



**STEP-BY-STEP**  
**HOME BUYING**  
**GUIDE**



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# YOUR HOMEBUYING JOURNEY STARTS HERE

For most of us, buying a home is the most important and significant investment we'll ever make. Our homebuyers' guide will walk you through every step of the process—from finding out what you can afford and budgeting for your future home, to stepping through the front door for the very first time. And remember, if you're ever unsure about a word or phrase being used, we've included a handy Homebuyers' Dictionary at the end of the guide for reference.

**Let's get started!**



# READY TO BE A HOMEOWNER?

Home ownership is a big step that shouldn't be taken lightly. Before you dive in, you should ask yourself: Is home ownership right for me? Am I in the right financial position? Do I understand all the responsibilities? We'll help you answer those questions and many more as we embark on the first step of owning a home: doing your 'homework.'

## IS HOME OWNERSHIP RIGHT FOR YOU?

Home ownership is a big decision and comes with a lot of responsibilities. It's not for everyone. Before you even start looking, it's important to ensure you're in the right position financially and consider the pros and cons of purchasing a home.

### HOMEBUYERS' TIMELINE

This timeline is the first thing you should consider before buying a home. Take a look and keep it in the back of your mind as you go through this guide.



### DO YOU HAVE YOUR FINANCES IN ORDER?

Arguably the most important part of the home buying process is your finances. Have you started saving for the down payment? Do you have your debt under control? Have you made any large purchases like a car in the last 3-6 months? These are the types of questions you need to ask yourself before continuing in the home buying process.

Ideally, leading up to purchasing your home, you should ensure that you have minimal debt, a little nest egg for a down payment and you haven't made any large purchases in the last 3-6 months.

If you're experiencing any concerns about your finances, we encourage you to speak to your Northern Advisor about how to get back on track, either by visiting your local branch or by calling our True North Hub at 1-866-413-7071.



## **ARE YOU READY FOR THE RESPONSIBILITY?**

There's a lot to digest for first-time homebuyers. That's why we've created this handy one-stop guide to answer all your questions, all in one place. But before we get too far down the road, let's make sure that home ownership is the right call for you.

Here are some things to consider before taking the leap:

- 1 Are you planning on moving within the next five years?**
- 2 Is your income and employment stable?**
- 3 Are you ready and able to make consistent mortgage payments every month?**
- 4 Are you prepared for the extra costs involved?**
- 5 Do you have any other upcoming big-ticket expenses, like travel, post-secondary education or a wedding?**

# READY TO BE A HOMEOWNER?

## HOME OWNERSHIP VS RENTING

There are plenty of benefits that come with home ownership, but it also takes a substantial upfront investment. Some people love owning their home because it gives them the ability to customize their castle as much as they'd like. Others prefer the freedom and flexibility of renting. Before you decide, it's important to look at some of the pros and cons of both:

### PROS AND CONS OF BUYING

#### PROS

- As you pay off your mortgage, you are building equity in your home
- Your home can appreciate in value, earning you money upon resale
- Once you pay off your mortgage, you eliminate the expense of housing
- When you renovate your home, you get the benefits for as long as you live there, and it increases your property value
- Potential rental income

#### CONS

- Substantial upfront down payment
- Extra costs such as home insurance and property taxes in addition to your mortgage payment
- Unexpected repairs
- Maintenance costs

### PROS AND CONS OF RENTING

#### PROS

- Less of a commitment
- Repairs are the landlord's responsibility
- No maintenance costs

#### CONS

- In smaller markets, the cost of renting a home is often higher than a mortgage
- The landlord can choose not to renew your lease annually
- You're paying someone else's mortgage and property tax

## EVERYTHING YOU NEED TO KNOW ABOUT DOWN PAYMENTS

A down payment is the 'up-front' payment a buyer must provide to secure the mortgage. This amount typically ranges from 5% to 20% of the overall cost of the property. But you may choose to put a larger down payment down to lower your future monthly mortgage payments.

That's where our Mortgage Calculator comes in handy. It can:

- 1 Help you figure out what you can afford
- 2 Show you what to expect when it comes to your monthly mortgage payments

Learn more at [NorthernCU.com/Mortgage-Calculator](https://NorthernCU.com/Mortgage-Calculator)

Although you can put a relatively low percentage down (as little as 5%), the higher your down payment, the less you'll have to borrow. As a standard rule of thumb, it's best to try to put down a minimum of 20% for your down payment. If you put down less than 20%, you'll be required to purchase mortgage insurance, which is an additional cost that you'll want to avoid if possible.



# READY TO BE A HOMEOWNER?

## GETTING PRE-QUALIFIED FOR A DOWN PAYMENT

We've made the pre-qualified process easy. You can apply online anytime in minutes. Just visit [Apply.NorthernCU.com](https://Apply.NorthernCU.com) Or you can visit any of our Northern branch locations and speak to a Northern Advisor today.

