

LONDON HOME  
BUILDERS' ASSOCIATION  
**NEW HOME**

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Buyer's Guide

2016 EDITION

**WE BUILD  
WHERE YOU WANT TO LIVE**

A SIMPLE STEP BY STEP GUIDE TO  
FINDING A HOME THAT'S RIGHT FOR  
YOU



**SMART HOME BUYERS START HERE**

ON THE COVER: SIFTON PROPERTIES LIMITED, BUILDER OF THE YEAR 2015

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# NEW HOME

## Buyer's Guide

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VISIT  
[WWW.LHBA.ON.CA/MAP](http://WWW.LHBA.ON.CA/MAP)  
for locations of LHBA Builder  
sites in London and Area

## LONDON HOME BUILDERS' ASSOCIATION

### MISSION STATEMENT

LHBA is committed to provide a forum for its members to share information and experience; promote ethical building and business practices; be the voice of the residential construction industry in London and to work towards the betterment of our community.

Founded in 1952, LHBA and its Provincial and Federal Parents - the Ontario Home Builders' Association and the Canadian Home Builders' Association, is comprised of professionals committed to the highest standards in the industry. Membership is comprised of builders, developers, renovators, suppliers, subcontractors, supporting financial institutions, and other professionals.

Members of LHBA believe and affirm that London and area homes should be well designed, well constructed, and well located in attractive communities with educational, recreational, religious and shopping facilities conveniently accessible. LHBA is proud of its contribution in making London one of Canada's premier cities in which to live and we want all Londoners to share the pride in our community!

### THE ECONOMIC IMPACT OF THE HOUSING INDUSTRY

Did you know that building just one single-family home provides the equivalent of 2.97 full-time jobs for an entire year?

The residential construction industry makes a significant contribution to the well being of the provincial and national economies accounting for billions in annual spending and over 900,000 jobs across the country.

Housing is one of the largest sectors in the economy, a fact often unrecognized because workers are spread over many geographically diverse sites and industries that composite this sector. Many jobs are located away from building projects, from factories large and small producing windows, doors, clay brick, plumbing fixtures, appliances to financial services, designers, engineers, and so many more.

In recent years, the housing industry has remained buoyant even at a time when the economy has been unstable. And remember, all those working to support the housing industry also support additional employment when they spend their incomes to buy consumer goods.

## **THE SMART WAY TO START**

Buying a home, especially for the first time, can be a daunting prospect. After all, it is one of life's major decisions, requiring help from lawyers, financiers and other professionals. You want to get it right. But you also want to enjoy your search for the home of your dreams.

We are the new home builders of the London area, and we're here to help. In this compact booklet, we'll guide you through the steps to finding your new home; choosing the right builder; making wise decisions about upgrades; deciding upon an affordable mortgage; understanding your warranties; receiving any tax rebates you are entitled to; and thoroughly enjoying your new home for many years to come.

The New Home Buyer's Guide covers all the bases; but does so concisely, so you may want to obtain further information on topics of special interest to you and your family. That's why each section includes website addresses or other links relevant to the subject being discussed.

The Internet is a rich source of detailed information that will help you make informed decisions about your purchase. One example is [Libro Credit Union's Mortgage Calculator](#).

Here you can pick any interest rate or time period and determine exactly how much you can afford.

Probably the best source to visit is the LHBA website, [www.lhba.on.ca](http://www.lhba.on.ca) and the [Builders' Map](#).

Over 270 member companies of the London Home Builders' Association hope you will find this New Home Buyer's Guide helpful. Our aim is to assist you to find exactly what you are looking for, whether it's a trendy downtown condo or a traditional suburban detached home.

There has never been more choice in the range of homes being built throughout the London area, and seldom such an extended period during which stable prices coincide with affordable interest rates. It's a great time to buy. So let's get started...

## **BEFORE STARTING YOUR SEARCH**

Before you begin visiting building sites, there are some basic questions to answer. Where do you want to live – downtown, suburbs or countryside? What sort of home do you want to live in – detached, semi-detached, duplex, townhouse or high-rise – freehold or condo? Do you want a new home or a used home? And, perhaps most important of all, how much can you afford?

Your lifestyle and your finances will help determine the answers to these questions. For instance, some people simply have to locate near public transit; others will be looking for proximity to neighbourhood schools, shopping centres, or convenient routes to their jobs.

You can focus your search by answering these basic questions, so let's start by weighing the pros and cons.

### ***Finding the Right Location***

This is perhaps the most basic question of all, and the one you should spend most of your time answering. You may have heard about the 3 “Golden Rules” of real estate:

#### ***LOCATION, LOCATION, LOCATION!***

How far is it to work? From friends and family? Are schools nearby? Is there public transit?

It's generally true that in some areas of the city you get more home for your money. But the savings can be false if you have to buy a second car to commute to work or just to get the kids to their daily activities.

Look at the facilities and resources that are offered in different areas of the city. Are a larger lot and more open space important? Are recreational and sport activities a major part of your lifestyle? Where are the facilities that your family needs located? Is a short drive preferable?

Countryside sites feature a less hectic way of life. In smaller towns and hamlets that surround London, residents often enjoy an active involvement in local community affairs, but will you have to drive to meet all of your other needs?

