



# BUYERS GUIDE

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# Buyers Guide

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Buying your home is one of the biggest investments you'll ever make. It's a good idea to have a team of skilled professionals working with you every step of the way. We have compiled a list of resources that will help you through the process of buying your new home.

## LOOKING FOR A HOME

Searching for your new home can be a daunting process. There's so many factors to consider such as lifestyle, location, future needs and, of course, budget. Fortunately, there are professionals who can work with you to help you navigate your journey to a new home.

### THE REALTOR

The journey to buying your home starts with your Realtor. No one will play a more important role in helping you find a home. Your real estate agent's job is to:

- Help you find the ideal home.
- Write an Offer of Purchase.
- Negotiate on your behalf to help you get the best possible outcome.
- Provide you with important information about the community, arrange and coordinate the home inspection and essentially save you time, trouble and money.
- Guide you every step of the way leading up to and after the purchase of your new home.
- Hiring a Realtor is like hiring someone for a job. You're the employer and you want your Realtor to be a good fit for the position.

### THE LENDER OR MORTGAGE SPECIALIST

If you haven't already gone through the mortgage pre-qualification process, your next step is to contact a mortgage specialist and get pre-approved. If you don't have one in mind, we can recommend one!

There are many different lending options available today. It's a good idea to have an independent mortgage specialist shop around for you, or get more than one opinion from other lenders, banks, or mortgage specialists.

## BUYING YOUR HOME

You've found your dream home. You've done your due diligence. You've secured your financing. Now you'll work with your Realtor to write an offer to purchase the home and present that offer to the seller.



## MAKING AN OFFER

An offer is a legal contract that includes the terms and conditions of the purchase.

Once you've worked out the terms of your offer, your Realtor will present it to the seller. If your offer is accepted, its terms are legally binding.

Most elements of an offer are negotiable to better suit your needs or to accommodate the seller. It may take several rounds of negotiation by your Realtor, in consultation with you, to reach an offer that is acceptable to you and the seller.

**If you're in a multiple offer situation, check out:** [Winning Strategies for Multiple Offers](#).

## WHAT YOU SHOULD KNOW ABOUT YOUR OFFER

An offer to purchase includes:

- **The purchase price.**
- **A deposit.** Typically it's five per cent of the sale price, but is negotiable. In most cases the deposit cheque is made out to the buyer's Realtor's brokerage who will hold it in trust until the Completion Date. The funds will then be put towards the purchase price on Completion.
- **Conditions.** Your offer can be clean and straightforward with no conditions. This is called a "subject free". If it's accepted, the deposit is submitted and the property is yours.

More typically, offers are written with conditions, or subjects, that must be satisfied before the sale can proceed. Typical subjects include: inspection, financing, title search, property disclosure statement, and reviewing property related documents (such as **strata documents**).

If the seller agrees to the conditions, and the offer is accepted, you then have typically 7 to 10 days (or whatever is negotiated) to fulfill the conditions. If you're satisfied with the results and remove the conditions, the property is considered sold.

- **Terms.** These are the deal's nuts and bolts like the price, dates, deposit, items that are included as part of the sale.
- **Closing Date.** This is when the property you're buying legally becomes yours (title & funds transfer).
- **Possession Date.** This is when you take possession of your new home, often a few days after the Completion Date.
- **Adjustments Date.** Typically the same as the Possession Date. Items such as property taxes, strata fees, and utilities that have been pre-paid (or not paid at all) will be adjusted on a pro-rated basis from this date. You can review these items on the Statement of Adjustments provided by your lawyer/notary at Completion.

## SELLER'S OPTIONS AFTER RECEIVING YOUR OFFER

Once your offer has been presented to the seller, they have three options:

- 1. Accept it:** If the seller accepts your offer exactly as it was written it becomes a legally-binding contract.
- 2. Reject it:** The seller can just say 'No'; they're under no obligation to accept your offer or to even propose a counter offer. They can ignore your offer and not respond if they want to.
- 3. Counter it:** The seller could return your offer to you with some proposed revisions. This is considered a counter offer and returns the ball to your court to accept it, reject it, or counter it back.

