

Buying a Home with Sweat Equity

www.champagneventures.com/sweatequity.htm

Thinking of buying a house? Here's your step-by-step guide on **How to get approved for your Home Purchase**, and get on the road to home-ownership -- the smartest investment you'll ever make.

I'm looking to Buy, What do I need to know?...

First of all, **Mortgages** are all based on 3 major factors: **Income**, **Down Payment**, and **Credit**. The **Approval** process is simple: We first need to verify your income (T4 slip and paystub), confirm your down payment (savings history / sweat-equity through the builder / gift from family), and view your credit bureau.

Secondly, there are three costs involved to **Purchase** a house: The House itself (Purchase Price), the Closing Costs (to close the deal), and Insurance Premium (one-time CMHC cost*).

*...All mortgages in Canada with less than 20% down payment, require an Insurance Premium by CMHC (Canadian Mortgage and Housing Corporation). CMHC allows Canadian citizens to purchase properties with as little as 5% or 10% down. The good news is that you don't have to pay this premium up front... we add it to your mortgage amount and work it into your monthly payments.

Closing Costs can include the following:

- 1.) Legal Fees;
- 2.) Property Purchase Tax;
- 3.) Property Tax Adjustment;
- 4.) A Home Inspection.
- 5.) Appraisal

As a first time home buyer, purchasing a home priced at less than \$425,000:

- You are exempt from **Property Purchase Tax**. This means you'll save up to \$6,500 to get you into your first house!
- A **Home Inspection** is unnecessary with the New Home Warranty on all Champagne Venture properties, as you are covered for Labour and Structural defects for 2-10 years.
- If an **Appraisal** is needed, we can cover the cost, free of charge.
- In your case, the only cost may be your **legal fees**, and the **property tax adjustment**.
- Legal fees for a purchase are approximately \$1,100.

The property tax adjustment varies depending on when the property is purchased. Property taxes are paid July 2nd for the calendar year. So if you purchase in the first 6 months of the year, the Vendor hasn't paid taxes for the months they've owned the property. As such, they'll owe you a portion of the taxes; if you purchase in the last 6 months of the year, the Vendor has already paid taxes for the year, and you'll owe the Vendor the portion of the taxes for the months remaining in the year.

I want to purchase a \$335,000 property...

What do I need to qualify?

- Annual income of \$65,000 + (add a Guarantor to the application if needed)
- Minimum Down Payment of \$16,750 (5% -- up to 50% of which can be from Sweat Equity)
- Established credit
- Closing Costs of about \$1,100 - \$2,100.

What will it cost me?

A \$335,000 Property with **5% Down Payment of \$16,750**, gives you a mortgage of \$308,250. In this case, your CMHC premium is \$10,025; leaving you a total mortgage of \$328,275. Your monthly payments will be **\$1,140 - \$1,380** depending on the term and rate chosen.

A \$335,000 Property with **10% Down Payment of \$33,500**, gives you a mortgage of \$301,500. In this case, your CMHC premium is \$7,236; total mortgage of \$308,736. Monthly payments reduced to **\$1,070 - \$1,296** depending on the term and rate chosen.

Your monthly taxes will be about \$140-\$200.

Your Closing Costs will include:

- Down payment: \$16,750 minimum
- Legal fees: \$1,100
- Property Tax adjustment: depends on time of year
- Property Purchase Tax: Waived as a first time home buyer
- Property Inspection: Not needed with a New Home Warranty – Which protects you (the buyer) from various structural and labour defects for 2-10 years.

Remember, up to 50% of this down payment can come from Sweat Equity, and the rest can be from your own resources, or even a gift from family.

More Questions?

Feel free to call anytime for a free consultation, and get approved today!

Brendan Zielonka
Mortgage Specialist
RBC Royal Bank
250-744-4902
brendan.zielonka@rbc.com

This information sheet is available at www.champagneventures.com/sweatequity.htm