

# HOMEBUYER GUIDE

A man with glasses and a beard, wearing a white shirt, and a woman with long dark hair, wearing a black top, are looking at a house. The man is pointing towards the house. The house has a blue exterior and a white window. The background is a clear blue sky.

*without losing your mind*

**HOW TO BUY FIRST HOME IN CANADA**

Welcome and congratulations on taking the first step in the homebuying journey! Whether you're just starting to think about homeownership or are already actively searching for your new home, we're here to help every step of the way.

## heading

Throughout the guide, we'll go step by step, so you have a clear and confident understanding of what

to expect when buying your first home—from saving your down payment to picking up the keys on moving day. Plus, we've included tips, checklists, definitions and more to help you stay organized.



**Want to talk to a financial strategist?**

Book an online or one on one chat with a strategist to determine the solutions to get you ahead the fastest.

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Find all kinds of great tips, tricks and tools to help you build your savings for your down payment

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Find all kinds of great tips, tricks and tools to help you build your savings for your down payment

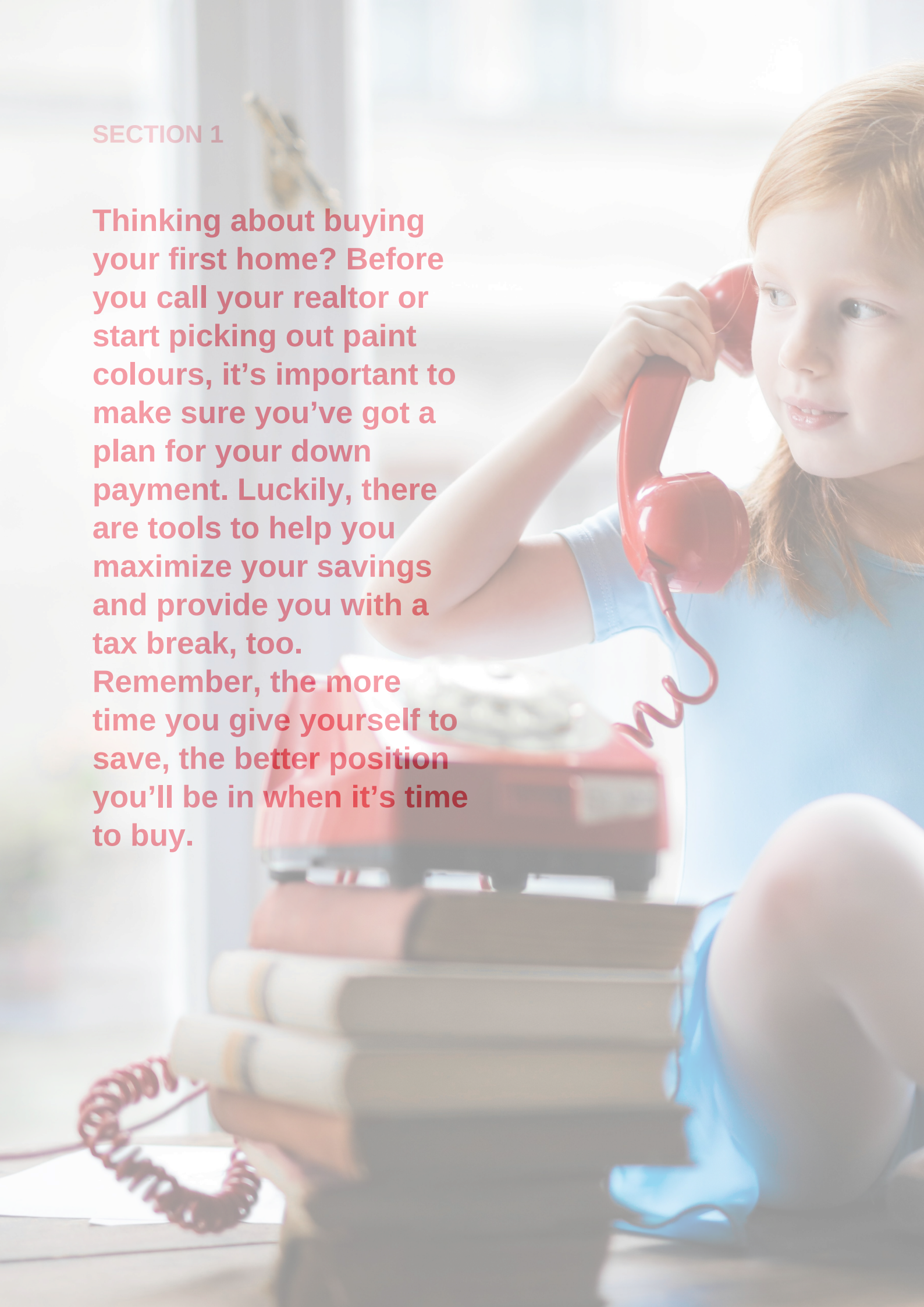
## STEP 7

### **New Home? Now What!**

Teips, Tricks and Reminder Checklists to help you manage your new home!

## SECTION 1

Thinking about buying your first home? Before you call your realtor or start picking out paint colours, it's important to make sure you've got a plan for your down payment. Luckily, there are tools to help you maximize your savings and provide you with a tax break, too. Remember, the more time you give yourself to save, the better position you'll be in when it's time to buy.



The **First Home Savings Account (FHSA)** is a government-approved savings plan designed specifically to help first-time homebuyers save for their down payment. It allows you to contribute up to a set amount annually and withdraw the money tax-free when purchasing your first home.

## Am I eligible for an FHSA?

To take advantage of the First Home Savings Account you must:

-  **Be a First Time Homebuyer**
-  **Be 19 years of age or older**
-  **Be a Canadian resident**

The funds in an FHSA can be used for your down payment or other related home- buying costs. Keep in mind that there are annual and lifetime contribution limits, and you have to use the funds within 15 years or by your 71st birthday.

