



The Home Buyers' Guide

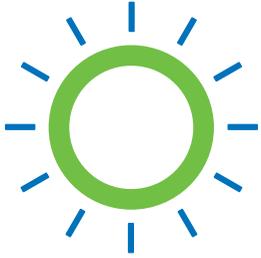


Table of contents

Your home buying experts	3
Understanding your credit report.....	4
Home Buyers' Plan	5
Additional costs to consider.....	6
How to be mortgage free faster.....	7
Home buying checklist	8
Planning a move checklist	9
Mortgage terminology	10

The Servus Advantage

At Servus Credit Union, our vision is to build a better world—one member at a time. We do this by providing sound advice and competitive financial products and services. We are here for you through all stages of your life. We help you achieve personal satisfaction, enjoy stability and a good quality of life, and we are committed to making a difference in the communities where you live and work.

The Home Buyers' Guide is a tool designed to offer helpful information to anyone purchasing a home. It offers helpful tips and information that will make this a very exciting and memorable experience.

Your home buying experts

Make the entire process of finding and buying a home more comfortable by surrounding yourself with a team of home financing experts.

1. Servus Advisor

Buying a house is one of the biggest financial decisions you'll make. You'll want some help to understand how much you can afford; which rate and term fits your life; and how you will manage your down payment. At Servus, we'll help you finance your home and be there for you when life happens.

2. Realtor

It is not mandatory but having your own realtor ensures you have someone looking out for your best interests during negotiations.

How to choose a realtor:

- Ask your financial advisor or mobile mortgage manager for recommendations
- Ask friends and relatives for referrals
- Be sure you feel comfortable with the realtor you choose
- Look for someone with experience locating homes in your desired neighbourhood and price range
- Make sure your realtor has a good understanding of your needs before you start house hunting

- When it comes time to make an offer on a home, a realtor can ensure that the offer includes all the necessary information including;
 - Proposed purchase price
 - A list of items included in the sale
 - Any conditions you may need to protect yourself, such as subject-to-financing and/or home inspection clauses
 - Closing date for the sale

3. Home inspector

A qualified home inspector can provide a great deal of comfort and peace of mind when buying a home. A home inspection provides:

- Detailed assessment of the current mechanical and structural strengths/weaknesses
- List of potential repairs that may need to be made
- Prediction about when repairs should be made

Home inspectors charge a fee for their services, so be sure to use a qualified inspector and ask for references. A good home inspection report can help you purchase a good quality home and lead to a greater home owning experience.

Each team member will know what you're going through and can provide the answers and assistance you need.

Understanding your credit report

Your ability to borrow money and establish credit is based on your credit report. If you have ever used a credit card, taken out a loan or taken advantage of a 'purchase now, pay later' offer, you will have a credit report.

A credit report is a summary of your credit and payment activities with financial institutions and other organizations that addresses how long have you had credit; do you pay your bills on time; have you missed payments; and how much do you owe?

Banks, stores and other institutions use this information to decide whether they should give you credit or a loan. Your credit report gives them information about your ability to repay the money you borrow.

Your credit report may contain the following information:

- Your personal information, such as name, current address, birth date, Social Insurance Number and employment information
- Your credit history, including your record of paying bills on time
- Public record information, such as registered liens for secured loans, court judgments or bankruptcies
- Information about your bank account and history of transactions with non-sufficient funds (NSF)
- Your involvement with collection agencies trying to collect on your debts
- Organizations or individuals that have inquired about your credit in the past three years

BEACON score

A BEACON score is calculated from a customer's Equifax credit file and is used to understand a customer's likelihood to repay. The score uses a mathematical equation that evaluates information on the customer's credit file compared to information patterns in millions of past credit files. BEACON scores can range from 300 to 900. The higher the score, the lower the risk to creditors. The TransUnion (Canada's other main bureau provider) equivalent of the BEACON score is the Empirica score.

Your credit information is recorded in files maintained by at least one of Canada's major credit reporting agencies: Equifax and TransUnion. It is a good idea to request a copy of your credit report from one of these agencies at least once a year to verify that your personal information is correct and up-to-date. This will help you catch errors, fraud or identity theft that could affect your ability to obtain credit.