Before you apply, here's what you'll need:

- 1 An idea of how much you are willing to spend on a house
- 2 T4 plus your 2 most recent pay slips **OR** Notice of Assessment, T1 tax form and statement of business or rental activities

## WHAT IF I DON'T HAVE ENOUGH FOR A DOWN PAYMENT?

If you aren't sure you have enough for a down payment, talk to us. At Northern, we'll work with you to help you achieve your dream of home ownership. We have programs available to allow purchasers to borrow their down payment. It may mean that you have to pay a higher premium or purchase mortgage insurance to get into your home faster than if you had to save for it. But that might be right for your individual circumstances. It's also important to note that we also accept a 'gift of down payment' providing it is from an immediate family member.

## HOW TO QUALIFY IF YOU ARE SELF-EMPLOYED

Did you know that nearly 20% of all income earners in Canada are self-employed? If you're in this group, you're not alone. At Northern, it's all about the people and not just the numbers. Our members are also our neighbours and that's why we specialize in supporting local business owners. We can help you put together the documents needed for your self-employed mortgage application. Have a look at some of the paperwork you'll need to put together, and then reach out to us and make an appointment.

If you own at least 25% of the business, this is what you'll need:

- 1 Two years of T-1 generals
- 2 Statement of business activity
- 3 Notice of Assessment (NOA)

This will help us get a better sense of your business cash flow and how much you can access when you're borrowing money. If these documents are hard to gather we also provide a program that will give you access to funds as long as you can provide a 2-year history of how you've managed your credit and financial responsibility.



Here are some examples of what you might need to show your two-year financial history:

- 1 Financial statements for your business
- 2 Proof that your HST is paid in full
- 3 Contracts showing expected upcoming revenue
- 4 Personal and business credit scores
- 5 Proof that you are the principal owner of your business
- 6 Articles of Incorporation

## POTENTIAL EXTRA COSTS TO KEEP IN MIND

There are a number of 'closing costs' involved with the purchase of your new home that you should be aware of and budget for in advance. It's a common rule that you should reserve 3% of the purchase price of your home to cover these administrative expenses, which can potentially include:

### MORTGAGE INSURANCE

This type of insurance is only mandatory if your down payment is less than 20% of the purchase price. Essentially, it protects you and Northern in the event that you can't meet the financial obligations of your mortgage. Your premium is based on 13% of the mortgage amount and the size of your down payment.

### PROPERTY TAXES

Property taxes are calculated using the Current Value Assessment of a property, as determined by the Municipal Property Assessment Corporation (MPAC) and multiplying it by the combined municipal and education tax rates for the applicable class of property. These taxes are used to upkeep or upgrade municipal services and infrastructure.



# READY TO BE A HOMEOWNER?

## LAND TRANSFER TAXES

Land transfer tax (LTT) is a percentage of the purchase price of your home. These are fairly regulated. The tax categories can be found below:

- 1 0.5% of the value of the property up to and including \$55,000
- 2 1% of the value which exceeds \$55,000 up to and including \$250,000
- 3 1.5% of the value which exceeds \$250,000 up to and including \$400,000
- 4 2% of the value between \$400,000 and \$2,000,000
- 5 2.5% for amounts exceeding \$2,000,000, where the land contains one or two single-family residences

## APPRAISAL FEES

An appraisal fee is a payment made to a professional to evaluate the actual worth of your home. The cost is often between \$300 and \$500 but the specific amount will depend on the property being assessed. You won't be able to secure a mortgage if you do not have an acceptable appraisal. Lenders need a professional verification that the property you're buying is worth the amount that they're lending you.

Appraisers should assess things like:

- 1 The square footage of your home
- 2 The physical condition of the home
- 3 The age of the dwelling
- 4 Required maintenance and repairs
- 5 Recent renovations
- 6 Condition of plumbing and electricity
- 7 And, any health or safety issues



After visiting properties, an appraiser creates a detailed report, including the appraised market value and comparable properties. You're entitled to receive a copy of that report, and it's a good idea to read through the report and save a copy.

## TITLE INSURANCE

Title insurance is a form of indemnity insurance that protects the holder from financial loss sustained from defects in a title to a property. Title insurance is to protect against losses related to property title or ownership such as mortgage fraud, which is a very common occurrence. There are two types of title insurance:

### Homeowner Policies

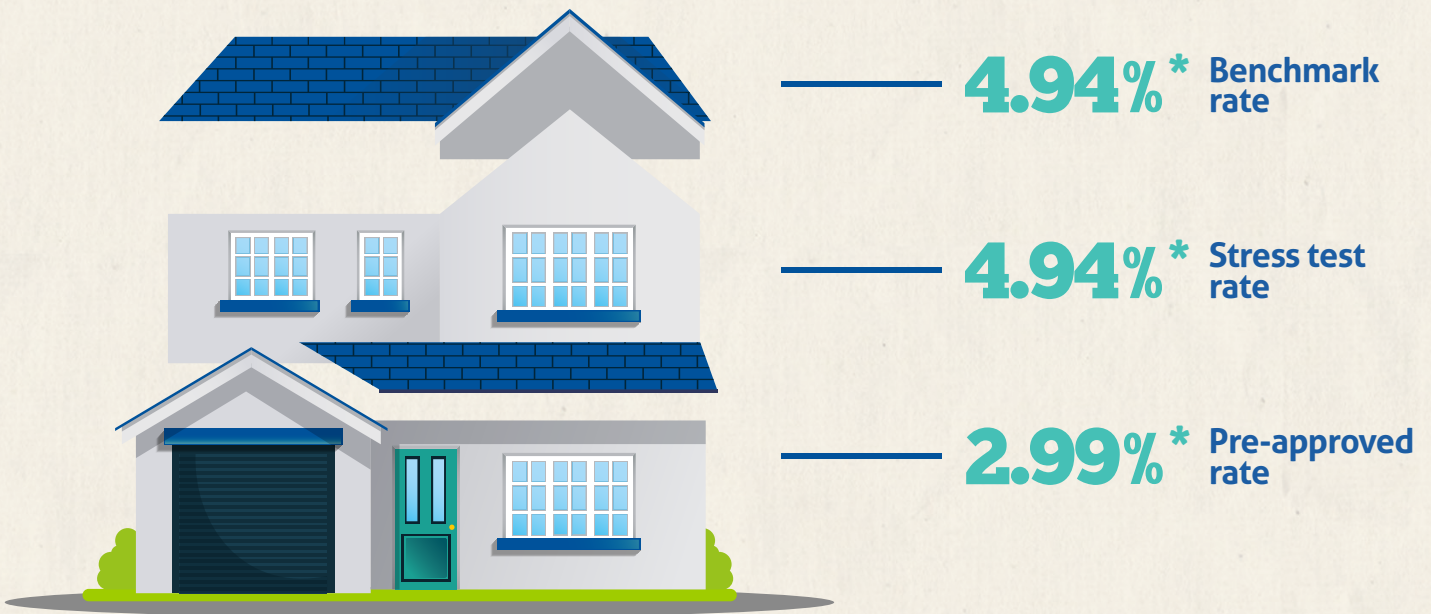
- 1 Cover the homeowner
- 2 Last as long as you own the property
- 3 Prices are based on the property value

### Lender Policies

- 1 Protect the lender's interest in your mortgage
- 2 Last as long as you own the property
- 3 Prices are based on the property value

## WHAT IS A "STRESS TEST"?

A mortgage stress test is designed to ensure that you will be able to keep up your mortgage payments if interest rates should rise. In 2017, the federal government made it mandatory for anyone applying for or renewing a home loan. But don't worry – you don't need to study for it. It's less of a test and more of a set of rules that lending institutions must follow. Here is an example:



**In this case, the borrower would have to qualify for a mortgage of 4.94%\*, even though they'd be paying the contracted 2.99%\***

\*Bank of Canada determines the rate of the benchmark and stress test. These numbers are for example purposes only.

# UNDERSTANDING MORTGAGES

Have you ever asked yourself any of the following questions: What exactly is a mortgage? What does amortization mean? What is the difference between open and closed mortgages? How much is needed for a down payment? This section will help answer all of those questions and many more.

## WHAT IS A MORTGAGE?

A mortgage is a loan that helps you buy and take possession of a home or property before you can afford to do so on your own. Mortgages come in many forms, but they all typically include a down payment and monthly payments. The mortgage loan is usually repaid in regular monthly payments, which goes towards both the principal amount borrowed and the interest on the loan.

## INTEREST RATES

The interest rate is the cost of borrowing expressed as a percentage of a loan balance. The interest is paid monthly, along with your principal payment, until your mortgage is paid off.

## AMORTIZATION

The amortization is the total amount of time required to completely pay off mortgage debt, if all payments are made on time and the terms of the mortgage stay the same. Typical amortization periods are 25 years but they can be less if you choose.

## MORTGAGE TERMS

This is the length of time you commit to an interest rate with a specific lender. For example, you might commit to a 5-year mortgage at a specific interest rate. In that case, your term would be the next 5 years of your amortization period and a new rate would be negotiated.

## OPEN VS CLOSED

Open mortgages allow you to pay your loan off in full at any time, while closed only permit limited lump-sum payments and will charge you a penalty if you repay your closed mortgage in full before the end of its term.

## FIXED VS VARIABLE

A fixed-rate mortgage stays the same for the entirety of the loan's term, this helps you budget and know exactly the amount you need to budget every month for the entirety of your payment plan. Consumers who value consistency will appreciate a fixed-rate.

Variable rates usually follow prime rate which may cause fluctuation in payments as if prime rates rise or fall this will have direct impact on the mortgage payment and interest that is paid on mortgage.

Variable-rate loan adjusts over time to respond to different market trends. Although these loans historically have lower interest rates, they do have a greater risk of fluctuation. If you can afford to take a risk of interest rates going up, then this may be the better option.



## **HOW MUCH SHOULD YOU PUT TOWARDS YOUR DOWN PAYMENT?**

Technically, you can put down as little as 5% but the more you put down, the less you'll have to pay in monthly payments. It's also important to note that 100% of your down payment goes towards your principal rather than interest. So, in general, the more you can afford to pay up front, the better. As a rule of thumb, we recommend down payments of 20% or more because anything less and you'll be required to purchase mortgage default insurance. But every case is different, and we can work with you to figure out the best solution for your circumstances.

