

cedarglen
HOMES



FIRST TIME
HOME BUYERS GUIDE

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FINANCIAL READINESS



When starting your home search, it is essential that homebuyers understand how much they can afford to spend on a house and stick to their budget. Not only should they consider the upfront costs of a down payment - but they also need to consider ongoing costs such as mortgage payments, and major repairs that may arise over the years (these are more likely to occur in resale homes).

UPFRONT COSTS

- Down payment
- Home inspection fees
- Insurance costs
- Land registration fee
- Prepaid property taxes
- Prepaid utilities
- Legal fees
- Moving costs
- GST on purchase price

ONGOING COSTS

- Mortgage Payments
- Property Taxes
- Utilities
- Home Insurance
- Homeowners Association Fees
- Condo Fees (if applicable)

MAJOR REPAIRS

- Roofing
- Siding
- Furnace
- Hot water heater
- Deck
- Fencing

NOTE: This list may not include every single cost, but it can serve as a guide to inform you on some costs you may not initially consider.

UNDERSTANDING MORTGAGES

GET PRE-APPROVED FIRST

When going to get pre-approved for the first time, be sure to bring:

- contact information for your employer & employment history
- proof of address & address history
- government-issued photo ID's with current address
- proof of income for mortgage application
- proof of down payment (amount and source)
- proof of savings & investments
- details of current debts and other financial obligations

MORTGAGE LOAN INSURANCE

If you have less than 20% saved for a down payment, you will probably have to get mortgage loan insurance. It protects banks and other lenders against the risk of mortgage default, just like property insurance protects you in case of loss.

Insurance premiums on mortgage loans are calculated as a percentage of your total loan amount. They're based on factors including the size and source of your down payment. In general, the smaller the down payment is, the higher the insurance premiums will be.

You can usually pay your mortgage loan insurance premiums up front or have them added to your mortgage loan. You may have to pay tax on the total amount of the premiums if your province charges sales tax.

MORTGAGE STRESS TEST

Since 2018, all Canadian home buyers who are applying for a mortgage from a federally regulated lender are now required to pass the **Mortgage Stress Test**. This test serves as a way of ensuring that home buyers are able to comfortably handle their mortgage payments in situations where their finances may be compromised - such as job loss or a potential increase in mortgage interest rates. In turn, this helps to ensure that homebuyers are not taking on more debt than they can handle.

In order to pass the Mortgage Stress Test, one will need to qualify at the **contracted mortgage interest rate plus 2%, or 5.25%** - whichever is higher

NOTE: WE RECOMMEND APPLYING FOR YOUR MORTGAGE AT ONE OF THE BIG 5 MAIN BANKS IN CANADA & HAVE THEM LOCK IN YOUR RATE FOR THE DURATION OF YOUR BUILD TIME IF POSSIBLE.

AFFORDABILITY RULES



GROSS DEBT SERVICE RADIO (GDS)

$$\frac{[\text{PRINCIPLE} + \text{INTEREST} + \text{TAXES} + \text{HEAT}]}{\text{GROSS ANNUAL INCOME}}$$

As a general rule your **monthly housing costs** should be **no more than 32% of your average gross (before-tax) monthly income**. This percentage is known as your **gross debt-to-income** or **gross debt service (GDS) ratio**.

HOUSING COSTS INCLUDE:

- mortgage payments
- property taxes
- heating expenses
- 50% condo fees (if applicable)
- 50% homeowners association fees (if applicable)
- 100% site rent for leasehold tenure (if applicable)

TOTAL DEBT SERVICE RADIO (TDS)

$$\frac{[\text{PRINCIPLE} + \text{INTEREST} + \text{TAXES} + \text{HEAT} + \text{OTHER DEBT}]}{\text{GROSS ANNUAL INCOME}}$$

As a general rule, your **monthly total debt load** should be **no more than 40% of your average gross (before-tax) monthly income**. This percentage is known as your **total debt-to-income** or **total debt service (TDS) ratio**.

TOTAL MONTHLY DEBT LOAD INCLUDES

- housing costs (amount calculated in GDS rule above)
- car loans/leases
- credit card payments
- line of credit payments
- other mortgage payments

NOTE: THE CANADIAN MORTGAGE & HOUSING CORPORATION (CMHC) RESTRICTS THE DEBT SERVICE RATIOS TO **35% (GDS)** AND **42% (TDS)**.

CHOOSING THE RIGHT COMMUNITY



IMPORTANT FACTORS TO CONSIDER

DISTANCE TO WORK/FAMILY/FRIENDS: How long would your everyday commute be?

EASE OF TRANSPORTATION: Do you require access to public transportation? What major roads are nearby? Do you fly a lot and want to be near the airport?

SCHOOL AVAILABILITY: See what is available for public/private/catholic/french immersion etc.