Visit these websites to request a copy of your credit report:

Equifax: equifax.ca

TransUnion Canada: transunion.ca

Review your credit report at least once a year.

Raising your credit score

You have an important role to play in your credit score and you can influence your score by making responsible credit choices:

- Pay your bills every month and pay them on time.
- Don't carry high balances on your credit cards, even if you're making the minimum payments every month. Outstanding debt influences your credit score.
- Avoid applying for retail cards just to save 20% on your purchase (unless you plan on using the card regularly and paying down the balance). Every inquiry for credit is kept on your credit report, and too many can cause a potential lender to wonder why you suddenly need so much credit.
- Remember that it takes time to establish a credit history. Open a credit account and keep it open to establish a history of credit use. Establish a pattern of making your payments on time.

Source: Financial Consumer Agency of Canada, Understanding your Credit Report and Credit score.

Home Buyers' Plan

The Home Buyers' Plan allows you to withdraw up to \$25,000 from your registered retirement savings plan (RRSP) to use as a down payment to buy or build your first home. The loan is not considered income and will not be taxed as long as you repay the money back into your RRSP within 15 years (minimum annual payments required).

To qualify, you must be a first-time home buyer or the home must be for a person with a disability (yourself or a relative). You are also eligible if you haven't owned a home in the previous 5 years.

Details about the Home Buyers' Plan are available from the Government of Canada.

Website: cra-arc.gc.ca/tx/ndvdl/tpcs/rrsp-reer/hbp-rap/menu-eng.html



Additional costs to consider

Cost	Description	Rate*
Legal Fees	Professional representation protects your interests in the purchase of a property. Fees may vary based on the complexity of the transaction.	Check with your lawyer for current fees.
Mortgage Insurance (High ratio mortgages only)	Any home purchase where the down payment is less than 20% is considered a high ratio mortgage and must be insured to protect the lender in case of default by the borrower.	Premium fee depends on the amount you are borrowing and the percentage of your down payment.
Property Insurance	Servus Credit Union requires you to have property insurance in place when you take possession of your new home. Enlisting the help of an insurance provider will make this an easy process.	Varies based on the value of the property, location and the contents of the home.
Home Inspection	An approval from a qualified home inspector can provide peace of mind when buying a home.	\$200 – \$500 Approximately
Moving Costs	Dependent on what you can do and the distance involved. Prices may vary by season or time of the month.	Variable, usually charged per hour.
Utilities (water, telephone, Internet, cable, power, gas, etc.)	Initial hook up charges for utilities may apply and are determined by the individual service providers. Check with your local service providers for more details.	\$100 – \$500 Approximately
Real Estate Appraisals	Ordering an appraisal is an important step in the home buying process, because the appraiser's report offers a close estimate of a property's true value. Get the facts about the different types of appraisal methods used for real estate transactions.	Varies. Contact your financial advisor or mobile mortgage manager for more detail.

*Amounts and percentages are shown for illustrative purposes only.

Important Note:

Costs can vary with each home purchase.

They generally range from about 1.5% – 4% of a home's price.

How to be mortgage free faster

Owning your own home is a great feeling. At Servus, we can help you become mortgage-free faster.

Shorten your mortgage with payment options

- **Make a larger down payment**

Don't borrow as much money in the first place and you'll have that mortgage paid off sooner.

- **Increase your payment frequency**

When you make your mortgage payment weekly or bi-weekly you pay more toward your principal, saving you thousands of dollars in interest and shortening the amount of time it takes to pay off your mortgage. If you choose an accelerated payment plan, not only do you pay more frequently, but you make extra payments over the course of the year.

- **Increase your payment amount**

If your mortgage has an option to increase your payment amount, and you can afford it, boost your payments a little. The extra money goes directly toward your mortgage principal.

- **Make lump sum payments**

You have a few options here. If you have an open mortgage you can pay money toward your principal at any time. If you have a closed mortgage you may have pre-payment options that allow you to make annual lump sum payments. You can also make a lump sum payment when your mortgage term comes up for renewal, before your new term comes into effect.