## STEPS FROM ACCEPTED OFFER TO SUBJECT REMOVAL

Congratulations, your offer has been accepted! Here are your next steps:

- **Financing.** Obtain financing approval from your lender. Send the Contract of Purchase and Sale, Property Disclosure Statement (PDS), and property feature sheet to your mortgage specialist. For Strata properties they may request **strata documents** and a Form B.
- **Review all documents.** You will need to review the **Property Disclosure Statement**, which informs you of any known issues with the property and the **Title Search** for items attached to the title to the property. For Detached houses (non-strata) review the permit history, oil tank scan certificate (if any), confirm zoning and whether there are any unauthorized/authorized suites. For Condos & Townhouses (strata) review all strata documents, and if there are any renovations confirm that they were done with strata approval.
- **Deposit.** Ensure that funds are available, and provide a bank draft made out to "Keller Williams Elite Realty" in trust (or to the Realtor's brokerage, page 1 of offer).
- **Insurance.** We recommend obtaining an insurance quote for the property. For detached homes, lenders insist on property insurance because your property is their security for your mortgage. Property insurance covers the replacement cost of your home, so premiums may vary depending on its value. An insurance broker can help you with your insurance needs.
- **Get utility bills.** We recommend requesting utility bills (electric, gas, water & sewer). This will give you an idea of what it will cost to run your new home.

- **Get a home inspection.** The home inspector's role is to inform you on the property's condition. He/she will tell you if something is not functioning properly, needs to be changed or is unsafe. You will also be informed of repairs that need to be done and he/she may even be able to tell you where there may have been problems in the past. If work is required, we will help with recommendations.
- **Contract changes.** If you are requesting changes to the contract, prepare and sign an addendum. \*Note that this could open up the contract and provide an out for the seller.
- **Remove subjects.** Once you have fulfilled the conditions, you must remove them and sign off in writing. This document will be sent to the seller, and the contract becomes firm and binding.

## YOU'VE BOUGHT A HOME!





## MOVING INTO YOUR HOME

Once subjects have been removed, financing and legal documents have been signed, and your deposit is in the bank, the home is yours! Your Realtor will advise you when you'll be getting the keys to your new home (Possession Date) and will help coordinate this for you. It's time to start collecting boxes and packing your stuff for the move!

## SET UP UTILITIES

When you're on the move, there's a lot to think about; first and foremost, making sure that your new home has the essentials: Power and Heat.

Companies like BC Hydro, New Westminster Electric, and Fortis BC have made it very easy to transfer or set up service at your new home. Click the links below to take a look at the steps involved...

[BC Hydro](#)  
[New Westminster Electric](#)  
[Fortis BC Natural Gas](#)

## CHANGE OF ADDRESS CHECKLIST

When you're on the move, there's a lot to think about; first and foremost, making sure that your mail follows you to your new address! Here's a handy guide on to who to alert when changing your address: [Change of Address Checklist](#)

### Additional Tools and Resources

Moving within BC? Quickly and easily update your address in seven steps using [Address Change BC](#).

You can also change your address over the phone 8am-5pm, Monday-Friday:

- Vancouver: 604 775-0011
- Elsewhere in BC: 1 866 775-0011

### Hot Tip: Mail Forwarding

Have some time before you take possession? Consider Canada Post's [mail forwarding service](#). It's an ideal way to make sure that you don't miss anything important!

### Change of Address Cards

Change of address cards can be found free at your local post office. Simply add postage and send!

## MORTGAGE INFORMATION

Many financial planners will agree that one of the best financial strategies available is to pay off your mortgage as quickly as possible and eliminate years of paying unnecessary interest. Here are a few strategies to help you cut years off your mortgage:

### Shop around

When your mortgage comes up for renewal, you aren't limited to using the same lender. Take a look at what other financial institutions or mortgage brokers have to offer.