It's wise when making such basic choices to consider the needs of all family members, those who have to commute and those who stay at home. It's also wise to look well ahead, especially if you're about to start a family or if you have children who will be moving out in coming years.

On entirely new development sites, wherever they are, you may wish to check with local municipal planning officials to determine what is in development to be built on nearby undeveloped property.



***Detached, Semi-Detached, Townhouse or High-rise?***

With the general location established, you can think about the kind of home you'd like to live in. Today, you can find just about any kind of home in any part of London.

A semi-detached house or a townhouse is often, but not always, less expensive than a detached single-family dwelling. If you like the idea of having friends and neighbours close by, this is a desirable choice. You're still king of your castle, it's just that there's another king on the other side of the wall. Today's building techniques and materials provide considerable sound protection in common walls.

If you favour more privacy or want a little more outside breathing space, you'll probably search only for detached houses. If you seek maintenance-free, shut-the-door-and-go-away-for-six-months living, you'll be looking at condominiums where, in most cases, the condo corporation looks after the common elements.

High-rise condominiums often include extensive fitness and social amenities, even guest suites that provide additional benefits. But remember that you not only pay for these features in the purchase price, but you share in their annual upkeep whether you use them or not.

About one in five new homes sold in the London area today are condominiums. Many people think a condo is a high-rise building where people own apartments rather than rent them but a condominium is not a type of housing; it's a type of property ownership.

Although many condominiums are high-rise suites, they are also townhouses, low-rise multi-unit buildings of any shape and style and even completely detached homes.

***Why a New Home can be Better***

If a home comes up for sale in a mature neighbourhood where there's an established sense of community and a history of strong property values, buying a used home can be a good choice. However, there are several reasons why buying a new home is often the wiser choice.

We just don't build homes the way we used to – and that's a good thing! Today's homes are built with state-of-the-art technology using durable and low-maintenance building materials, to save you time, money, and energy costs.

From vinyl or aluminum-clad windows to aluminum soffits to clay brick, a modern home requires far less upkeep than a used home, even a fairly modern one.

Modern home design is light years ahead of older homes. Indeed, light is one of the main design features of today's homes. Windows are bigger and more energy efficient and they're everywhere. They flood the interior with natural light without letting in the cold or letting out the heat.

Today's homes also offer floor plans that are very functional, accommodating your needs, not the lifestyle of some family from bygone generations. Open concept plans give modern homes a light and airy feeling, yet they can be informal or formal, casual or elegant.

Moreover, you can get exactly what you want, because many builders will customize the model you choose, allowing you to create rooms or styles that suit your personal needs. Options and upgrades provide further flexibility. Modern designs are also very clever when it comes to providing storage space, the lack of which can be one of the biggest drawbacks of older homes.

Better insulation, higher efficiency heating systems, better windows and doors, overall tight construction, and improved ventilation are hallmarks of homes built in the last few years. That means lower energy costs and a more comfortable home all year round.

With the purchase of a new home also comes peace of mind. Every new home sold in Ontario is covered by warranties, described in detail later. Safety is also improved, with features such as smoke detectors wired into the home's electrical system or security systems.

Finally, many new homes are built in new communities, where there is consistent design among the homes and careful attention paid to public elements such as landscaping and street lighting. New home communities generally offer parks, schools, shopping, and recreational amenities close at hand.

### ***How Much Can You Afford?***

You can save yourself a lot of time and frustration by determining very early how much you can afford to pay for your new home. You need to examine your income, expenses, investments, savings and debt. In doing so, keep in mind upcoming events (getting married, starting a family, buying a new car) that could affect how much you have for a down payment or how much you can pay monthly.

This means shopping for a home that is within your mortgage budget. Here's how to figure it all out. Use the payment calculator at the back of this booklet to determine your comfort zone based on our household income and expenses. Now you can shop for your new home with confidence!

Applying for a pre-qualified mortgage is the wisest course of action, because you'll know exactly how much you can spend and what your down payment and monthly costs will be. You can often enjoy a guaranteed rate for 60 days under no obligation to proceed.

A helpful discussion on home financing can be found on the [Libro Credit Union website](#) or the [Canada Mortgage and Housing Corporation website](#). Similar information is available from the [Canadian Bankers' Association website](#).

### ***No Surprises***

Just when you think you have your down payment put together, someone mentions all the other, non-mortgage costs of getting into a new home. We suggest you budget about 2% of the purchase price for closing costs. These may include: Legal fees, taxes, and insurance.

With new homes, many builders arrange for "cap-rate mortgages." These are available to prospective purchasers at a mortgage rate that may be guaranteed for a up to a year.

## **THE SEARCH IS ON**

Once you have established a price range, know the type of home you want, and where you want to live, you are ready to begin looking at what's available. You may have model homes or model suites to tour, or you may be making your choice from plans and a scale model.

### ***Do Your Homework***

You'll probably want to do some initial research using your newspaper or the Internet to see exactly what features builders are currently offering, what comes standard and what sort of options are available.

The simplest start for any home search is to study the Saturday Homes section of The London Free Press. The Internet is also a rich source. You could refer to the [London Free Press Homes Section](#) online, or visit the [London Home Builders' Association](#) for links to builder websites and a [Builders Map](#) to link to builders actively building in the part of the city you are looking to live. Most builders have websites that usually provide photographs, floor plans, or perhaps a virtual tour where you can see a room from every angle and more.