- **Select a shorter amortization period**

Decide how much you can afford to pay each month. If you can afford the higher mortgage payments then select a shorter amortization and save thousands of dollars in interest.

Some strategies to find extra cash

You want to pay your mortgage faster, but there is only so much money in your budget. Here are some easy ways to find a little extra cash that will add up to a big difference.

- Earn Profit Share dividends on your mortgage and your other Servus banking. Use the money to pay down your mortgage faster.
- Put some or all of the extra money you get from a raise or cost of living increase toward your regular mortgage payment.
- Invest in your RRSP and use your tax refund to make a lump-sum payment on your mortgage.
- Round your mortgage payment amount up when you first set your mortgage term. For example, if your bi-weekly payment is \$520.67 round it up to an even \$525 or \$550. You probably won't notice the difference.
- Don't reduce your payment, even if the interest rates go down. That extra money will be applied to your principal.

Home buying checklist

Whether you are buying a new home, refinancing or transferring your mortgage on your existing home, this checklist can help you gather the information you need to make the home buying process quick and easy.

Information for buying a home

Information about the property that you are buying:

- MLS listing
- Purchase and Sale Agreement; including any schedules or waivers
- Contact information for your lawyer

Information required about your finances:

Confirmation of down payment through one of the following sources

- Savings account
- Gift letter from immediate family member
- Proceeds from the sale of another property
- Other assets

Information for refinancing your home

Information about your current property:

- Recent mortgage statement
- Homeowner insurance policy
- Property tax bill/statement
- Legal description of the property (located on the purchase agreement or tax statement)
- Property value (recent property tax assessment or neighbourhood MLS listings)

Other documentation:

If you're employed you need:

- A letter from your employer on company letterhead that includes your name, salary or hourly pay rate, name and title of the person signing the letter
- Current pay stub
- Bank account statement showing direct deposit of your income
- T4s from the last two years

If self-employed or on contract:

- Notice of Assessments (NOA) for the last two years
- T1 Generals for the last two years

Other income sources:

- Ask your Servus Financial Advisor or Mobile Mortgage Manager about what confirmation will be required

Additional questions to consider:

- What current assets or savings do you have?
- What current liabilities do you have?
Includes outstanding balances and monthly payments
- Do you have critical illness/life insurance coverage?
- What are your current annual property taxes?
- How much are your utilities per month?
- If you own a condominium, what are your monthly condo fees?
- What is the square footage of your home?
- What is the square footage of the land?

Planning a move checklist

A well-organized move can greatly reduce your stress and contribute to a great experience as you move into your new home. The following checklist can help you stay organized.

6-8 weeks before you move:

- Make moving arrangements with a moving company or moving truck rental company
- Draw out a floor plan of your new home to decide where your belongings will go
- Get packing supplies (tape, boxes, tissue paper, bubble wrap, markers, etc.)
- Clean out closets, basement, shed and your garage
- Advise post office of your new address and moving date

Arrange change of address notices to:

- Phone company
- Insurance company – Arrange to transfer your household insurance to your new property
- Financial Institution and credit card companies
- Utility and cable/satellite providers – Make arrangements to start services on the date of your arrival at your new home

2-4 weeks before you move:

- Cancel or transfer newspaper, magazines and other home deliveries
- Reserve an elevator with your building superintendent if you're moving from a condo or apartment building



2-3 days before you move:

Complete all packing. Make sure that you've;

- Labeled boxes with the room they will go in
- Placed all important documents in a 'Safe Box' that you will transport personally
- Prepared an 'Open First' box with the basic necessities for your first night
- Label all keys for the new occupants
- Conduct an initial visit to your new home to verify everything's okay

Moving day:

For your old home:

- Check all rooms and closets to make sure nothing has been left behind
- Ensure that all electrical devices are unplugged and the thermostat is turned down
- Leave labeled keys with the landlord, lawyer or real estate agent

For your new home:

- Check that you have keys to all the locks in your new home
- Make sure that all utilities are working properly in your new home
- Provide movers with the floor plan
- Check the condition of each box or household item as it is unloaded and make note of any damages

After you move:

- Change your address on your driver's licence, car insurance and with your employer

Mortgage terminology

Acceleration

Acceleration is an expression that is usually used when a person chooses to pay a mortgage on a weekly or a bi-weekly basis although it can apply to any repayment program. All mortgages are drawn with a requirement that you make payments monthly; however, the bank will usually agree to administer one half of the required monthly payment each bi-weekly period. You are paying the equivalent to one extra monthly payment per year and, therefore, paying off your mortgage more quickly. If you choose to pay weekly and pay one quarter of a monthly payment each weekly period you get the same benefit. Be sure to arrange your mortgage payment dates to match your pay days.