### Consider all your options

When evaluating mortgages, remember there are other factors that can have an impact on cost in addition to the interest rate. The opportunity to make supplementary payments against the principal has significant value. Penalties for early termination can also have an impact on how quickly you can retrieve your mortgage debt.

### Make sure your mortgage is portable

If you get transferred or decide to change neighborhoods, most banks allow you to move your mortgage to a new property without penalty.

### Make payments as frequently as possible

Most lenders will allow you to change the frequency of your payments during the term of an existing mortgage. Speak to your lender and choose the most frequent schedule of payments available to you. Choosing weekly payments versus monthly can literally save you thousands of dollars and help you pay off your mortgage years earlier.

### Generate additional income from your property

Renting out a portion of your property to earn income is a time-honoured practice that still holds true today. Sacrificing some living space in the early years of your mortgage can speed up your payment schedule. Lump sum payments applied directly to your principal early in your mortgage term will make a major impact on paying off your home quickly and achieving financial independence.

### Fixed vs. Variable Rate Mortgages

A fixed rate mortgage has a fixed payment schedule, interest rate and amortization period.

A variable mortgage means that the interest rate may go up or down, as it will change with the prime lending rate.

The amortization period of a mortgage is defined as the length of time over which you will repay your entire mortgage.

[Ratehub.ca](http://Ratehub.ca) – Current Mortgage Rates in BC

## CLOSING COSTS

Closing costs are the fees, charges and disbursements you'll be paying above and beyond the purchase price of your new home. They are typically paid on the day your purchase closes.

To cover closing costs, you should budget between 1.5% to 4% of a home's selling price.

## MORTGAGE INSURANCE

If your downpayment is less than 20 per cent of your total mortgage, you will need to get mortgage insurance. This insurance doesn't really do anything for you; it protects your lender if you default on repaying your loan.

Mortgage insurance premiums are calculated based on the loan-to-value ratio of your mortgage and range from .6% to 3.85% of the total value of your mortgage. While it's possible to pay for your mortgage insurance up front in a lump sum, usually the premiums are rolled into your regular mortgage payment.

Most mortgage insurance policies in Canada are provided by the Canada Mortgage and Housing Corporation, a Crown corporation. But there are private providers like Genworth Financial.

## APPRAISAL FEES

Some lenders may require an appraisal of the property you intend to buy. They want to know an approximate value of the property in the current market before they loan you the money to purchase it. If the appraised value of the home you want to buy turns out to be significantly less than the price you're paying, the lender may not give you a mortgage for the full amount.

The cost of an appraisal may be covered by your lender, but if not expect to pay in the \$200-400 range.

## LAND SURVEY FEES

Before finalizing your mortgage, some lenders may require a current land survey of the property you're buying. Again, this is to protect their investment by specifying exactly what it is you're buying.

A survey for mortgage purposes will typically cost around \$500, but could run \$700 – \$2000 depending on the property and details required.

## HOME INSPECTION FEES

Getting a home inspection will bring you peace of mind before signing on the dotted line. A certified home inspector will prepare a thorough report on the condition of the home you intend to buy, including its structural integrity and whether it has any electrical, plumbing, roofing, insulation or moisture problems.

The average home inspection will cost \$400-\$800 plus GST, depending on the size, age and complexity of the home. It will take between 2-4 hours.

## TAXES

The GST on a new home, or one that has been substantially renovated, is 5% of its purchase price. If the home costs less than \$350,000, a rebate of up to 36% of the GST is available. The rebate goes down progressively for homes priced between \$350,000 and \$450,000. Homes priced at more than \$450,000 get no GST rebate.

You have to apply for the GST rebate.

Many of the services associated with buying a home are also subject to GST, including appraisers, inspectors, lawyers, Notary Publics and your Realtor.

Provincial Sales Tax doesn't apply to most services except legal and notary fees.

## PROPERTY TRANSFER TAX

When you buy a home in BC, you pay a property transfer tax of 1% on the first \$200,000 of the purchase price plus 2% on the rest up to \$2 million. If the purchase price of your home is more than \$2 million, the PTT is 3%. If purchase price is greater than \$3,000,000 a further 2% of PTT added.