Most new home builders in the London area are members of our association but you can double check by looking for the LHBA logo, checking our [member listing](#), or by calling us at 519-686-0343.

Our members are professionals committed to the long-term improvement of the industry. They all agree to a Code of Ethics that requires them to deal honestly and fairly with consumers. You can review our code [here](#).

### ***Make A Checklist***

Make a list of the housing features important to you and your family. You can make this checklist as detailed as you wish, including the features you would like to have in every room (not just how many bathrooms, but which bathrooms have tubs versus showers, etc.).

Do you want a ground-floor bedroom or bathroom? Do you want an eat-in kitchen, a separate dining room, a fireplace, a den or home office, a finished basement? For your house, do you want a large yard, a deck, verandah or patio?

If you use a checklist, you can sit down at the end of a weekend of home hunting and make comparisons according to what's really the most important to you, without getting sidetracked by that exceptional walk-in closet or that to-die-for marble flooring.



**THE NEXT STEP: SALES CENTRE**

Getting out and looking at model homes, model suites or presentation centres is the best way to make comparisons and the only way to see exactly what you will be buying. It is also here that you will meet the sales representative who will assist you with your purchase. In-house representatives are knowledgeable in assisting you from the concept stage of your home to the final product. They are a great source of information, and can answer your questions, as well as provide detailed explanations.

If you do choose to utilize the services of a Realtor you may be required to enter into a Buyer Agency Agreement, which is a legal contract between the Realtor and the buyer stating that for a particular period of time, the Realtor will represent you, and that the buyer will pay the Realtor a specified commission rate on the purchase of any property purchased within that period of time.

Many buyers return several times before making their decision, so do not feel rushed, do not hesitate to ask as many questions as you want (or even to come back with a long list of prepared questions). Sales representatives want to sell you a home, but they want to sell you the right home and they want you to be completely satisfied.

There are a number of things that you can do to get the most from your visit to the sales office and to make your house hunting experience as productive and enjoyable as possible.

***Prepare for Your Visit***

Even at large development sites with one or more model homes, the builder may not have a model of the actual home that appeals to you. At some projects, no models will be available and the sales office may not be located on site.

Buying a home based on floor plans, artist's renderings and other marketing materials is quite common in London. But it does take some preparation.

For instance, it is wise to measure your existing principal rooms so that you can make meaningful comparisons. You should also bear in mind which of your existing rooms is too small or too large, so that you can seek a layout more suited to your needs.

You should also measure your main pieces of furniture, such as your bed, to ensure that they will not only fit into your new bedroom but that you will have room to move around them, place additional furniture, open the closet doors and so on.

Be aware when considering measurements shown on builders' marketing materials, the square footage of a house is normally measured from outside walls, so that the useable space is somewhat less. Room dimensions, on the other hand, are normally measured from inside the finished walls - but it's always wise to clarify these points with the sales representative.

Marketing materials and model suites or entire model homes often display upgrades or include appliances and other decorative elements that are either not standard or are not part of the deal. Always inquire so you will be clear about any difference between what you see at a sales office and what you will actually be buying.

It's also helpful to understand if choices, such as the external brick colour, can be made by you or are predetermined by the builder. Sometimes these elements are fixed to ensure a harmonious overall look to the community. While this is in your interest in maintaining community standards and resale value, you may have to choose a different lot or model to get the precise appearance you seek.

### ***Feedback that Helps***

In most sales offices you will be asked to sign a guest book or registry of some sort that normally contains a number of questions related to your situation, such as the price range and type of house you are interested in.

Many builders do use these lists to send you marketing information - which you can request to be halted at any time - and for this reason some people are hesitant to sign. But the information provided can be helpful to you directly and indirectly.

Knowing what individuals are looking for will allow the builder to point out a suitable model available or under construction at a nearby development site, or to alert you should a suitable home become available in the near future.

The information is also used to "pre-qualify" prospective purchasers so that the sales representative shows only those homes in the appropriate price range, saving everyone's time.

The market information these registries provide is also helpful. For instance, a builder may assume that most buyers are "moving down" from a larger to smaller home now that the children have moved out and thus their floor plans offer fewer bedrooms. But, based on actual visitors to the sales office, they may be surprised to find the neighbourhood appeals to families whose needs are quite different.

### **PERSONALIZING YOUR NEW HOME**

As discussed elsewhere in this booklet, most builders offer a range of upgrades, from materials (countertops, tiles, fancier trim) to features (crown moulding, more substantial doors or windows). This is how many people distinguish their homes, personalize rooms to match their lifestyle, or increase resale value.

Builders sometimes offer bonus packages and other incentives that include upgrades, so be sure to inquire if any offers are available for the house you are considering.

It is often much less expensive, and certainly less disruptive, to install upgrades during original construction than to install them later through a renovation. But be aware of additional costs and the fact that some of your personal preferences may not appeal to subsequent buyers.

The most important point to remember is to clarify with sales representatives what is standard and what is an upgrade in any model or document you are looking at. Don't forget to advise your banker when adding "extras" to the purchase price.

### ***The Site Visit***

Whether there is a model or not, you should ask to be shown the exact lot that you are interested in. This way you can see exactly what is nearby, what the view is, where the sun will fall, where street utilities are located and so on. In the case of a high-rise suite, you may not be able to determine the view from a particular floor, but you will get a sense of the general surroundings.