## How do I open an FHSA?

Simply contact your financial institution to get started. At Prospera, our advisors can

guide you through the process and even automate your contributions for set-it-and- forget-it savings. Even if you can't contribute right now, it's still a good idea to open your FHSA ASAP since your contribution room accumulates each year, giving you more room to save in future.

## What about RRSPs?

Through the Homebuyers Plan, you can use your RRSPs towards the purchase of a home and associated closing costs as a first-time buyer. You can withdraw up to \$60,000 per person (\$120,000/couple) from your RRSPs tax-free, as long as it is repaid within 15 years.

## When should I meet with a mortgage professional?

The sooner the better.

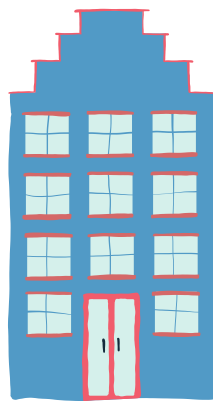
Your Realtor can give you a recommendation

with personalized advice and recommendations, so you have a good sense of what to expect along your journey. This also gives you more time to maximize your down payment savings along the way.

## How much do I need for a down payment?

In BC, you can buy your first home with as little as 5% down.

For homes priced \$500,000 or less, you only need 5% of the purchase price. For homes between \$500,000 and \$999,999, you need 5% on the first \$500,000 and 10% on anything above that.



### Example

Buying a  
\$550,000 condo

What is the  
minimum down  
payment?

5% of the first \$500,000 = \$25,000  
10% of the remaining \$50,000 = \$5,000

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**\$30,000**

minimum down payment

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## How does my credit score impact my mortgage?

Your credit score is a key factor in the pre-approval

process. It shows lenders how reliable you are in repaying debts. The higher your score, the better your chances of securing a favorable mortgage rate.

**Excellent Credit**  
**760+**

You're likely to qualify for the best rates and terms

**Good Credit**  
**700-759**

You'll likely qualify for competitive rates

**Fair Credit**  
**600-699**

You may struggle to qualify, and can expect high interest rates

**Poor Credit**  
**600**

You may face higher rates or require a larger down payment

**Your financial history also matters.** Lenders will look at your past debts, payment history, and any bankruptcies or late payments to gauge risk. If you have a clean history with on-time payments, you'll have a better chance at pre-approval.