BUT if you're a first-time homebuyer, you may be exempt from paying the PTT if the purchase price of your new home is less than \$500,000. The exemption is reduced for homes priced between \$500,000 and \$525,000; after that, there is no rebate.

To qualify for the exemption you have to:

- be a Canadian citizen or permanent resident
- lived in BC for the 12 consecutive months prior to your home purchase
- never owned a property anywhere in the world
- never previously received a first-time homebuyers' exemption

The property you're buying must:

- be in BC
- be used at your principal residence
- be .5 hectares or smaller

If you're buying a newly-constructed home or condo, you may also be exempt from paying the PTT if the home is priced up to \$750,000. The exemption goes down between \$750,000 and \$800,000, after which there's no exemption. To qualify you must:

- be a Canadian citizen or permanent resident

The property must:

- be in BC
- be used as your principal residence
- be .5 hectares or smaller

Once you've purchased the property, you have to

- move into it within 92 days of when it was registered at the Land Titles office
- occupy the property as your principal residence for the remainder of the first year

## ADJUSTMENTS

These are the expenses the current property owner may already have prepaid, like property taxes and utilities. Now that you're the owner of the property, you'll be assuming those expenses and reimbursing the seller's prepaid portion.

## INSURANCE

Now that you're a homeowner, you're going to need insurance. Most lenders require homebuyers to purchase home, fire and liability insurance. If you're buying a strata condo or townhouse, the strata corporation will have insurance coverage in place for the building/structures, but it's highly recommended to have additional insurance to cover the deductible for the strata's coverage (in the event of a flood or damage caused by your unit to others) and for your own personal content as well.

Insurance should be effective on the completion date of the sale.

## TITLE INSURANCE

Title insurance protects the lender and homeowner against a number of risks related to the property's title or ownership. From the point of view of the lender, the main coverage is fraud. However, items such as encroachments from adjoining properties, property taxes in arrears and violation of municipal by-laws are covered by title insurance as well.

Title insurance is a one-time expense that will cost you \$250 for a policy covering a purchase price under \$500,000. The premium goes up by 90 cents for every \$1,000 in value after that.

## LEGAL OR NOTARY PUBLIC FEES

A lawyer or Notary Public helps buyers navigate the legal requirements of buying a home like conducting a title search to ensure the property actually belongs to the person selling it, and registering the sale at the Land Titles office.

On a purchase with a mortgage, the cost of a notary/lawyer is typically in the \$900-1300 range.

## NEW LOCKS

For peace of mind, and to ensure the former owners don't crash on your couch after forgetting they'd sold their home to you, get the locks to your new home changed.

## STRATA FEES

If you bought a strata condo or townhouse, you'll be assuming the unit's monthly **strata fees**. They're usually due at the beginning of the month. If your purchase closes in the middle of a month, you'll reimburse the seller for their unused portion of that month's strata fee.

## REALTORS' COMMISSION

Your realtor earns a commission for helping you find and purchase your home.

Good news is that this is typically compensated by the Seller, unless an outside agreement has been made.

## MOVING COSTS

**This one is totally up to you.** Hire professionals or recruit friends and family, rent a truck and order a bunch of pizzas.

## MORTGAGE SPECIALISTS:



Shaun Francis, Bespoke Lending Solutions  
604.787.4492  
[shaun@bespokelendingsolutions.com](mailto:shaun@bespokelendingsolutions.com)



Marlene Ferreira, Urban Lending  
604.345.8551  
[marlene@urbanlending.ca](mailto:marlene@urbanlending.ca)



Alex D'Angelo, Olympic Mortgages  
778.847.9331  
[alex@olympicmortgages.ca](mailto:alex@olympicmortgages.ca)



Dwight Dudiak , RBC  
604.562.8155  
[dwight.dudiak@rbc.com](mailto:dwight.dudiak@rbc.com)

## LAWYERS/NOTARIES:



Spagnuolo & Company Lawyer  
604.527.4242  
[realestate@bcrealestatelawyers.com](mailto:realestate@bcrealestatelawyers.com)