It's also a good idea to visit a home you are interested in both during the day and the evening and thoroughly research the neighbourhood. Talking to neighbours is always a good idea, especially if the same builder built their home. Most people will accommodate your questions and be frank in telling you their experiences.

Visit previous developments by your builder and talk to owners there. If they are still satisfied after a few years, you probably will be too.

Once you find a home you are seriously considering buying, check the builder's track record with The [Tarion Warranty Corporation](#), which is discussed in detail later. Information on specific builders, including the number of claims in the past 10 years can also be found.

### **MAKING AN OFFER**

When you have found a home that meets your personal and financial criteria, you will be ready to make an offer. Now you need a lawyer – an experienced real estate lawyer and preferably one knowledgeable about the purchase of newly constructed homes and condominiums.

If you don't have a pre-qualified mortgage, you will also need a financial institution on your team.

### ***Agreement of Purchase and Sale***

The document that details every aspect of your purchase is the Agreement of Purchase and Sale.

Everything that is included, such as appliances, must be listed including specifications detailing the construction. This is the document that establishes the closing date, which is when you take possession of your new home.

This is a legal document that you should not sign without the advice of your lawyer.

Make sure anything said by the sales representatives or shown on marketing materials is reflected in this agreement.

If you are purchasing a condominium, you will have a few other issues to be concerned with, including your occupancy closing (when you take possession of your home) and the registration (when the condominium is registered as a corporation and when you receive title). Note also that condo purchasers have a 10-day cooling off period, providing you sufficient time to review all of the documents with your lawyer.

You can make a firm offer (you are bound once the seller accepts) or a conditional offer (valid only if certain conditions are met, such as securing financing, selling your existing home or getting a satisfactory building inspection). If the builder changes the offer by making a counter-offer, you will have a specified amount of time to accept or make your own counter-offer.

### ***Deposits***

Whatever kind of home you purchase, usually a 5 to 15 per cent deposit is required along with the offer.

This is an advance on your down payment to prove that you are serious. Builders require the deposit in order to protect themselves from building a house, which can take several months, and the purchaser not closing.

The Tarion Warranty Corporation guarantees deposits up to \$40,000 plus interest in some circumstances. The Condominium Act further requires that all deposit money be put into a trust fund that the builder can access only after buying an insurance policy.

However, if you are required to make deposits as the building progresses your lending specialist will guide you through the procedure and title will be transferred to your name, with advances paid to the builder as he or she completes construction stages. Your investment is protected and the builder is paid for the work completed. There may be a small holdback of 10% to comply with the construction lien act.

Before you sign the Agreement of Purchase and Sale, even with your lawyer's review and approval, check that the document accurately reflects your understanding. For instance, is the price exactly as negotiated with the sales representative? Is the lot, unit or model correctly identified? Are all the extras you negotiated or purchased specifically included?

Most agreements call for staged payments of the deposit, so ensure that the agreement reflects your understanding of when the various payments are due. It is common for the builder to ask for post-dated cheques for staged deposits.

Finally make sure the closing date is correctly stated and be aware of the irrevocable date, which is how long the offer is valid for.

**Condominiums**

When you purchase a condo you have complete ownership of certain elements (your home and perhaps your parking space and storage space) and shared ownership of other elements (the common elements, such as the parking garage, hallways, the roof, social and recreational amenities, the exterior landscaping and so on).

How elements are defined varies so don't make any assumptions about what is common and what is not.

You should check on restrictions that may be in place. You may not for example, be able to park certain kinds of vehicles in your parking spot or enclose your balcony or porch.

Condos are often considered maintenance-free because you usually don't have to shovel the snow or cut the grass. Lawns and sidewalks normally fall under common ownership and are taken care of by the condominium corporation (although you have to pay your share of the cost). But this isn't always the case. In some condos the common elements are quite limited, which reduces common costs but means you have to take care of more maintenance on your own.

In addition to sharing in monthly costs, you will also need to contribute to a reserve fund that goes toward covering future repairs, replacement costs and possibly insurance for the building.

Additional Resources:

- [The Condominium Act, 1998](#)
- [The Canadian Condominium Institute](#)

**Other Legalities**

If you are buying the property with anyone other than your spouse, you should also have your lawyer prepare a partnership agreement to clarify and protect everyone's interest in the ownership of the home.

Before the deal can be finalized, you will have to provide your lawyer with copies of the offer, proof of fire insurance, funds to cover the balance of your down payment and any fees or adjustments. If you are buying a condominium, it will include a contribution to the reserve fund that covers common elements.

With the purchase of a newly constructed house or condo, you can usually avoid a costly title search by a lawyer and rely instead on title insurance. With new condo units and new lots created in new subdivisions, there is no previous owner or pre-existing title to contain problems so entire buildings or subdivisions can be searched by title insurance companies in bulk at a lower cost.

If you purchase title insurance and there turns out to be a title problem for any reason you're covered by the policy.



Having a lawyer on your team who is an expert in real estate law is important, especially when purchasing a condominium, which is subject to specific regulations under the Condominium Act. You may wish to get a qualified name from a reliable source, such as the Law Society of Upper Canada or the Canadian Condominium Institute.

