

How do I finance the purchase of a home?



PETER TULLOCH
OMDREB President

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— In this current day and age, the most common way of getting money to buy a house is to qualify for a mortgage. A mortgage is a contract that gives a moneylender some assurance that you, the borrower will repay the borrowed money. When you get a mortgage to buy a house, you have the loan of money from a person or a company and you promise to pay back that money, usually with interest and in regular payments. The lender makes sure you will repay the loan by holding a "charge" against

your house. That charge means that if you do not make your mortgage payments, the lender has the right, eventually, to take the property or to sue you for what you owe.

Another way to finance a house purchase can be by an "agreement for sale". An agreement for sale, also called a right to purchase, means that you make a down payment, and then make regular monthly payments to the seller. The difference here is that the seller remains the registered owner of the property until you have paid the full purchase price. How you protect your interest in the property is by registering a "right to purchase" in the Land Registry Title Office.

"Sometimes, an agreement for sale may be better than a mortgage, because banks and other mortgage companies have mortgage contracts that are to their advantage. But if you want to go that route, the terms have to be negotiated very carefully," states Peter Tulloch, President, Oakville, Milton and District Real Estate Board. "You should always shop around and compare, just as you would do for any goods and services. More importantly, you should talk with your local REALTOR®, he or she can be helpful when you are looking for financing. They can discuss your options, review pertinent information and suggest what your best course of action would be. They also have the MLS® information on the property, useful contacts with mortgage companies and they know current interest rates and market trends."

In today's market place, there are also available 'assumable' mortgages, 'portable' mortgages and 'vendor take-back' mortgages. An assumable mortgage has the buyer assuming the seller's mortgage; a portable mortgage is one that you can transfer to a new property; and a vendor or seller take-back mortgage means that the seller of the house is willing to lend you some of the purchase price.

With all the different options available to a buyer, the best course of action is making sure that you are working with an expert. Your REALTOR® is working for you to help you find a home in your price range and to help make the transaction go smoothly. It is their responsibility to make sure that you are looked after and have fair representation throughout the transaction. It is also their responsibility to make sure that you are legally protected.

Remember - it pays to have the professional assistance of a REALTOR® in any real estate transaction.

Both the government of Canada and the Ontario government have established programs to assist first time homebuyers.

The majority of purchase intenders that are first time buyers are between the ages of 25 and 34, with a household income between \$40,000 to just under \$60,000.

RRSP Home Buyer's Plan is a program that allows first time homebuyers to borrow up to \$20,000 from their "Self-directed Registered Retirement Savings Plan (SDRSP)".

Land Transfer Tax Rebate is a program allowing a rebate of provincial land transfer tax up to \$2000 for first time buyers. *As of Dec 14, 2007, resale homebuyers are eligible for Ontario's New Land Transfer Tax Rebate. *Certain conditions and requirements apply.*

Canada-Ontario Affordable Housing Homeownership Program (AHP) is a program where specific amounts of funds are allocated to assist low to moderate-income rental households to purchase affordable homes through interest free down payment assistance loans. **mandatory program requirements.*

Sources: The Oakville, Milton and District Real Estate Board
The Ministry of Municipal Affairs and Housing
Canada Mortgage and Housing Corporation

Milton – October Sales Results

In the month of October residential sales activity in Milton definitely slowed down. What we are seeing is a 29 per cent decrease in residential sales, which has impacted on the overall average price of a residential home in this area.

"Sales in this area reflect the global economic situation. But, unlike what is happening in the United States, for the most part, Canadian home sellers are under no financial duress to sell," notes Peter Tulloch, OMDREB President. "The fact is that right now the real estate market is adjusting itself and presenting more affordable choices to Buyers."

Milton	2007	2008	% change
No. of Residential Sales	116	82	- 29.3%
Average ¹ Sale Price	\$343,265	\$325,377	- 5.2%
Median ² Sale Price	\$330,500	\$315,000	-4.7%

¹ The average home price is found by adding the value of all sales and dividing by the number of homes.

² The median sale price is the midpoint of all sales.

Source: Oakville, Milton and District Real Estate Board

The Oakville, Milton and District Real Estate Board serves Oakville, Milton and surrounding communities with more than 1,400 REALTORS®. Your local REALTOR® can provide you with the data and services you need to make informed real estate decisions. To find out more about the REALTORS® in your area, and how you can benefit from the array of services a REALTOR® can provide, visit www.ombreb.on.ca or www.howrealtorshelp.ca. or call OMDREB at 905.844.6491