Martin Kastelein, Notary  
604.526.7884  
[info@martinthenotary.com](mailto:info@martinthenotary.com)

## HOME INSPECTORS:



David Brighton, Brighton Home Inspections  
604.290.5557  
[info@brightonhi.com](mailto:info@brightonhi.com)



Douville & Co. Home Inspectors  
604.626.4887  
[contact@douvilleco.com](mailto:contact@douvilleco.com)



Chris Thompson, Haystack Home Inspections  
604.734.4700  
[haystackhomeinspections.com](http://haystackhomeinspections.com)



## TERMS & DEFINITIONS

Here's a handy glossary of Real Estate terms to help you in your home search.

**Adjustment Date:** The day you become responsible for the fees or cost associated with the property. Your lawyer will prepare a statement of adjustments pro-rating any pre-paid taxes, monthly maintenance fees if applicable and any other costs that may have been paid in advance or owing.

**Agreement of Sale:** Also known as Purchase Agreement, Agreement of Purchase and Sale, Land Agreement etc. A written contract signed by the buyer and seller stating the terms and conditions under which a property will be sold.

**Amortization:** The period of time required to reduce a debt to zero when payments are made regularly.

**Appraisal:** For mortgage lending purposes, it is a process for estimating the market value of a particular property.

**Assignee:** The person to whom an interest or right in real property is transferred.

**Assignment:** The transfer of any right, claim or interest to another person or corporation.

**Assignor:** The person transferring an interest or right in real property.

**Blended Payment:** A mortgage payment that includes principal and interest. It is paid regularly during the term of the mortgage. The payment total remains the same, although the principal portion increases over time and the interest portion decreases.

**Closed Mortgage:** A mortgage that cannot be prepaid or renegotiated before the term's end unless the lender agrees and the borrower is willing to pay an interest penalty. Many closed mortgages limit prepayment options such as increasing your mortgage payment or lump sum prepayment.

**Completion Date:** The day the seller received your funds in exchange for you receiving title to the property. The title is registered under your name at the Provincial Land Titles Office on that day. The date must fall on a normal business day, Monday to Friday.

**Conditional Offer:** An Offer to Purchase that is subject to specified conditions, for example, the arrangement of a mortgage. There is usually a stipulated time limit within which the specified conditions must be met.

**Conditional Offer:** An Offer to Purchase that is subject to specified conditions, for example, the arrangement of a mortgage. There is usually a stipulated time limit within which the specified conditions must be met.

**Conventional Mortgage Loan:** A mortgage loan up to a maximum of 80% of the lending value of the property for which a lender does not require mortgage loan insurance.

**Counter Offer:** When one party to an Offer to Purchase (buyer or seller) does not accept some or all of the terms and conditions offered by the other party and in turn “counter” offers alternate terms and conditions. During the course of negotiation through offering and counter offering the buyer and seller work towards achieving terms and conditions acceptable to both parties.

**Curb Appeal:** How attractive the home looks from the street. The first impression you have of a home is important. A home with good curb appeal will have attractive landscaping and a well-maintained exterior.

**Default:** Failure to abide by the terms of a mortgage loan agreement. A failure to make mortgage payments (defaulting the loan) may give cause to the mortgage holder to take legal action to possess (foreclose) the mortgaged property.

**Deposit:** The amount of money a buyer initially puts down at the time a Contract of Purchase and Sale is entered into to show sincerity of intent and to provide for potential liquidated damages in favour of the seller if the buyer does not perform according to the terms agreed to in the Contract. The funds are usually placed in the buyer’s realtors trust account and forms part of the purchase monies. A deposit in the amount of 5% of the purchase price is common real estate practice in Greater Vancouver.

**Down Payment:** The portion of the home price that is not financed by the mortgage loan. The buyer must pay the down payment from his/her own funds or other eligible sources before securing a mortgage. It generally ranges from 5% to 20% of the purchase price but can be more.