SECTION 2

**I have my down  
payment.  
Now what?**

**Well Done!**

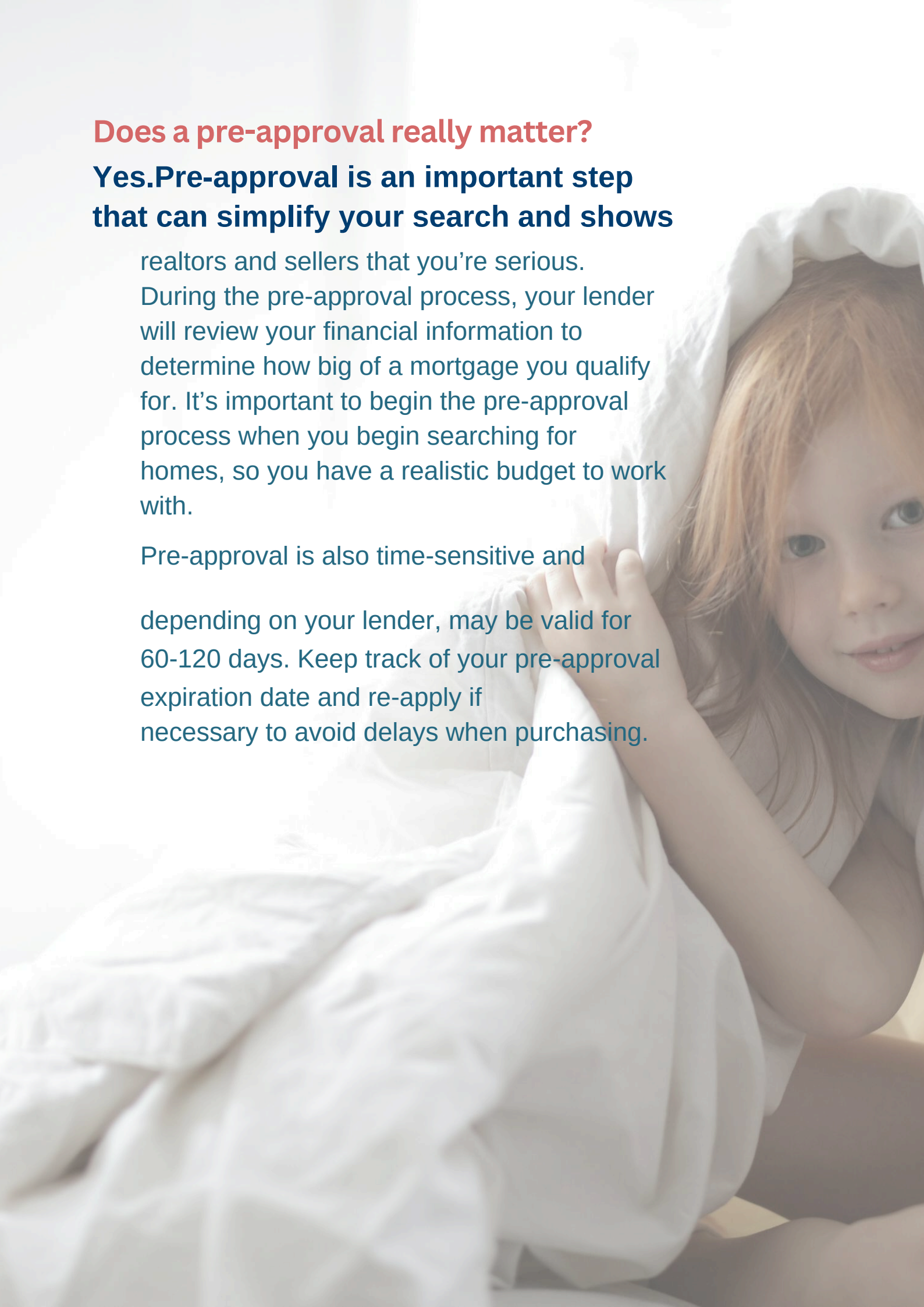
**Saving your  
downpayment is a huge  
milestone on the journey  
to home ownership. Now  
it's time to get pre  
approved for your  
mortgage and explore  
all your options and  
implement the best  
strategy for your needs!**