Agreement of Purchase and Sale

The legal contract a purchaser and a seller enter into. It is recommended that you have your offer prepared by a professional realtor that has the knowledge and experience to protect you with the most suitable clauses and conditions.

Amortization Period

The number of years it takes to repay the entire amount of the financing based on a set of fixed payments.

Appraisal

The process of determining the current market value of a property.

Appraised Value

An estimate of the current market value of the property.

Assets

What you own or can use to determine your net worth or to secure financing.

Assumption Agreement

A legal document signed by a buyer that requires the buyer to assume responsibility for the obligations of an existing mortgage. If someone assumes your mortgage, make sure that you get a release from the mortgage company to ensure that you are no longer liable for the debt.

BEACON Score

Calculated from a customer's Equifax credit file and is used to understand a customer's likelihood to repay. The score uses a mathematical equation that evaluates information on the customer's credit file compared to information patterns in millions of past credit files. BEACON scores can range from 300 to 900. The higher the score, the lower the risk to creditors. The TransUnion (Canada's other main bureau provider) equivalent of the BEACON score is the Empirica score.

Blended Payments

Equal payments of both an interest and a principal amount. Typically, while the payment amount does not change, the principal portion increases, while the interest portion decreases.

Building Permit

A certificate that must be obtained from the municipality by the property owner or contractor before a building can be erected or repaired. It must be posted in a conspicuous place until the job is completed and passed as satisfactory by a municipal building inspector.

Canada Mortgage and Housing Corporation (CMHC)

CMHC is a federal Crown corporation that administers the National Housing Act (NHA). Among other services, they also insure mortgages for lenders that are greater than 80% of the purchase price or value of the home. The cost of that insurance is paid for by the borrower and is generally added to the mortgage amount. These mortgages are often referred to as "High-Ratio" mortgages.

Closed Mortgage

A mortgage that cannot be prepaid or renegotiated for a set period of time without penalties.

Closing Costs

Costs that are in addition to the purchase price of a property and which are payable on the closing date. Examples include legal fees, land transfer taxes, and disbursements.

Closing Date

The date on which the new owner takes possession of the property and the sale becomes final.

Collateral

An asset, such as term deposit, Canada Savings Bond, or automobile, that you offer as security for a loan.

Commitment Letter / Mortgage Approval

Written notification is provided by the mortgage lender to the borrower that approves the advancement of a specified amount of mortgage funds under specified conditions.

Conventional Mortgage

A mortgage up to 80% of the purchase price or the value of the property. A mortgage exceeding 80% is referred to as a "High-Ratio" mortgage and the lender will require insurance for that mortgage.

Credit Scoring

A system that assesses a borrower on a number of items, assigning points that are used to determine the borrower's credit worthiness.

Demand Loan

A loan where the balance must be repaid upon request.

Deposit

A sum of money deposited in trust by the purchaser on making an offer to purchase. When the offer is accepted by the vendor (seller), the deposit is held in trust by the listing real estate broker, lawyer, or notary until the closing of the sale, at which point it is given to the vendor. If a house does not close because of the purchaser's failure to comply with the terms set out in the offer, the purchaser forgoes the deposit, and it is given to the vendor as compensation for the breaking of the contract (the offer).

Early Renewal

The renegotiation of mortgage term and rate prior to the maturity date. (A prepayment cost would usually be due if the mortgage is closed).

Equity

The difference between the home's fair market value and the outstanding balance of all liens on the property. The property's equity increases as the debtor makes payments against the mortgage balance, and/or as the property value appreciates.

Fire Insurance

Property insurance that the mortgage customer must purchase to protect the property against any damages that may be caused by a fire. Customer must ensure that full replacement value is purchased and that if there is any fire damage the lender will be paid first on the loss.