## **FIRST-TIME HOMEBUYER PLANS: USING RRSPS TOWARD YOUR MORTGAGE**

A great way to source funding for your mortgage is through the Canadian Government's Home Buyers' Plan (HBP), which lets first-time property buyers access up to \$35,000 tax-free from their Registered Retirement Savings Plan (RRSP). If you're purchasing a home with another first-time buyer, they can also access funds from their RRSP. You need to remember that this money is a loan and must be repaid within 15 years.

Home Buyers' Plan Criteria:

- 1 RRSP funds must be in your account 90 days prior to withdrawal**
- 2 You cannot have owned a home in the last 4 years**
- 3 If you're buying with a spouse you can't have lived in their home in the last 4 years**
- 4 You have entered into a written agreement to buy or build a home**
- 5 You must intend to make the home your primary residence within 1 year of purchase**
- 6 If you have used the HBP previously, you cannot have any previous balances**
- 7 You must withdrawal from your RRSP within 30 days of taking the title of your home**
- 8 You must be a Canadian citizen**

# HOUSE HUNTING

Before you're truly ready to start looking for properties you need to be sure you have the right team in place. As the buyer, you only have so much control over the challenges that arise when purchasing a home, so you'll need a little professional help along the way.

## YOUR HOME BUYING TEAM

Buying a home is a team effort. Here are some of the key tasks that you, your real estate agent and Northern Credit Union should be doing:

### BUYER

- Research homes and neighbourhoods
- Determine your budget/costs
- Save for down payments and closing costs

### REAL ESTATE AGENT

- Walk you through the process so there are no surprises
- Support you in finding a home in your price range and desired neighbourhood
- Negotiate your offer to buy the property

### NORTHERN CREDIT UNION

- Give you written pre-approval with a maximum home price
- Lock in an interest rate for 120 days
- Discuss mortgage options that best suit your needs

## WHAT ARE YOU LOOKING FOR IN THE IDEAL HOME?

Homes make us happy because they're a reflection of our personalities. And everyone is different. What you're looking for in a home, may not be the same as someone else. Maybe it's important to you that your home is outfitted with the latest tech or has a big backyard and a beautiful garden. It's important to think about what will make your home special to you. Consider your lifestyle, the property's location, its price and architectural style. You'll also want to ask yourself:

- 1 What's within walking distance?
- 2 Are elementary or high schools close?
- 3 How long will it take you to get to work?
- 4 How many rooms am I going to need?
- 5 How big is the green space?
- 6 Is there a garage?
- 7 Is it close to family or friends?

## SHOULD YOU BUY A FIXER-UPPER?

Do you ever watch those home improvement shows and think, "I could do that!"? Well then, this sections for you. Below we lay out the pros and cons to buying a fixer-upper that you might not see on those impressive shows.

### PROS

- The price is lower than other houses in the area
- You can secure specific home loans for fixer-uppers
- You decide which improvements are prioritized
- You can renovate the home to your tastes
- You can gain access to a better neighbourhood
- Less competition for fixer-uppers
- You can decide how much of the project you do yourself

### CONS

- Renovation costs drive up what you spend on your home
- Budgeting for a fixer-upper is hard to do with unexpected tools, parts or repairs
- You are buying a long-term project

## PURCHASE PLUS IMPROVEMENTS MORTGAGES

Northern offers a mortgage program through Sagen called the Purchase Plus Improvements program. Ideal for members looking to purchase a home that has great potential but needs a little TLC. The Purchase Plus Improvements program allows you to make improvements immediately after taking possession of your new home and have the costs rolled into one easy-to-manage mortgage with only 5% down.

## RESALE VALUE

Remember, resale value is dependent on the neighbourhood and amenities in the area just as much as the home itself.



# HOUSE HUNTING

## WHAT CAN YOU AFFORD? (GET PRE-APPROVED)

In order to determine how much you can afford, you need to consider a few things: your regular income, reoccurring bill payments (car or student loan) and how much you've been able to save for your down payment. A recommended rule of thumb is the 28/36% rule. This rule says you should only be spending 28% of your monthly income on costs relating to your house, and 36% on debts such as your mortgage, credit cards, and car and student loans

## WHAT IS "HOUSE POOR"?

People become house poor when they haven't budgeted correctly and end up spending most of their income on the costs associated with owning a home. You see this when you don't factor every aspect of home ownership such as upkeep, property taxes and utilities. For a refresh on the potential costs to keep in mind, see page 9 "Ready to Be A Homeowner?".

## FINDING THE RIGHT REAL ESTATE AGENT

Picking the right partner for buying your home is so important. Look for an experienced real estate agent that you feel comfortable with. You want to find someone with passion, honesty and a strong understanding of the local housing market. Someone you can trust, who will keep clear and open lines of communication with you and has your best interests at heart.