## Does a pre-approval really matter?

**Yes. Pre-approval is an important step that can simplify your search and shows**

realtors and sellers that you're serious. During the pre-approval process, your lender will review your financial information to determine how big of a mortgage you qualify for. It's important to begin the pre-approval process when you begin searching for homes, so you have a realistic budget to work with.

Pre-approval is also time-sensitive and depending on your lender, may be valid for 60-120 days. Keep track of your pre-approval expiration date and re-apply if necessary to avoid delays when purchasing.



## **1, Gather Documents**

Such as recent pay stubs, T4s or tax returns, bank statements, and identification, including your SIN.

## **2, Apply for Pre-Approval**

Your advisor will conduct a credit check and complete an initial assessment of your financial situation.

## **3. Receive Pre-Approval**

Your lender will provide a pre-approval letter outlining the maximum mortgage amount you qualify for, along with a potential interest rate hold.

## **4. Start Your Home Search**

Confidently begin searching for a home, working with a realtor to visit properties and make an offer when you find the right one

## **5. Secure Final Mortgage Approval**

Your lender will verify details, conduct a property appraisal, and ensure all conditions are met before issuing final approval.

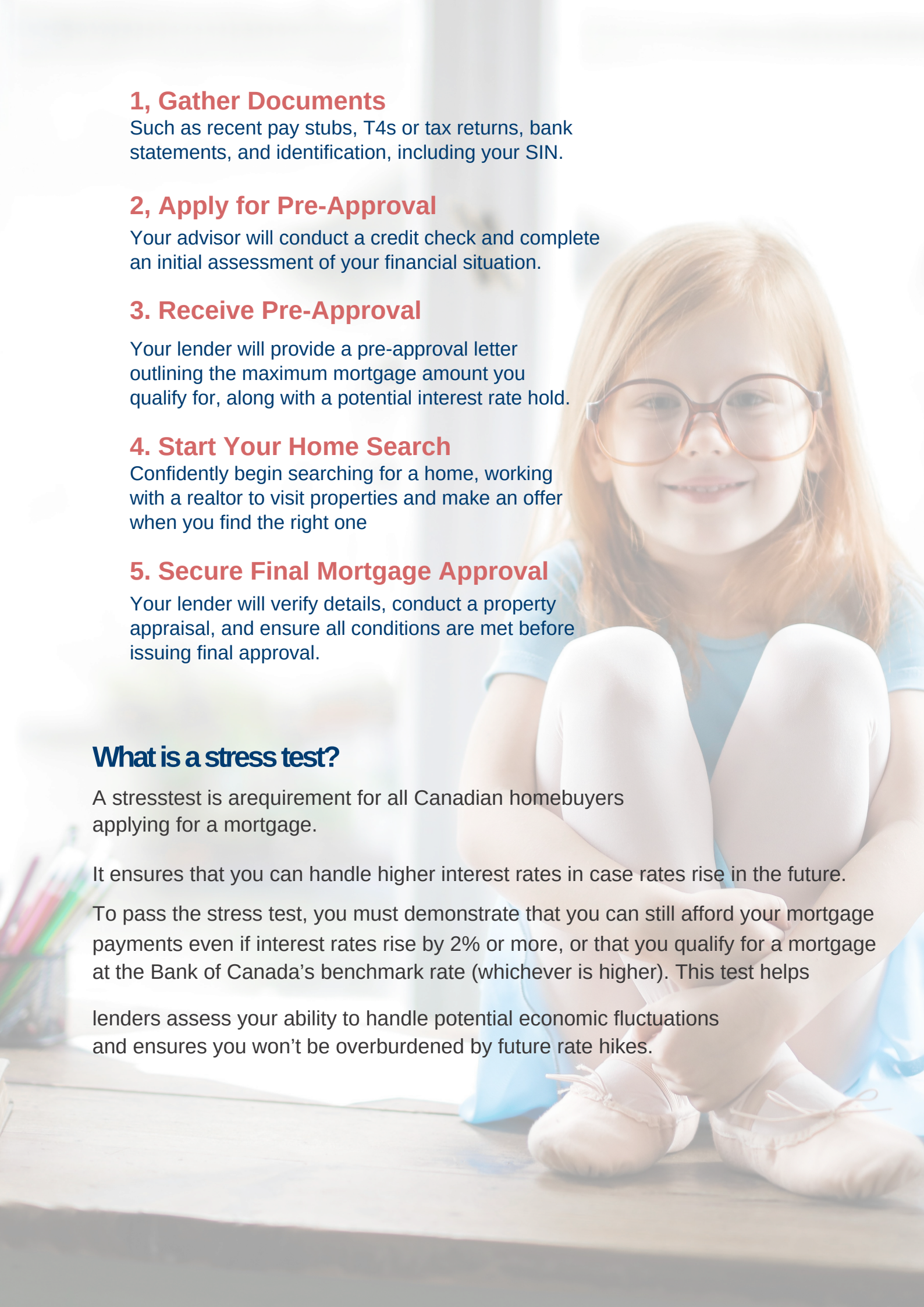
## **What is a stress test?**

A stress test is a requirement for all Canadian homebuyers applying for a mortgage.

It ensures that you can handle higher interest rates in case rates rise in the future.

To pass the stress test, you must demonstrate that you can still afford your mortgage payments even if interest rates rise by 2% or more, or that you qualify for a mortgage at the Bank of Canada's benchmark rate (whichever is higher). This test helps

lenders assess your ability to handle potential economic fluctuations and ensures you won't be overburdened by future rate hikes.



## How do I get pre-approved for a mortgage?

Pre-approval is an important step in getting a mortgage. It helps you get a clear picture of what you can afford and shows you're a serious buyer. When you apply for mortgage pre-approval, you will need:

### ✓ **Proof of income**

This could be pay stubs or salary slips, or other tax forms showing your earnings

### ✓ **Proof of employment**

A letter or documentation from your current employer that shows your position and income

### ✓ **Credit history**

The lender will run a credit check to assess your credit score and payment history