First Mortgage

A debt registered against a property that specifies a lender as the first to be paid on that property.

Fixed-Rate Mortgage

A mortgage for which the interest is set for the term of the mortgage.

Foreclosure

A legal procedure whereby the lender eventually obtains ownership of the property after the borrower has defaulted on payments.

Genworth Financial Canada (Genworth)

A private mortgage insurance company. One potential source of mortgage insurance for high ratio mortgages.

Gross Debt Service Ratio (GDS)

It is one of the mathematical calculations used by lenders to determine a borrower's capacity to repay a mortgage. It takes into account the mortgage payments, property taxes, approximate heating costs and 50% of any maintenance fees, and this sum is then divided by the gross income of the applicants. Ratios up to 32% are acceptable.

Guarantor

A person with an established credit rating and sufficient earnings who guarantees to repay the loan for the borrower if the borrower does not.

High Ratio Mortgage

A mortgage that exceeds 80% of the purchase price or appraised value of the property. This type of mortgage must be insured.

Holdback

An amount of money required to be withheld by the lender during the construction or renovation of a house to ensure that construction is satisfactorily completed at every stage.

Home Equity Line of Credit

A personal line of credit secured against the borrower's property. Generally, up to 80% of the purchase price or appraised value of the property is allowed to be borrowed with this product.

Home Insurance

Insurance to cover both your home and its contents in the event of fire, theft, vandalism, etc. (also referred to as property insurance). This is different from mortgage life insurance, which pays the outstanding balance of your mortgage in full if you die.

Inspection

The examination of the house by a home inspector selected by the purchaser.

Interest Adjustment Date (IAD)

The date on which the mortgage term will begin. This date is usually the first day of the month following the closing. The interest cost for those days (from the closing date to the first of the month) is usually paid at closing. People will take possession when it suits them best.

Interest-Only Mortgage

A mortgage on which only the monthly interest cost is paid each month. The full principal remains outstanding.

Interim Financing

Short-term financing to help a buyer bridge the gap between the closing date on the purchase of a new home and the closing date on the sale of the current home.

Mortgage

A mortgage is a loan that uses a piece of real estate as a security. Once that loan is paid-off, the lender discharges the mortgage and the real estate becomes 100% property of the mortgagor.

Mortgage Insurance

If your down payment is less than 20% of the purchase price of the property, the lender is going to require mortgage insurance. The fee is calculated as a percentage of your mortgage.

Mortgagee

The financial institution or person (lender) who is lending the money using a mortgage.

Mortgagor

The person who borrows the money using a mortgage.

Net Worth

The difference between what you own (assets) and what you owe (liabilities) is called your net worth.

Offer to Purchase

A legally binding agreement between you and the person who owns the house you want to buy. It includes the price you are offering, what you expect to be included with the house, and the financial conditions of sale (your financing arrangements, the closing date, etc.).

Open Mortgage

A mortgage that can be repaid at any time during the term without any penalty. For this convenience, the interest rate is between 0.75-1.00% higher than a closed mortgage. A good option if you are planning to sell your property or pay-off the mortgage entirely.

P.I.T.

Principal, interest, and property tax due on a mortgage. The borrower can choose to pay taxes via a monthly Tax Installment Plan to the municipality or add them to the mortgage or pay annually to the municipality. Some lenders don't offer taxes included with the mortgage payment.

Portable Mortgage

An existing mortgage that can be transferred to a new property. You would want to port your mortgage in order to avoid any penalties, or if the interest rate is much lower than the current rates.

Prepayment Penalty

A fee charged to a borrower by the lender when the borrower prepays all or part of a mortgage over and above the amount agreed upon. Although there is no law as to how a lender can charge you the penalty, a usual charge is the greater of the Interest Rate Differential (IRD) or 3 months interest.

Prime

The lowest rate a financial institution charges its best customers.

Principal

The original amount of a loan, before interest.

Property Taxes

Mortgage customers are offered the choice to either pay their own property taxes directly to the municipality or have the lender collect taxes as part of their regular payment and remit it to the municipality on their behalf.

