' PLAN

The Home Buyers' Plan (HBP) is a program that allows you to withdraw funds from your RRSPs to purchase a home. An individual can use up to \$35,000 of their RRSP savings, while a couple may use up to \$70,000 to help finance their down payment on a home.

By using this program, many individuals and couples, just like yourselves, are able to make a bigger down payment than would have been possible using savings alone.

Now, there are Certain conditions which must be met in order to participate in the Home Buyers Plan. Here are a few of those conditions:

- You must be considered a first-time home buyer
- You must intend to occupy the qualifying home as your principal place of residence within one year after buying or building it
- You have a 15 year period to pay back the withdrawn RRSP funds



STANDARD DOCUMENTS REQUIRED

To save you time and speed up the application process, your mortgage agent should be proactive about collecting the appropriate documents lenders will require before funding your deal. These include:

Salary/Hourly:

- 2 peices of ID
- Most recent paystub
- NOA (Notice of Assessment)
- T4 (2 years)
- Letter of employment
- Proof of downpayment and closing costs
- Void cheque (account payments will come out of

Additional Documents for Refinance:

- Property tax notice
- Recent mortgage statement

Additional Documents for Self Employed:

- 6-12 months bank statements
- NOA (Notice of Assessment)
- Valid business license (atleast two years of ownership)
- State income declaration

THE CLOSING COST OF A HOME CAN ADD UP

The following is an estimate of the costs involved in purchasing and operating a home in Ontario. Costs vary from one area of the province to another, so these figures should be used only as a guide.

Regardless of what your actual closing costs will be, lenders require you to show you have 1.5% of the purchase price in your checking account to cover these costs.

THE HOME INSPECTION

A home inspection is recommended for most residential properties, and should be a condition of the offer. Your Realtor can help you choose an inspector. The cost ranges from \$500 - \$900 depending on the size, location and value of your property.

THE APPRAISAL

When you apply for a mortgage, the lender will want to see an appraisal on the property to ensure you're paying a reasonable price. The fee for this is usually between \$500 and \$800.

The appraiser will assess the following:

- Condition of the home
- Recent sales and comparables in the same area

THE LAWYER

Hiring a real estate lawyer in Ontario can cost anywhere from \$1500 to \$3,000. Some real estate lawyers charge a flat fee for their services during the mortgage process, while others charge an hourly rate for their assistance.

It may also cost between \$300 to \$800 to register the mortgage on your behalf. The additional contracts that need to be drawn up and extra work done when you sell a home will make this scenario more expensive still.

Although this may seem like an additional expense at first, having ongoing, professional legal help with expertise in real estate can save you time and money in the long run.

LAND TRANSFER FEE

When you buy a property in Ontario, you have to pay a Provincial Land Transfer Tax to the government once the transaction closes. The amount you pay depends on the value of the property. It's calculated like this:

For properties purchased between the price of:
\$400,001 to \$2,000,000: 2.0% provincial tax bill

This means if you purchased a home for \$900k, once the transaction closes you've got to pay an additional \$14,475.00

On top of this, if you live in York Region, or the GTA this total amount doubles when you add the Municipal Land Transfer Tax that's due.

This is why we always recommend our client always set aside 4% of their savings in order to cover this tax once they purchase your property.

WHAT DOES A MORTGAGE AGENT DO?

Buying a home is one of the biggest financial commitments you'll ever make. So unless you've been lucky enough to win the lottery or inherit a bunch of money, you'll probably need a mortgage to pay for it.

When you're borrowing this much money, every little bit of interest can make a big difference. With so much at stake, it makes sense to talk to an expert — a mortgage broker can help guide you through the process and find a loan that's just right for you.

WHY USE A BROKER?

A mortgage broker can help you save time and money on your home loan. Take a look at some of the main reasons to use a mortgage broker:

I am your one stop shop: One of the best things about working with a mortgage broker is the ability to shop around for competitive rates. Unlike banks or credit unions that only have access to their products, a mortgage broker deals with multiple lenders — this gives them the ability to shop your rates with a large portion of the market in-house to ensure that you're getting a competitive rate.

I can get you a better rate: Brokers can get you the best deals. They shop around for the best rates, but they also have other ways to get you a better mortgage rate. For example, many of them receive volume discounts from their top lenders. If they offer you a lower rate due to a volume discount, then that's as low as you'll be able to get it directly with that lender.

Expertise and advice: If you want an expert to guide you through the process of securing a mortgage, talk to a mortgage broker. Mortgage brokers are licensed professionals with a high level of expertise in securing mortgages for their clients. They bring expert knowledge needed to get you a mortgage specifically tailored to your needs AND at the best rate, so you don't have to navigate in unfamiliar waters.

I work for you...not the bank: Let's face it, most people don't have the time to shop around for the best mortgage. Thanks to mortgage brokers, you don't have to! Mortgage brokers work for you and not the lenders, so they can give you impartial advice.