### ***Features and Upgrades***

One of the great things about buying a new home is that you can pick and choose features and opt for various upgrades. You may even be able to customize a basic plan. And the same model may come with more than one exterior configuration. But this can be costly, so you need to be sure to appreciate the difference between what you need and what you want.

Moreover, many builders require most or all of the cost of upgrades and extras to be paid upfront, although you may be able to include some of these in the purchase price and your mortgage.

*Exterior:* Choosing a premium version of your home's elevation (how it looks from the street) can not only give you satisfaction, but may increase your resale value. Such elements include front porches, bay windows, stone trim, a room over the garage and so on.

*Kitchen:* This is the most popular area for upgrades, and why not – it's becoming the hub of modern homes and often opens up to family rooms, entertainment areas or "great rooms". The kitchen offers many options for upgrades including cabinets and sinks in any number of luxurious finishes. Upgraded or built-in appliances are also popular. Working closely with a kitchen design and cabinetry company can assist with all of these decisions and create a kitchen that is best suited to the home and your lifestyle in it.

*Flooring:* Hardwood flooring is very popular these days, because it looks rich and is easy to maintain. Installing a hardwood floor later by yourself is not something most people could do well or cost-effectively. Ceramic tile for kitchens, hallways and bathrooms is very popular, thanks in part to the many talented craftsmen who work in London.

*Plumbing:* An extra bathroom provides value from the start and will enhance resale value. Upgraded faucets and fixtures can truly add to the profile of a kitchen and bathroom as well as go a long way in defining or enhancing the decor of these rooms.

*Electrical:* Pre-wiring for built-in audio systems, telephones and overhead fixtures can save a lot of money down the road. You can also have your builder install conduit pipes from the basement to strategic areas of your house to accommodate whatever new technology comes along tomorrow.

*Air Conditioning:* For some, it's a luxury, for others, a necessity. If you install a system later, you will void your warranty on the mechanical system. Perhaps it's worth ensuring that the system is roughed in.

**Natural Gas:** You can also ensure that your home is gas ready - prepared to accommodate natural gas fireplaces, pool heaters, barbecues and other appliances. With the gas line in place, future connection will be easier and your resale value will be enhanced.

### ***While you are Waiting***

If you have purchased a home that has not yet been built, find out from the builder's sales representative if you will continue dealing with him/her or someone else when it comes to making colour and other materials selections in the months to come.

You will likely want to visit the building site from time to time to see how things are progressing. However, touring the actual site will need to be coordinated through your builder. Ask what your builder's policy is on site visits. As all builders are required to adhere to Safety Regulations dictated by the provincial government, proper safety gear will be required. Touring a site after hours is dangerous and is prohibited by law. Also, find out whom to contact if you think you spot any problems during construction.

You should also keep an open mind about closing dates. The housing industry is subject to many conditions that can delay construction and play havoc with closing dates, including the weather, shortages of materials or labour, and strikes. Your builder will keep you informed, but may be powerless to control all of the variables that affect the construction schedule.

## **PLANNING YOUR FINANCES**

More than half of all Canadian homeowners have a mortgage. A mortgage is simply a loan to buy a home, secured by the home you are buying.

There are many kinds of mortgages, and choosing the right one for your circumstances can save you thousands, even tens of thousands of dollars over the length of the loan. It is very important that you choose carefully. For this reason, we are going to refer you to a variety of sources of detailed information on mortgages, rather than address them in substance in this booklet.

You should consult a lending specialist as soon as you decide you are serious about buying a home. Without expert guidance, you may wrongly assume that you don't qualify for a mortgage when you do, or that you do when you may not. Get pre-approved and shop with confidence! A good place to start is [Libro Credit Union](#).

[CMHC](#), the Federal Government's national housing agency, offers an eight-step guide to home buying that includes an informative section on mortgages.

***Understanding Mortgages***

First, let's understand the meaning of the key terms you will hear as soon as you wade into the world of mortgages.

A mortgage is a loan, and, like all loans, you pay it off by making payments over a period of time. Your payments include amounts that go toward the principal (the amount you borrowed) and interest (your cost of borrowing the money). The amount of interest you pay depends on the interest rate charged on the loan.

Mortgages are amortized over a long period (the length of time the money is loaned to you), normally for 15, 20 or 25 years. The shorter your amortization, the less interest you pay! But mortgage contracts are for terms (the time during which the interest rate and other conditions are fixed), which is normally from six months to five years.

The mortgage is renewed at the end of each term, meaning conditions of the contract may change, including the interest rate. Even during a term you may have flexibility to make lump sum payments or speed up payments, and this will save you considerable interest in the long run.

Mortgage default insurance is available from CMHC or one of several private insurers. This insurance protects the lender if you default and the premium can be added directly to your mortgage. For a chart of the premium rates and lots of other housing information is available [here](#). Mortgages covering greater than 80% of the value of the purchase are required to carry this insurance.

There are other kinds of insurance available to protect you while your home remains mortgaged, including mortgage life insurance to cover the balance in case you die and mortgage disability insurance to cover your payments should you be unable to work through accident or illness.