### ✓ **Proof of down payment**

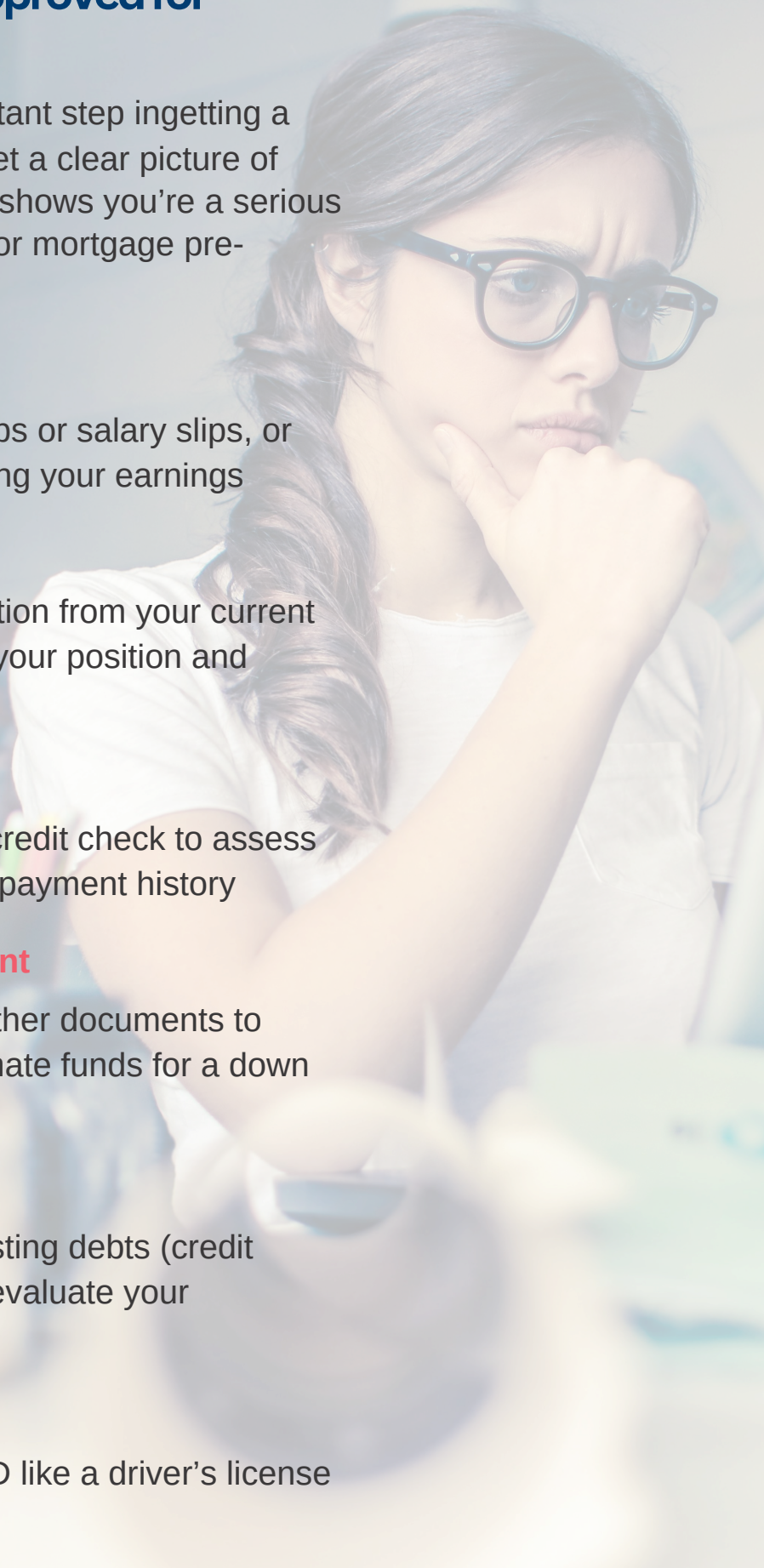
Bank statements or other documents to show you have legitimate funds for a down payment

### ✓ **Debts**

Information about existing debts (credit cards, loans, etc.) to evaluate your debt-to-income ratio

### ✓ **Identification**

Government-issued ID like a driver's license or passport



**SECTION 3**

## **Start the search**

**Thinking about buying your first home? Congrats! You've already taken the first step. The key to a smooth homebuying journey is to start early.**

**This gives you more time to assess your financial situation, save for your down payment and allows you to familiarize yourself with the housing market.**



## When should I start looking for homes?

Once you're pre-approved, it's time to start searching for your new home.

Typically, this is done several months before your desired move-in date. Searching for properties early gives you an idea of market conditions and what your budget will allow to help you narrow down your options. Be sure to consider your own personal timeline and readiness throughout, too.

## What happens after I find a home I like?

Once you find a home that fits your needs, you'll make an offer. The offer process typically takes 1-2 weeks, and the closing process can take between 30-90 days. During this time, your lender will finalize your mortgage, and you'll be required to complete necessary paperwork. It's important to stay in communication with your lender and realtor during this time so you don't miss any updates or delay the process.

### Offer

1 to 2 weeks



### Closing

30 to 90 days



## 4 Questions to Ask when looking for a home

### 1. How much work do I want to put into the property?

Remember, simple cosmetic fixes like fresh paint and a new light fixture are much easier and cheaper than gutting a kitchen or bathroom.

### 2. Do I like the area and neighbourhood?

You can renovate your home, but you can't pick it up and put it in a new town so it's important to also like the surrounding area.