## **BUYER'S REPRESENTATION AGREEMENT (B.R.A.)**

The BRA is an agreement you sign with your realtor giving them exclusive rights to represent you. In turn, your realtor is legally bound to provide their best opinion, maintain confidentiality and follow your direction. Although you can still receive services from an agent without the BRA, they will not have a legal duty to act in your best interest. Here are helpful questions to ask real estate agents:

- 1 What are your credentials and statistics regarding your sales records?**
- 2 How often will you be in touch?**
- 3 Can you recommend great contractors?**
- 4 Does your agent have a solid network of real estate lawyers, mortgage brokers, home inspectors, carpenters, or painters they can recommend if you need them?**
- 5 Are my expectations realistic? It doesn't make sense to make offers on properties outside of your budget, your agent should be able to give you a picture of what you can expect in regard to a property based on market factors, your budget, approved loans and location.**
- 6 What do you think about the current market? Your agent should be able to give you a quick overview of current events and trends. This knowledge should make you more informed and give you better expectations of what you can reasonably afford.**
- 7 Will you represent me exclusively? In Ontario, it's legal for a real estate agent to represent both the buyer and seller within the same negotiation. This could affect your bottom line. Real estate agents must inform both parties and receive written consent to do so.**

## **HOW DO COMMISSIONS WORK?**

It's customary for the seller to cover the costs of the real estate agent's commission. The commission can range from 2-10% with the average at 6%. The commission is paid out by the lawyers according to the contracts signed by the real estate agents and the seller.

# BUYING YOUR HOME

You found the house you wish to call home. Congratulations! The next step will be for your real estate agent to make an offer on your behalf to the seller. This offer will include the price, conditions, deposit and closing date. Either the seller accepts, rejects or counters.

## MAKING OFFERS

Your agent will help you find the best home for the best price by making a professionally written offer within your financial means. Make sure you have a plan in place as well as a pre-approved mortgage, sometimes you have to act fast to submit an offer. These steps will also help you be ready to negotiate your terms.

### YOU

- Inform the Agent and Northern what your terms are (what's most important to you and how much you can afford.)
- Understand the finances
- Be ready to make an offer

### REAL ESTATE AGENT

- Research properties that align with your terms
- Advise you on properties in your market that fit your plan
- Negotiate a deal for you

### NORTHERN CREDIT UNION

- Confirm that you can get the financing you require



## CONTINGENCIES (CONDITIONS)

Contingencies refer to the conditions within the 'agreement of sale'. This agreement is a step in the process of buying your home. There are conditions that both you and the seller may want to include within this contract. Here are some of the most common contingencies you'll see.

### FINANCIAL

A financial contingency gives you the time you may need to secure a personal loan, mortgage, and potentially gather the paperwork you need to purchase your home. Even with application and pre-approval of a loan financial institutions still have the right to deny your loan request based on a deep-dive look of your finances. Being approved for a mortgage may take time and having a financial contingency can give you the buffer room you need between finding your dream home and being able to afford it.

One thing to keep in mind as well is that not only do your finances need to be approved but the property needs to be approved. In some cases we have background knowledge of the property and may not approve due to known issues.

### INSPECTION

Inspections are a benefit to both parties, letting you get a full picture of the condition your new property is in. Once the seller and buyer have the report you can re-negotiate based on repairs that may be needed.

### TITLE

The title gives information on whoever has owned the home in the past, including if there are any legal issues that the property may be wrapped up in such as liens or judgements. Your lawyer usually will review the title and fix any previous issues before it can be transferred to you. If, for some reason, there are issues that can't be rectified this contingency lets you leave the deal rather than potentially fight old owners, or pay someone else's debt.

### HOME SALE

If you already own a property, this contingency allows you an agreed-upon amount of time to find a buyer for your current home. If you can't find a buyer, you're free to walk away from the sale and be given back your deposit.



# BUYING YOUR HOME

## OFFER OF PURCHASE

You have to meet your conditions within the agreed-upon timeline to finalize the conditions and become a homeowner. You'll need to contact a real estate lawyer as soon as you're prepared to sign an Offer of Purchase. You'll also need to set up a home inspection to assess the condition of the property and reveal any potential issues with the home that weren't originally reported.

### YOU

- Submit your deposit in a timely manner
- Submit a mortgage application to Northern
- View the home with an inspector

### REAL ESTATE AGENT

- Can help you arrange a home inspection
- Review the inspection results with you
- Help negotiate on your behalf if anything is found in the inspection

### NORTHERN CREDIT UNION

- Will review your mortgage application
- Review your options with you, and give you insight into your best option
- Lock in your choice



## CLOSING THE DEAL

The day you purchase your home is very exciting and there's a lot happening in a short period of time. Here are some of the things that you'll be taking care of as you close the deal.

### CLOSING COSTS

Total closing costs range from 1.5 to 4% of the overall price of your home. Most are legal, disbursement, administration fees and land transfer tax you will need to pay to complete the purchase of your home. It is important to note that you must show your lender that has these available funds before the closing date. In addition to closing costs, be aware that you may also need to open accounts for gas, electricity, cable, internet and so on.