**Easement:** This is where someone else has the right for access to or over another person’s land for a specific purpose, such as a driveway or public utilities.

**Encumbrance:** A registered claim for debt against a property, such as a mortgage.

**Equity (owner):** The difference between the price for which a home could be sold and the total debts registered against it. Owner equity usually increases as the outstanding principal of the mortgage is reduced through regular payments. Market values and improvements to the property also affect equity.

**Foreclosure:** The legal process where the lender takes possession of your property and sells it to cover the debts you have failed to pay off. When you default on a loan and the lender feels that you are unable to make payments, you may lose your home to foreclosure.

**Gross Debt Service (GDS):** The percentage of the borrower's gross income that will be used for monthly payments of principal, interest and taxes, heating costs and half of condominium fees.

**High-Ratio Mortgage:** A mortgage loan higher than 80% of the lending value of the property. This type of mortgage may have to be insured by CMHC or a private insurance company against payment default.

**Lien:** A claim against a property for money owing. A lien may be filed by a supplier or a subcontractor who has provided labour or materials but has not been paid.

**Loan-to-Value Ratio:** The ratio of the loan amount to the lending value of a property expressed as a percentage. For example, the loan-to-value ratio of a loan for \$90,000 on a home which costs \$100,000 is 90%.

**Maintenance Fee:** Charge to a unit holder in a condominium or co-operative complex for that person's share of costs for keeping the common areas of the complex in a good state of repair.

**Maturity Date:** The last day of the term of the mortgage. On this day, the mortgage loan must either be paid in full or the agreement renewed.

**MLS — Multiple Listing Service:** A multiple listing service is a real estate agents' cooperative service that contains descriptions of most of the homes that are for sale. Real estate agents use this computer-based service to keep up with properties they are listing for sale in their area.

**Mortgage:** The balance of the purchase price (purchase price – down payment = mortgage amount) borrowed from a lender which is secured by the lender by a charge against the property title and your personal guarantee to repay the loan.

**Mortgagee:** The lender who provides the mortgage loan.

**Offer to Purchase:** A written contract setting out the terms under which the buyer agrees to buy. Upon acceptance by the seller, it forms a legally-binding contract subject to the terms and conditions stated in the document.

**Open Mortgage:** A mortgage that can be prepaid or paid off or renegotiated at any time and in any amount without interest penalty. The interest rate on an open mortgage is usually higher than a closed mortgage with an equivalent term.

**Possession Date:** Usually the same date as the adjustment date. The day you are entitled to the legal possession of the property you have purchased (you get the keys!).

**Subject Clause:** A condition(s) that must be satisfied before a contract becomes firm (unconditional). Examples are subject to financing, inspection or receipt and approval of condominium bylaws and financial statements. The conditions must be removed from the contract in writing by a certain date in order for the contract to become "firm".

**Principal:** The amount of money actually borrowed.

**Property Taxes:** Taxes charged by the municipality where the home is located based on the value of home. In some cases the lender will collect a monthly amount to cover your property taxes, which is then paid by the lender to the municipality on your behalf.

**Survey or Certificate of Location:** A document that shows property boundaries and measurements, specifies the location of buildings on the property and states easements or encroachments.

**Term:** The length of time during which you pay a specific interest rate on your mortgage loan. You may not have paid off your entire mortgage principal at the end of a term because your amortization period will likely be longer than the term.

**Title (Freehold or Leasehold):** A freehold title gives the holder full and exclusive ownership of the land and building for an indefinite period. A leasehold title gives the holder the right to use and occupy the land and building for a defined period.

**Total Debt Service Ratio (TDS):** The percentage of gross monthly income required to cover the monthly housing payments and other debts, such as car payments.

**Vendor Take Back Mortgage:** This is where the vendor rather than a financial institution finances the mortgage. The title of the property is transferred to the buyer who makes mortgage payments directly to the seller. These types of mortgages, sometimes referred to as take-back mortgages, can be helpful if you need a second mortgage to buy a home.



## The Garbutt + Dumas Real Estate Team

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