There are many other terms related to mortgages, such as fixed rate, variable rate, open mortgages, closed mortgages, equity and so on, that you may run across in your search for a mortgage. Don't hesitate to ask your mortgage coach to define any term that you do not understand. It's a bewildering topic at first, but a little study and some comparison-shopping will help you find a mortgage that suits your needs. Financial experts can make several points that will save you money in the long run:

**Reduce Your Amortization Period** Reducing the amortization period and thereby increasing the amount of each payment that goes toward your mortgage principal will reduce the overall amount of interest you pay and speed debt elimination.

For example: \$100,000 mortgage at 6%

| Amortization | Monthly Payment | Total Payment | Total Interest Paid | Interest Saved |
|--------------|-----------------|---------------|---------------------|----------------|
| 15-year      | \$839.98        | \$151,178     | \$51,178            | \$40,765       |
| 20-year      | \$712.19        | \$170,926     | \$70,926            | \$21,017       |
| 25-year      | \$639.81        | \$191,943     | \$91,943            | N/A            |

### **Accelerated Payments**

Paying your mortgage weekly or bi-weekly adds up to the equivalent of a full extra monthly payment once per year, which is applied directly to reducing the principal amount. This serves to reduce the time it takes to pay down your mortgage and as a result, also reduces the amount of interest you will pay over the long term.

For example: \$100,000 at 6% amortized over 25 years.

| Payment Frequency  | Payments | Mortgage Repaid | Total Interest Charge | Interest Saved |
|--------------------|----------|-----------------|-----------------------|----------------|
| Monthly            | \$639.81 | 25 years        | \$91,943              | N/A            |
| Weekly             | \$147.37 | 25 years        | \$91,425              | \$518          |
| Accelerated Weekly | \$159.90 | 21 years        | \$74,258              | \$17,685       |

### **Double-Up Payment Plan**

The more you pay directly against your mortgage principal at any time, the more money you save. So apply cash windfalls or tax refunds to your mortgage as extra cash becomes available.

### **The Down Payment**

The mortgage covers the amount of the purchase price that remains after you make your down payment. Your deposit, which is an advance payment of part of your down payment, is paid at the time of signing the Agreement of Purchase and Sale while the remainder of the down payment is paid at the time of closing.

The higher the down payment, of course, the less you have to borrow and the less interest you will pay over the years. Saving for your down payment well before you enter the housing market is a wise course of action.

The federal government offers a helping hand with its RRSP Home Buyer's Plan that allows individuals to use up to \$25,000 (\$50,000 for couples) of their registered retirement savings for a down payment on a first home. The amount has to be paid back into the RRSP over 15 years. You could think of this as an interest-free loan from yourself to yourself! There are certain tax advantages to using your registered savings for this purpose, if you qualify. Details of the program can be found on the [Revenue Canada website](#).

***Taxes***

Some builders include the taxes in the cost of the home and some do not – before you sign make sure you understand the tax structure. In Ontario HST applies only to homes costing \$400,000 and higher.

***First-time Home Buyers***

First-time homebuyers in Ontario, with certain restrictions, [may apply](#) for a rebate for part of their land transfer tax. The maximum rebate is \$2,000. First-time homebuyers in Ontario, with certain restrictions, may also claim a Tax Credit.

**YOU'RE CLOSE TO HOME**

The day you complete the sale and take possession of your new home is the most exciting of all. But in the weeks prior to closing there are many things you will need to attend to.

***Before the Closing Day***

In addition to securing your mortgage and providing all the necessary documents to your lawyer, make sure that you satisfy any requirements in the Agreement of Purchase and Sale, such as having a home inspection if you've made that a condition.

- If you currently rent, you'll have to cancel your lease or sublet your premises. You may be subject to prior written notice or other restrictions so this is a matter to attend to early
- Arrange for insurance to take effect on closing and forward the necessary documents to your lawyer. You'll likely want to fully insure the value of the building on a replacement cost basis
- You'll have to set up accounts with various utilities (water, gas, electricity) and have them read the meters on closing. Your lawyer normally takes care of these steps, but you will have to contact the telephone, cable TV and newspapers for service.
- Naturally, you will have to pack and move. Arrange for the mover as early as possible and leave lots of time for packing. You might also check your insurance policy to make sure it covers your valuables while being moved. Many moving companies offer additional coverage
- If there's anything you are going to need right away, such as a crib, have it packed last so it will come out first
- Don't forget to change your address – not just with friends but for all your subscriptions, your driver's license and car ownership, your health insurer, and your credit card companies



### ***The Pre-Delivery Inspection***

When your new house or condominium is substantially complete, your builder will provide you with an opportunity to become familiar with it and to check for any defective, damaged or missing items. Make sure you conduct this inspection prior to moving in.

Not only is this not the time to show off your new home to family or friends, but your builder may have a policy against bringing others along. This is a time to pay close attention to detail. You'll be looking around inside and outside. It's still a construction site, so dress appropriately.

Prior to the inspection you should refresh your memory on any special features, colour selections or changes that you have made, so you can ensure that extras and upgrades have been appropriately installed.

There's a handy checklist on the [Tarion Warranty Program website](#) that we recommend you print out and bring with you for reference.

In general, you will go through every room in the home and around the exterior. You'll want to closely inspect the surfaces of counters, floors, fixtures and walls. If any defects are found later, it will be difficult to determine whether they existed prior to your moving in.