### LAND SURVEY FEE OR CERTIFICATE OF LOCATION COSTS

If the seller cannot provide either of these documents, you may be required to purchase one to finalize the mortgage loan. The survey will show:

- 1 The size and shape of the property
- 2 The underlying legal lot pattern
- 3 Location of rights of ways and easements
- 4 Designation of pertinent ownership document

How much does it usually cost? The cost of the survey depends on many factors. It's best to ask your real estate agent to recommend a local licensed survey or so you can get an estimate.

### HOME APPRAISAL

A home appraisal will give you a definite evaluation of your properties' market value. It is done by an authorized appraiser. The appraiser will determine the value of the home to ensure that the price reflects the home's condition, location, age and features such as the number of bathrooms. This usually costs between \$300 - \$500 plus tax.

### DEPOSIT

A deposit that counts toward your down payment is needed when you make your offer to purchase (mentioned above). The deposit shows the seller you are legitimately interested in purchasing.

# PROTECTING YOUR INVESTMENT

Living within your means is the cornerstone of your financial health. Put simply, it means you spend less than your net monthly income. As straightforward as this sounds, achieving a balance of spending and earning can be challenging. Especially when money is tight, credit is easily accessible and expenses are adding up.

## MAKE MORTGAGE PAYMENTS ON TIME

It's important to make your mortgage payments on time. If you don't, it will negatively affect your credit score in the short term. And in the longer term, it could lead to a 'default' on your mortgage. Here are a few ways to stay on top of your payments.

### PRE-AUTHORIZED PAYMENTS

Set up a pre-authorized withdrawal from your account. Meet with you Northern Advisor and set a day of the month that's best for your payment to be taken out of your bank account. Each month on that day, your mortgage will automatically be paid.

### ONLINE BANKING

You can make payments directly to your mortgage through online banking.

### LINE OF CREDIT

Sometimes, in the case of emergencies, illness or job loss for example, you may have to pay your mortgage with a small \$5,000 line of credit that will support you through a challenging time. However we recommend having an emergency fund to help in challenging times.



## CREATE AN EMERGENCY FUND

An emergency fund is money set aside only for unforeseen emergencies such as a medical expense, or perhaps a vehicle repair. Having this fund is a great way to become more financially secure and can create a sense of calm, even when there isn't an issue that requires more financial attention.

Here are the best ways to get started:

- 1 Calculate your monthly income and expenses
- 2 Set a monthly goal (Example: 1.5% of your monthly income)
- 3 Set aside funds in an accessible and separate place than your main bank account
- 4 Emergencies aren't a once in a lifetime occurrence so always be saving

## LIVE WITHIN YOUR BUDGET

Trips to the café, dining out, in-app purchases and more. All these small expenses add up and contribute to overspending habits. To fix this, know exactly how much you make. In order to live within your means, you first have to know what your net monthly income is. Once you know that:

### SPEND LESS BY CREATING A PRECISE BUDGET

Use backwards budgeting by subtracting your monthly living expenses from your net income to get a clear picture of where your money is spent. Then, you can focus on reducing spending in different areas to work within your income.

### RESIST OUTSIDE PRESSURES TO SPEND

Everyone's financial circumstances are different. Don't give in to the pressure of having the same things as other people if you can't afford them. Trying to 'keep up with the Joneses' by tapping into credit may work in the short term, but in the end, you'll end up paying more.

### SAVE STRATEGICALLY FOR YOUR 'WANTS'

Instead of using credit cards for purchases, you can't afford to buy at a given time, put aside some money every month until you can afford to purchase it outright. If what you want is out of reach, it's always better to do without as opposed to overextending your credit.

# PROTECTING YOUR INVESTMENT

## FINANCIAL PLANNING AND OWNING A HOME

Fill out your costs below and include them in your household budget.

### ONE-TIME EXPENSES

BEFORE MOVING IN	AMOUNT	MOVING IN	AMOUNT
Down payment	\$	Basic furniture	\$
Legal fees	\$	Cable/Satellite/Internet	\$
Real estate fees	\$	Security system	\$
Closing costs	\$	Appraisal fees	\$
Land transfer taxes	\$	Default insurance	\$
Home inspection	\$	Other	\$
<b>TOTAL ONE-TIME EXPENSES</b>		\$	

### OCCASIONAL EXPENSES

EXPENSES	AMOUNT	EXPENSES	AMOUNT
Landscaping, lawn and snow removal	\$	Charity	\$
Additional furniture and appliance	\$	Vacation	\$
<b>TOTAL OCCASIONAL EXPENSES</b>		\$	



## ONGOING EXPENSES

EXPENSES	AMOUNT	EXPENSES	AMOUNT
Mortgage payments	\$	Groceries	\$
Life insurance	\$	Vehicle expenses: insurance	\$
Home/Property insurance	\$	Vehicle expenses: gas	\$
Property tax	\$	Vehicle expenses: repairs	\$
Heat	\$	Cleaning supplies	\$
Electrical/Gas	\$	Child care	\$
Water	\$	Heath and gym	\$
Home phone	\$	Entertainment	\$
Cell phone	\$	Other misc. expenses.	\$
Internet	\$	Repair and maintenance (roof, painting, driveway, plumbing, etc.)	\$
Cable	\$		

**TOTAL ONGOING EXPENSES**

**\$**

**TIP**

As a general rule, budget 1-3% of the value of your home, divide by 12 months and set aside that amount for your ongoing monthly expenses.