Purchase and Sales

The legal contract a purchaser and a seller enter into. It is recommended that you have your offer prepared by a professional realtor that has the knowledge and experience to protect you with the most suitable clauses and conditions.

Rate Commitment

The number of days the lender will guarantee the mortgage rate on a mortgage approval. This can vary from lender to lender anywhere from 30 to 180 days.

Refinance

The borrower is interested in obtaining a new mortgage on an existing property. You might be looking for more money, a better rate or different repayment terms.

Registration Fees

Fees paid to the provincial government for recording a title transfer and mortgage registration.

Renewal

When the mortgage term has concluded, your mortgage is up for renewal. It is open at this time for prepayment in part or in full, then renews with same lender or transfer to another lender. There can be costs to transfer in or out.

Sales Taxes

Taxes applied to the purchase cost of a property. Some properties are exempt from sales tax (GST and/or PST), and some are not. For instance, residential resale properties are usually GST exempt, while new properties require GST. Always ask before signing an offer.

Seasonal Holdback

Specific amount of funds not advanced (held back) as inspection indicates particular portion of construction has not been completed. This is restricted to exterior work on the property that can't be completed due to weather conditions. It must be minor in nature and not prevent occupancy.

Second Mortgage

A debt registered against a property that can be secured by the same lender on the property.

Security

In the case of mortgages, real estate offered as collateral for the loan.

Service charges

The extra costs incurred when hooking up power, gas, phone, etc. to a new address.

Sweat Equity

If part of the equity is being derived from the customer providing part or all of the "sweat labour" construction and project management expertise, the underwriter must be satisfied that the customer has the necessary skills and time to do the work. An allowance for sweat and project management equity must not exceed half the required minimum equity amount.

Survey

The legal written and/or mapped description of the location and dimensions of your property. The survey should also show the dimensions and placement on the lot of any structure, including additions such as a pool, shed or fence. An updated survey is often required by a lender as part of the mortgage transaction. Also known as a Real Property Report.

Term

The period of time the financing agreement covers. The terms available are: 6 months, 1, 2, 3, 4, 5 year terms, and the interest rates will be fixed for whatever term one chooses.

Title

A freehold title gives the holder full and exclusive ownership of land and buildings for an indefinite period of time. In condominium ownership, land and common elements of buildings are owned collectively by all unit owners, while the residential units belong exclusively to the individual owners. A leasehold title gives the holder a right to use and occupy land and buildings for a defined period of time.

Title Transfer

When one or more clients on the mortgage are being added, deleted, or being replaced with a new person, or if the mortgagor's status is being changed to or from co-borrower, or to or from guarantor. This may happen in situations of marriage, divorce, or for tax purposes.

Transfer Mortgage

The process of moving the mortgage debt to a new financial institution. A mortgage may be moved to or from one mortgage company or financial institution to another.

Total Debt Service (TDS) Ratio

It is the other mathematical calculation used by lenders to determine a borrower's capacity to repay a mortgage. It takes into account the mortgage payments, property taxes, approximate heating costs, and 50% of any maintenance fees, and any other monthly obligations (i.e. personal loans, car payments, lines of credit, credit card debts, other mortgages, etc.), and this sum is then divided by the gross income of the applicants. Ratios up to 40% are acceptable.

Undertaking

A promise by a lawyer to ensure that certain conditions, usually of the lender, are met. A good example of this is releasing funds before a new mortgage document is officially registered.

Underwriting

The process of deciding whether or not to lend you money based on all the information you have provided to the lender. Every lender has a different underwriting process and lending criteria which may differ from other lenders.

Variable Rate Mortgage

A mortgage for which the interest rate fluctuates based on changes in the prime interest rate.

Vendor Take Back (VTB) Mortgage

A mortgage provided by the vendor (seller) to the buyer.

Verification of Income

The lender will sometimes contact a borrower's employer in order to verify information provided in a mortgage application or a job letter; your income structure, length of employment and position.

Zoning Bylaws

Municipal or regional laws that specify or restrict land use.



1.877.378.8728 | servus.ca

Feel good about your money.™

Personal | Mortgages | Investments | Loans | Insurance | Business