This is also the time to learn about the operation and maintenance of your home's mechanical systems. Understanding how to operate all of the new home's sophisticated systems will not only allow you to fully enjoy them, but will protect your warranties.

***Certificate of Completion and Possession*** Your builder must submit a document to the warranty program that records certain information, including any outstanding items or deficiencies. There's a sticker on this certificate that your builder should remove and place on the electrical panel of your home.

At the end of your inspection, you will be asked to sign the certificate and will be given a copy of the Tarion Homeowner Information Package, which provides a full explanation of the comprehensive warranty provided with your home.

### ***Closing Day***

This is the day they hand you the keys. It's also the day you hand your lawyer the balance of your purchase price and the day the bank turns over the mortgage money. It will be hectic, but try to enjoy this milestone in your life!

It isn't wise to plan to move early in the day as your closing depends on how many other closings are in line at the courthouse. You often pay for time with your movers so save a bit and plan for them to arrive a bit later in the day.

For condo buyers this will be your interim closing. You will have a second reason to celebrate later because on final closing your home will be registered and you will take possession of title.

After unpacking and celebrating, or vice versa, one of your first chores should be to get the names, addresses, account numbers and payment days for your mortgage, taxes, utilities and so on. This is also a good time to note the location or telephone numbers of emergency services and nearby hospitals.

If you have purchased a used house, have the locks changed.

**KNOW YOUR WARRANTY**

Congratulations! You've moved in, you're comfortable with your financial and other decisions, and you are enjoying the benefits of a modern, well-built home. Now you want things to continue going smoothly for many years to come. In Ontario, all new homes and condominium units come with statutory warranty coverage, provided by your builder and guaranteed by [The Tarion Warranty Corporation](#).

The Warranty Program is a private corporation responsible for administering the Ontario New Home Warranties Plan Act, which regulates and licenses all new home builders in Ontario and outlines the warranty protection they must provide, by law, to their customers. Every Home Builder in the province is required to register annually with the Warranty Program and will possess a registration certificate (you may ask to see it if it is not displayed in the sales office). Before construction can begin each individual house must be enrolled in the warranty program.

***What's Covered?***

In addition to the protection that you would expect from defects in workmanship and materials, the Warranty Program also insures deposits and protects against delayed closings without proper notice, and other matters.

Your builder's statutory warranty obligations are described in the Ontario New Home Warranties Plan Act. You can also review the details of your coverage by reading your copy of the Homeowner Information Package (which your builder will provide on or before your Pre-Delivery Inspection), or by visiting the Warranty Program website.

***Dealing With Your Builder***

Before you take possession of your new home or condominium, your builder will take you (or your designate) through a pre-delivery inspection, or PDI. This is your first opportunity to view your new home in its completed state and have any concerns recorded by your builder on a PDI Form.

After moving into your new home, you may notice that one or more of the items that you listed on the PDI Form have yet to be corrected to your satisfaction, or you may find other items that were missed. You can make after-sales service requests to your builder any time after you take possession of your new home, however, there is a specific process you must follow if you wish to report warranty service items to your builder and the Warranty Program. For more information about how to make warranty service requests, please refer to the Homeowner Information package provided by your builder, call the Warranty Program tollfree at 1-800-668-0124 or visit them at [www.tarion.com](http://www.tarion.com).

**CONCLUSION**

Many people tell us that they wish they bought their home all of the things they know after they bought their home!

That's one of the reasons we have provided this New Home Buyer's Guide to you. Using this booklet as an introduction to the often-confusing world of home buying and financing you may benefit from the experience of other and the guidance of experts.

Owning a home is the dream of most Canadians. The members of the London Home Builders' Association hope your dreams come true.

## **WORK SHEETS AND CHECK LISTS**

We want the New Home Buyer's Guide to be as useful as possible. That's why we have designed it so that you can carry it with you during your home search and use it to compare houses, to ensure you haven't forgotten anything, and to help you avoid surprises or unexpected extra costs.

### ***How Much Can I Afford?***

To determine how much you can afford, start by calculating your current household income using the simple guide below.

Gross monthly household income  
(you and spouse/co-applicant if applicable) \$ \_\_\_\_\_

Multiply income on the line above x 0.40 \$ \_\_\_\_\_  
(Your total debt service (TDS)  
should not exceed 40% of your gross  
income)

Deduct:

Monthly loan payments \$ \_\_\_\_\_

Credit card payments \$ \_\_\_\_\_

Sub total \$ \_\_\_\_\_

Deduct estimated monthly:

Property tax \$ \_\_\_\_\_

Utilities (heat, hydro) \$ \_\_\_\_\_

Other expenses \$ \_\_\_\_\_

Remainder: \$ \_\_\_\_\_

The remainder is the monthly mortgage payment that you can comfortably afford. See chart on next page to calculate your maximum mortgage amount.

Another simple guideline for calculating your comfort zone is to base your monthly mortgage payment on one week's pay. To determine a more accurate comfort zone, or to obtain pre-approval, talk to your Libro Credit Union Coach.

### What Will It Cost To Borrow?

The table below will help you calculate your monthly mortgage payment. For example, if your interest rate is 4 per cent amortized for 20 years, your monthly cost per thousand dollars borrowed is approximately \$6.04 (see the first row below). So, a mortgage for \$125,000 would cost  $125 \times 6.04 = \$755$  per month.