# PROTECTING YOUR INVESTMENT

## INVEST IN YOUR HOME

Finding time and money for home improvements is a great way to increase your resale value of your home. Additionally, it's a great way to tell your neighbours that you take pride in both your home and community. Some investments are fun and you'll be able to see the return on investment right in front of your eyes, while others are less noticeable. These less noticeable investments, like fixing your roof or eaves troughs, may not look flashy but they could protect your investment and save you money in the long run.

### FURNACE/HVAC REPLACEMENT

Not only can this add comfort with more controlled heating and cooling in your home, but in the long run (est. 5 years) can save you money because your home thermostat equipment will be operating with smarter technology which equals energy savings.

### MAKE YOUR HOME ENERGY EFFICIENT

It's estimated that 30% of the heat you're producing in cold Northern Ontario winters is leaving our homes. Making sure your home is well insulated and energy efficient is an easy and inexpensive DIY project that can provide you immediate savings on your utility bills.

### UPDATE PLUMBING

This is a huge one, but appraisers take into consideration old iron pipes quite significantly. Re-piping can actually be done pretty easily these days with PEX (plastic tubing) that runs through walls like extension cords.

### ENGINEERED OR REAL-WOOD FLOORING

What a beautiful way to upgrade a space, but make the investment go with something that isn't cheap, people are getting very educated when it comes to floors and future buyers will be able to identify that you didn't make the investment.

### UPGRADE THE BATHROOM

You don't have to do a top-down reno but updating the fixtures, adding a new colour or simply re-grouting the shower and floor can make a huge difference.

### THE KITCHEN

Upgrading your kitchen is the #1 tip home renovators and real estate agents give when it comes increasing the value of your house. More often than not, it's the first stop that an agent will go to when giving open house tours. There are so many improvements to consider: tile, stone, under-mount sink, backsplash, stainless steel appliances. Take your time and do it right, this is a great visual and financial investment.



## **NORTHERN CAN HELP YOU HANDLE RENOVATION COSTS**

There are plenty of finance options you can use to finance your renovations, each with different perks, but there may be a few options that you haven't considered before.

### **SAVINGS OR CREDIT CARD**

Paying for renos with money you've saved and budgeted for that purpose is your best bet. But if you need quick access to funds in a pinch, a credit card will do. Just make sure you pay off your credit card balance sooner rather than later because of the high interest rate.

### **PERSONAL LOAN**

A personal loan almost always has a lower interest rate than a credit card. You pay personal loans monthly. Once you've paid off your personal loan, you will have to reapply if you'd like a new personal loan.

### **PERSONAL LINE OF CREDIT**

The difference between a personal loan and line of credit is that the line of credit will let you re-borrow the funds without reapplying for funds.

### **HOME EQUITY LOAN**

The difference between a personal line of credits and home equity loans is that the home equity loans come with preferred interest rates because they're secured by your home. These loans are subject to set up and legal fees, and only available if there is equity in the home.

## **HOME INSURANCE**

Homeowner's insurance is mandatory in Ontario, so this is a necessary expense. The average cost is approx. \$1,250 annually or \$104 per month.

### **MORTGAGE REFINANCING**

If you're considering major renovations, then refinancing your mortgage may be right for you. You may be able to get a better interest rate than the above options and your repayment will be over a much larger timeline.

### **FINANCING YOUR RENOVATIONS WHEN YOU PURCHASE YOUR HOME**

If you're considering purchasing a fixer-upper and will have major renovations when you initially purchase your property consider discussing this with your Northern Advisor. You may be able to group those costs into your mortgage. That way, you'll pay a lower interest rate than you would with a credit card or loan. We call this a Purchase PLUS Improvements Mortgage.

# HOMEBUYERS' DICTIONARY

There are plenty of technical terms that you'll come across during your house hunt. Whether you need help understanding the language in your contract, fancy mortgage terminology or a phrase you came across online, our homebuyers' dictionary is here to help. It's meant to be a quick, helpful tool that you can use as a point of reference throughout your journey to home ownership.

**AMORTIZATION:** The period of time required to completely pay off mortgage debt, if all payments are made on time and the terms of the mortgage stay the same.

**APPRAISAL:** An estimate of the current market value of a home.

**APPRAISER:** An unbiased professional who can give a value of a home and is used whenever a mortgage is involved in buying a property.

**APPROVED LENDER:** A lending institution, such as Northern Credit Union, which is authorized by the Government of Canada via the Canada Mortgage and Housing Corporation (CMHC) to make loans under the terms of the National Housing Act.

**ASSUMPTION AGREEMENT:** A mortgage contract that lets the new homeowner assuming the existing mortgage.

**BLENDED PAYMENT:** A mortgage payment that includes both the principal loan amount and interest. The payment remains the same throughout the life of the mortgage, but the percentages of the payment that go towards the principal or interest change over time.

