



Buying a Home

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Buying vs Renting Your Home

The decision to buy a home is probably the biggest financial decision you will make in your lifetime. At First Credit Union, we feel that finalizing the details of a mortgage is really the last step in a complex decision process. The differences between renting and owning are enormous, but the question of which is better for you is a highly personal one.

Financial Considerations

In general, you should expect your monthly expenditures for your mortgage and related costs to be somewhat higher than rental payments. Of course, the exact percentage will vary depending on other debts you may be carrying. And keep in mind that aside from your mortgage payments, your monthly income must still allow you to maintain a comfortable standard of living. When taking on a mortgage, will you still be able to afford food and clothing, gas, car insurance and repairs? How about vacations or other leisure expenses? If you anticipate a monthly debt load approaching 40% of your gross income, including your mortgage, you are probably not financially prepared to take on a mortgage.

Personal Considerations

At First Credit Union we know that buying a home isn't just about money. There are many personal factors to weigh before making the decision that's right for you.

Are you looking for a stronger sense of place within your community? Are you willing and able to maintain and repair your own property and home? Do you want the stability of home ownership as the foundation for starting a family? If so, then home ownership may be a natural next step.

On the other hand, maybe you prefer the freedom to move to a different neighbourhood or even a different city. Or maybe you're anticipating a promotion at work or planning a leap into an entirely new field or career. In cases such as these, renting is probably your best bet.

In the end, First Credit Union is here to provide you with the options you need should you decide to buy your own home. But just as important to us is that you know you'll be content here. After all, First Credit Union is a member of your community too, and we want all our neighbours to be happy.



Buying Your Home

There's a lot to consider before making a decision on which home is right for you. Here are some of the personal and financial things to think about.

Choosing the Right Home

Now that you've decided to buy a home, it's time to consider the many financial and personal decisions to be made before making a formal offer.

The important thing is that you make the decision that's right for you. The property you eventually buy is more than just an investment - it's going to be your home, your own piece of the neighbourhood. So don't rush into it. Take the time to investigate all the options.

We don't want you to settle for something that's merely 'good enough.' Let us help you with the many difficult decisions ahead so that when you sign your name to an offer it's with the confidence that you've made the best choice possible.

Financial Considerations

By looking at your current financial situation, you can determine the price range of homes available to you. You may want to consider applying for a pre-approved mortgage. Pre-approval will not only define the price range of homes you can look at, but will also save you from having to make conditional purchase offers to potential vendors.

Personal Considerations

When looking at potential homes, take the time to consider all of the factors that are important to you. It may be a good idea to make a list of 'must haves' as well as a list of things that would be nice if they were available.

Obviously you'll need to consider the physical layout and soundness of the structure and the property itself, but also consider things like the location and the neighbourhood. Make sure to investigate whether municipal or regional authorities are planning changes to civic code, zoning or by-laws that may affect the value or nature of the property in the future.

You may find it helpful at this stage to have a real estate agent keep you informed about these and other factors that might influence your decision. In any case, remember to take your time when buying a home. It's better to wait a little longer for the home you want, rather than end up with a mortgage for a home you aren't truly happy with.



Taking out a Mortgage

By looking at your current financial situation, we can help you can determine the price range of homes available to you.

You may want to consider applying for a pre-approved mortgage. Pre-approval will not only define the price range of homes you can look at, but will also give you an advantage over competing purchasers when you make offers to vendors, since it shows you are taking things seriously enough to have looked into financing.

Which kind of mortgage is right for you? Whether to take a fixed rate or variable rate mortgage may depend on the stability of your income and your comfort level if interest rates start to rise.

You also need to bear in mind that if you have a down payment of less than 25% of the purchase price of the home, you will require a high-ratio mortgage. These mortgages have to be approved by Canada Mortgage and Housing Corporation (CMHC) or Genworth Corporation (formerly GE) and mortgage insurance is required.

Renovations

Fixing up your home? Whether it's a Sunday afternoon job or a complete summer renovation, we can lend a hand.

Protecting Your Investment

There are many different types of home renovations, and many different reasons to renovate. Maybe you need to reshingle the roof or make practical repairs. Maybe you want to retrofit your exterior with new siding, or improve your insulation or mechanical systems. Or maybe you want to add an extension or convert an unused basement to living space.

Whatever the plan, renovating not only improves the look and feel of your home and living space, it also protects your investment by adding value to your home.

Planning

As with any complex project, planning is the first and most important step. The adage 'measure twice, cut once' applies quite literally when it comes to renovations. To start, check with your municipal building department to determine if the renovations you're planning are allowed under current zoning and by-laws and that they conform to building code.



Contracting

From painting to making minor repairs, there are many small projects you can handle yourself, but do you have the skills and tools to fully renovate a kitchen or bathroom? There may even be some tasks that must be performed by certified tradespeople in accordance with local by-laws.

Renovating is really a full time job, and trying to do it yourself can be time consuming and costly. For larger jobs, consider hiring a full-service renovator, who can take responsibility for the entire process from obtaining permits and drawing up plans to hiring a contractor and supervising the work being done.

Financing

Before undertaking any renovation project you will need to have a clear understanding of the costs involved. You should obtain at least three estimates for the work from qualified contractors. Anticipate spending an additional 10-15% for unexpected costs.

With a reliable figure in hand, you can look at your financing options. You may want to renegotiate your mortgage or apply for a personal loan. However you decide to finance your renovations, First Credit Union wants to help you.

Refinancing Your Mortgage

Need some extra cash, or just want to lower your monthly mortgage payments? We can help you as you consider whether to refinance your home.

Time to Refinance

There are many reasons why you might consider refinancing your mortgage. You might be looking for a shorter term, access to extra cash or a chance to take advantage of lower rates.

All of these are good reasons, but keep in mind that there are penalties when paying off a mortgage early. As a general rule, you shouldn't refinance your mortgage unless the new rate is two full percentage points lower than your current rate. Typically the two-point rule compensates for the hard costs associated with refinancing.

More Equity, Faster

Many people refinance to shorten the term of a mortgage. Often, first-time buyers are appropriately cautious and take out a long-term mortgage to ensure they can meet the monthly payments. By refinancing to a shorter term at a higher monthly payment, you can end up saving tens of thousands of dollars in interest over the years. Furthermore, you build up



equity in your home much more quickly and, should you need it, you'll have all that additional equity to borrow against.

Refinancing for Capital

Another good reason to refinance is to gain access to some additional cash. This is an especially good option if you have outstanding debts at an interest rate that is higher than your new mortgage rate. By using the additional cash to pay off your other debts, you are effectively amalgamating your debt under one roof at one low rate.

Reducing Monthly Payments

Perhaps the best reason to refinance is to take advantage of lower rates that will reduce your monthly payments. After figuring all of the refinancing fees and penalties into the cost of your new mortgage, you might well be able to reduce your monthly payment by a couple of hundred dollars. That extra cash can go a long way toward other major purchases, or can add significantly to your RRSPs or other investments.

So if you're thinking about refinancing, contact First Credit Union and ask us about your mortgage options.