My services are FREE: And we saved the best for last. With all the benefits provided by mortgage brokers, you would think they would be expensive to use. But not at all! Mortgage brokers don't charge a fee—it's actually the lender who pays them. And since you'd typically only use a broker for conventional financing, it means that using one doesn't cost anything extra on top of your rate.



FOUND A HOME? WHAT'S NEXT?

So, now that you've found that perfect house, your Realtor will prepare an Agreement of Purchase and Sale, including any custom clauses you may require. Once you've made an offer on the property, your Realtor will work with you to ensure that your conditions are met.

SECURE FINANCING

A home inspection is always recommended for most residential properties, and should be a condition of the offer. Your Realtor can help you choose an inspector. The cost ranges from \$600 - \$1000 depending on the size, location and value of your property.

FINTRAC - The Financial Transactions and Reports Analysis Centre of Canada

As of June 23, 2008, the brokerage must obtain an Individual Client Information Record whenever a real estate purchase or sale takes place. This record sets out the Buyer/Seller name and address, and the nature of their principal business/occupation and date of birth.

Everyone will need to show a piece of identification that confirms their identities. For example birth certificate, driver's license or passport. For more information go to www.fintrac.ca

HOME INSPECTION

When you purchase a property, it's important to have it inspected by a qualified inspector.

This step can help you avoid costly surprises down the road.

STATUS CERTIFICATE

This condition applies to the purchase of a condominium. It allows your real estate lawyer to review the condominium documents to ensure that the corporation is financially sound, and that it meets all the requirements of the Condominium Act.

Under that act, the property management company has up to ten days to prepare a Status Certificate, which it can charge up to \$100 for preparing.

THE OFFER/SALE - EVERYTHING YOU NEED TO KNOW

IRREVOCABLE DATE

When you make an offer, you must include a number of specific dates and times. Your initial offer will be valid for a specific period of time, usually until midnight of the same day or the following day, after which it is automatically cancelled.

This period is called the irrevocable period.

COMPLETION DATE

This is the date on which the seller will transfer ownership of the property to you, the buyer, as per your agreement.

DEPOSIT

When you make an offer on a property, the Seller will require a deposit cheque. This amount is usually between 5% and 10% of the purchase price but can vary depending upon the value of the property.



REQUISITION DATE

This period of time is when your lawyer will check to see if there are any problems with the title to the property, and this usually occurs 15 days before the completion date.

FIXTURES

Fixtures are any items that are permanently attached to the property. For example, a bathtub, sink or toilet permanently plumbed in would be considered a fixture. Technically, anything nailed to the building is a fixture while items that can be removed (screws) are chattels.

This is often an area of contention when buying a resale home. So be aware of this distinction and, if in doubt, ask your real estate agent for clarification.

CHATTELS

Chattel is anything that can be moved, while fixtures are part of the property. If you want any items included in the sale, please specify them in your offer.

You may wish to include the following: area rugs, ceiling fans, chandeliers and other light fixtures, draperies, wood burning stoves and accessories, microwave ovens, refrigerators, freezers, stoves and ovens, washers and dryers, window air conditioners, garage door openers, storage sheds, swing sets and other playground equipment, garden furniture, barbecues and central vacuums.

YOUR LAWYER

Your lawyer will certify good title to the property, free of encumbrances, liens and judgments. Your Realtor will deliver all documentation related to the sale to your lawyer.

MORTGAGE REGISTRATION

The lawyer receives instructions from the lender, prepares the draft mortgage document, forwards the draft to the lender, makes any amendments if required and arranges for you to sign the documents in their office.

The mortgage lender then releases the funds to your lawyer. Some lenders prefer to pay the property taxes on your behalf to ensure the taxes are never in arrears.

In this case, the lender will hold back a certain amount from the advance on closing to start a tax account.

Your payment will include the taxes in addition to the regular principal in interest.

Check with your mortgage broker/agent to see how your taxes will be handled.

STATEMENT OF ADJUSTMENTS

The balance of the purchase price due from the buyer is subject to adjustments, which are made when the seller has paid certain expenses in advance.

LEGAL FEES

A lawyer will usually charge between \$1000 and \$1,500 for a straightforward real estate transaction. This is payable prior to closing.

LAND TRANSFER TAX

The land transfer tax is based on the purchase price of the property and is payable by the buyer.

DAY OF CLOSING

Lawyers and clerks exchange documents and funds to close the transaction. You can expect to get access to your new home by late afternoon on the day of closing, but make sure you ask your lawyer about this. Changing locks is a good idea for safety reasons, so check with your lawyer about this.

If you have any dead-bolt locks on your doors, it is a simple matter to remove the cylinder and replace it with a new one.

INSURANCE

In order to protect your property, you must purchase fire insurance. The coverage should be for at least the amount of your mortgage. A guaranteed replacement clause is usually acceptable and must take effect on the closing date.



**GET THE CONVERSATION STARTED:
REACH OUT TODAY!**



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