**CLOSED MORTGAGE:** A closed mortgage permits limited lump-sum payments and will charge you a penalty if you repay your closed mortgage in full before the end of its term.

**CLOSING COSTS:** The costs you will have to pay in addition to the purchase price of a home on the day you officially own the home. These costs include legal fees, transfer fees and disbursements. They usually range from 1.5% to 4% of the purchase price.

**CLOSING DATE:** Following the purchase process, the closing day is when you assume ownership and the property is transferred from the seller to you.

**CONDITIONAL OFFER:** An Offer to Purchase a home that includes one or more conditions that must be met before the sale is official (for example, getting a mortgage or home inspection).

**CONVENTIONAL MORTGAGE:** A mortgage loan that is backed by a private lender, such as Northern Credit Union, and whose buyer puts at least 20% down.

**COUNTER OFFER:** Home sellers make counter offers when they're dissatisfied with a buyer's initial bid. The counteroffer could include changes to the sale price, closing date, etc.

**CREDIT REPORT:** A list of present and past credit accounts and loans used to determine your creditworthiness for getting a mortgage.

**CURB APPEAL:** How attractive a home looks from the street. A home with good curb appeal will have attractive landscaping and a well-maintained exterior.

**DEED:** A legal document signed by both the vendor and purchaser to transfer ownership of a home.

**DEFAULT:** Failing to abide by the terms of a mortgage loan agreement. If you default on (fail to make) your mortgage payments, your lender can take legal action to take possession of your home.

**DELINQUENCY:** Failing to make a mortgage payment on time.

**DEPOSIT:** Money you submit during the offer process to secure a property you would like to purchase. The deposit shows the seller you are serious about making a final offer on their home.

**DOWN PAYMENT:** This is the 'up-front' payment a buyer must provide to secure the mortgage. This amount can range from 5% to 20% of the overall cost of the property.

**FORECLOSURE:** A legal process where a lender takes possession of your property if you default on a loan, and sells it to cover the debts you have failed to pay.

**HIGH-RATIO MORTGAGE:** A mortgage loan for higher than 80% of the value of a property. This type of mortgage usually requires mortgage loan insurance.

**HOME INSPECTOR:** A home inspector will examine a home to tell you if anything is broken, unsafe or needs to be replaced. They may also be able to tell you if there have been any major problems in the past.

**INTEREST:** The cost of borrowing money. Interest calculated as a percentage of a loan balance.

**LAND SURVEYOR:** Surveyors locate property lines and underground utilities among other property information. If the seller of the home does not have a Survey or Certificate of Location you will likely need to hire a surveyor before you can get a mortgage. Your real estate agent can help you coordinate the survey with the current owner of the home.

**LAWYER OR NOTARY:** A lawyer will protect your legal interests and review any contracts.

**LUMP-SUM PREPAYMENT:** An extra payment made to reduce the principal balance of your mortgage, with or without a penalty. Lump-sum payments can help you pay off your mortgage sooner and save on interest costs.

**MATURITY DATE:** The date at which all agreed payments on your loan have been made and your loan are completed.

**MLS (MULTIPLE LISTING SERVICE):** A database established to provide information about properties for sale.

# HOMEBUYERS' DICTIONARY

**MORTGAGE:** A loan to help you buy a home or other property. The mortgage loan is usually repaid in regular monthly payments, which generally include both principal and interest.

**MORTGAGE LOAN INSURANCE:** Insurance that protects your lender against default. If your mortgage is for more than 80% of the lending value of the property, your lender will probably require mortgage loan insurance. Also referred to as High Ratio Insurance.

**MORTGAGE PAYMENT:** A regularly scheduled payment that is often blended to include both principal and interest.

**NET WORTH:** Your financial worth, calculated by subtracting your total liabilities (everything you owe) from your total assets (everything you own).

**NEW HOME WARRANTY PROGRAM:** A program which guarantees that any defects in a new home will be repaired, if the builder fails to repair them.

**OFFER TO PURCHASE:** A document that sets out the between the buyer and seller to purchase the home. If the offer is accepted by the seller, it becomes a legally binding agreement.

**OPEN MORTGAGE:** A mortgage that can be prepaid, paid off or renegotiated at any time without an interest penalty. The interest rate on an open mortgage is usually higher than on a closed mortgage.

**OPERATING COSTS:** The monthly expenses that come with owning a home. These include but are not limited to: property taxes, property insurance, utilities, maintenance and repairs.

**PRINCIPAL:** The amount that you borrow for a loan.

**PROPERTY TAXES:** Taxes charged by the municipality where a home is located based on the value of the home.

**REAL ESTATE AGENT:** A real estate agent, also known as a realtor, can help you find a home, make an offer, negotiate the best price and put you in contact with contractors and experts relating to home ownership.

**SURVEYOR CERTIFICATE OF LOCATION:** A document that shows the legal boundaries and measurements of a property, specifies the location of any buildings, and states whether anyone else has the right to cross over your land for a specific purpose.

**TERM:** The length of time that the conditions of a mortgage, such as the interest rate you will pay, are carried out. At the end of the term, you can either pay off the mortgage or arrange for new terms and conditions.





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