PROXIMITY TO AMENITIES: How far away is the nearest grocery store, gas station or bank? Do you want to be closer to the mountains? Do you want to be near a recreation centre?

ESTABLISHED VS. NEW COMMUNITY: Do you want to be in an older home in an area that is already developed, or would you rather be in a new home in a growing community?

EASE OF AFFORDABILITY: Weigh the balance of finding a community you want with what you can comfortably afford.

HOMEOWNERS ASSOCIATION: Do you mind paying an annual fee to access the services and facilities that are available with an HOA?

OTHER FACTORS: Parks and pathways, house styles (mix of multi-family and single family), street parking, crime rates etc.

TEST DRIVE YOUR NEW COMMUNITY

Take time to get to know a community on a first hand basis. Spend an afternoon walking the streets and ask some of the local residents what they think of the area.

CHOOSING THE RIGHT LOT



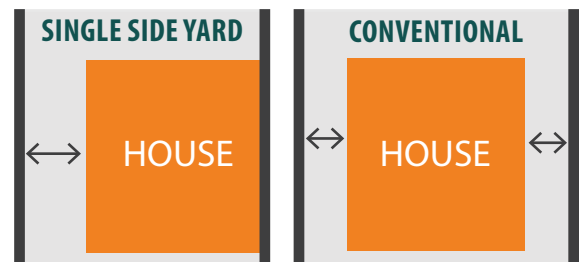
STREET TYPE

Do you want to be on a busy main street that's easy to enter and leave the community or tucked away in a cul-de-sac?

TYPES OF MOVE UP HOMES: SINGLE SIDE YARD vs. CONVENTIONAL

A SINGLE SIDE YARD LOT refers to when a house is built directly on the property line on one side of the house, and there is a 5ft side yard on the other side of the house - this is the more cost effective option.

A CONVENTIONAL LOT refers to when a house has a 4ft side yard on each side of the house, therefore creating a larger yard space.



LOT TYPES

Do you want a corner lot or a standard interior lot?

Do you want a lot that is graded to accommodate a walk-out basement?

Do you want a pie-lot that will provide larger yard space?

NATURAL CONSIDERATIONS

Do you want to enjoy the sunrise from your backyard or frontyard?

Is the lot graded to allow you to use your backyard the way you envisioned (i.e. not too steep?)

Are you in close proximity to parks, pathways and greenspaces if that is important to you?

NEW HOME REQUIREMENTS



Purchasing a new home is a major life decision and homebuyers are often looking to solve a current problem that they have. Perhaps they are expecting a new child and need more room for their family to grow. Maybe they have an aging parent that will be living with them and a main floor bedroom is a requirement. It is important for the entire family to sit down and discuss exactly why they are looking for a new home. Consider the points below:

HOME TYPE & SIZE

- Condo / Townhome / Duplex / Move-Up / Estate
- Size (square footage)
- Garage requirements
- Yard requirements

SPECIAL FEATURES

- Secondary Suite
- Main Floor Bedroom
- Working Kitchen
- Tandem Garage
- Home Office
- 4 Bedrooms
- Alternate Ensuite
- Open Rise Stairs
- Short Term Rental
- Storage availability



CHOOSING AN ARCHITECTURAL STYLE

When purchasing a new home, many buyers spend time determining what their 'style' is for the inside of the home...but it is just as important to consider what your home looks like from the outside. The exterior of a house is called the 'elevation' and there are several different types of architectural styles for these elevations. Developers determine the architectural styles of each community. These are just a few examples:

CRAFTSMAN



CONTEMPORARY



FARMHOUSE



PRAIRIE



BENEFITS OF BUILDING A NEW HOME



OPPORTUNITY TO PERSONALIZE FLOORPLANS

ENERGY EFFICIENT BUILDING STANDARDS

DESIGN SELECTIONS MADE TO SUIT YOUR STYLE

LESS MAINTENANCE UPFRONT DUE TO NEWER BUILD

WARRANTY PERIOD ON YOUR NEW HOME

BE PART OF A GROWING NEW COMMUNITY

CHOOSING THE RIGHT BUILDER



It is essential to find a homebuilder that is the right fit for you and your family. The homebuilding process is a long one, and you want to ensure that feel confident in your builders ability to build a high quality home that best represents you.

INTERVIEW YOUR BUILDER

- Is there a good variety of models to choose from?
- Is there opportunity to personalize the floorplans?
- What does the full building process/timeline look like?
- Do you connect well with the team?
- Consider the reputation of the builder
(i.e. years in business, awards, customer reviews etc.).
- What trades do they use regularly?
- What sort of warranty program do they offer?

PSST...

Explore Cedarglen Homes at

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or by chatting with our
Sales Team at one of our
various showhome
locations across Calgary
& see if we are the
right fit for you!