### Monthly interest and principal payments for each \$1,000 borrowed

| Interest Rate | 10 Years | 15 Years | 20 Years | 25 Years |
|---------------|----------|----------|----------|----------|
| 4.00%         | \$10.11  | \$7.37   | \$6.04   | \$5.26   |
| 4.25%         | \$10.23  | \$7.50   | \$6.17   | \$5.40   |
| 4.50%         | \$10.34  | \$7.63   | \$6.30   | \$5.53   |
| 4.75%         | \$10.46  | \$7.75   | \$6.44   | \$5.67   |
| 5.00%         | \$10.58  | \$7.88   | \$6.57   | \$5.82   |
| 5.25%         | \$10.70  | \$8.01   | \$6.71   | \$5.96   |
| 5.50%         | \$10.82  | \$8.14   | \$6.84   | \$6.10   |
| 5.75%         | \$10.94  | \$8.27   | \$6.98   | \$6.25   |
| 6.00%         | \$11.07  | \$8.40   | \$7.12   | \$6.40   |

### What Is Included In My Total Cost?

The purchase price (and anything included in it, such as the new home warranty program fee) is just one of the costs involved in buying a house or condominium. To help you avoid any last-minute surprises, the checklist below lists the most common additional costs:

|  |          |
|--|----------|
| Legal fees and disbursements   | \$       |
| HST (if applicable)  | \$       |
| Land transfer tax  | \$       |
| New home warranty fee<br>(if not included in purchase price)           | \$       |
| Condominium fees (if applicable)                                       | \$       |
| Survey fee*  | \$       |
| Home inspection fee*   | \$       |
| Appraisal fee  | \$       |
| Mortgage insurance premium<br>(if not added to the mortgage principal) | \$       |
| Moving expenses  | \$       |
| Renovations and repairs*   | \$       |
| Furniture, painting, carpeting, etc.                                   | \$       |
| Service hook-up fees   | \$       |
| Property insurance   | \$       |
| Other  | \$ _____ |
| Total Estimated Cost   | \$       |

\*These fees are not usually necessary with the purchase of a new home.

***What Will My Mortgage Insurance Cost?*** Mortgages for more than 80% of the purchase price must be insured. Mortgage insurance premiums are usually added to the principal amount of the mortgage. Check with your mortgage specialist for rates.

| Loan Amount as a % of    | Purchase Premium on Total Loan |
|--------------------------|--------------------------------|
| Up to and including 65%  | 0.50%                          |
| Up to and including 75%  | 0.65%                          |
| Up to and including 80%  | 1.00%                          |
| Up to and including 85%  | 1.75%                          |
| Up to and including 90%  | 2.0%                           |
| Up to and including 95%  |                                |
| Traditional Down payment | 2.75%                          |
| Flex Down (Cash-Back)    | 2.9%                           |



## JOB CREATION AND LONG-TERM PROSPERITY IN LONDON THROUGH HOUSING INVESTMENT, 2010

The housing industry is a major contributor to the prosperity of London and the surrounding region. Here are the key positive impacts of housing activity in 2010.

### ***By the numbers in London...***

- **2,079** New Housing Starts
- **14,450** jobs in new housing and renovation generating over \$750 million in wages
- **\$48** million paid to the City of London - Development Charges, Building Permit fees, etc.
- **\$406** million in Federal and Provincial revenues from all housing activity, excluding corporate tax revenues from builders and related industries
- Residential Construction is often referred to as the **INVISIBLE GIANT**. Unlike industries where you see the workforce in mass, London's housing industry workforce is spread out over construction sites throughout the city, in manufacturing plants, show rooms, downtown offices, city hall, design centres, model homes and home offices.

Tens of thousands of high paying direct and indirect jobs are provided every year by the residential construction industry in Ontario.

Numbers are based on Statistics Canada and CMHC data for the London Census Metropolitan Area, as well as projections by Altus Group, and were developed by noted housing economist Will Dunning. For additional information, please contact: [llangdon@lhba.on.ca](mailto:llangdon@lhba.on.ca).

## Code of Ethics

- Members shall comply with all building codes, which apply to any construction carried on by a member
- Members shall plan their sites and homes to conform to the principles of good community planning
- Members shall deal justly with their employees, subcontractors, and suppliers.
- Members shall deal honestly and fairly with their customers
- Members shall cooperate to extend the effectiveness of the Association by among other things: Interchanging information and experiences; Improving building codes; Encouraging research on materials and techniques
- Members shall uphold the principle of appropriate and adequate compensation for the services, which they render
- Members shall avoid all conduct or practices, which are likely to discredit or do injury to the house building industry



*Smart home buyers start here.*

LONDON HOME  
BUILDERS' ASSOCIATION

**NEW HOME**

Buyer's Guide

**Financing your New Home, Mortgage Insurance, Government Programs, Choosing the Right Builder, The Tarion Warranty Corporation, Legal Issues, Closing Dates and Delays, Closing Costs, The Construction Process, Pre-Delivery Inspection AND MUCH, MUCH MORE.**

***Disclaimer:*** Information provided in this New Home Buyer's Guide is general in nature and may not be applicable in your particular circumstances. You are urged to seek the advice of a real estate lawyer or other appropriate professionals before making final decisions with respect to buying a new home.

## Platinum Partners



**The London Free Press**