### 3. What's a must-have versus a nice-to-have?

Do you need a third bedroom? Or is that just something nice to have? Separating must-haves from nice-to-haves can help you focus your search efforts and prioritize results.

### 4. Does this home fit with my lifestyle?

Consider things like space for a home office if you work remotely, nearby schools and amenities for kids, and any restrictions on pets or animals if you're considering a condo or townhouse overseen by a strata.

A young woman with long, wavy red hair and round, reddish-brown glasses is sitting at a desk. She is looking intently at a laptop screen, with her right hand on the trackpad and her left hand on the keyboard. The scene is brightly lit, likely from a window behind her, creating a soft, warm glow. The background is slightly blurred, showing what appears to be a window with white curtains.

SECTION 4

## Choosing a Mortgage

Once you've found your dream home, it's time to choose a mortgage that works for your lifestyle and supports your financial goals. Be sure to consider things like payment frequency, the length of your mortgage term, and explore mortgage insurance options for added peace of mind.

## How long is a mortgage term?

Mortgage terms typically last **3 or 5 years**, with different impacts on payment amounts and interest rates. A 5-year term generally offers more stability, while a 3-year term might offer lower rates but requires renegotiation sooner.

## How long is a mortgage amortization?

Amortization refers to the length of time it takes to pay off your entire mortgage.

This is typically 25 or 30 years. A 25-year amortization period means higher payments, but less interest paid over time, while a 30-year amortization offers lower payments but more interest throughout the life of the mortgage.

It's important to choose an amortization that suits your lifestyle, budget and financial goals.

The mortgage type, interest rate, payment frequency and amortization all contribute to your payment total. It's important to choose the right mortgage that suits your lifestyle, budget and financial goals so you feel safe and secure as a new homeowner.



## SECTION 5

# Additional considerations for first-time buyers

While buying your first home deserves a celebration, it's important to pause and review additional considerations like ongoing costs, taxes, and insurance.



## Additional insurance options

When buying a home, you may also consider purchasing mortgage life insurance to protect your loved ones from the unexpected. There are two primary types:

**Life Insurance:** This is an independent policy that pays out a lump sum to your beneficiaries if you pass away. It covers your mortgage debt, but the benefit remains with your beneficiaries, not the lender.

**CUMIS Mortgage Insurance:** This is a specific type of insurance that Prospera offers and covers your mortgage balance in the event of death, disability, or critical illness. It's tied directly to your loan, meaning it decreases as your mortgage balance decreases.

Both types have their benefits, but life insurance is typically more flexible, while CUMIS is more tailored to the mortgage itself.

A young girl with long, wavy red hair and large, round, reddish-brown glasses is sitting at a desk. She is looking intently at a laptop screen. Her hands are on the keyboard. The background is a bright, out-of-focus window with white curtains, suggesting a home office or study area. The overall lighting is soft and natural, coming from the window.

## **Budgeting for Home Ownership**

When budgeting for a home, don't forget to include additional expenses like closing costs and property transfer taxes, and ongoing costs like maintenance, utilities and insurance.

## **Should I work with a real estate professional?**

A skilled real estate agent can make the home-buying process smoother. They can help you with your search, prepare necessary documents and provide you with valuable insights.

## **Do I need a home inspection?**

Before finalizing a deal, you'll want to schedule a home inspection to identify potential issues. This ensures there are no hidden surprises after you move in and you have documentation of anything that requires fixing.

## **Do I need special insurance?**

In addition to mortgage insurance and homeowners insurance, you may need additional coverage, such as fire or earthquake insurance, depending on your location and type of home. If you're buying a condo or townhouse, you may have additional insurance requirements from your strata as well.

## SECTION 6

# First-Time Home Buyer Checklist

### ✓ Financial Preparation

- Improve your credit score
- Save for a down payment
- Gather your financial documents

### ✓ Pre-Approval and Budgeting

- Get pre-approved
- Establish a home-buying budget that suits your financial situation

### ✓ Home Search

- Create a list of must-haves
- Find a realtor
- Visit potential properties
- Make an offer

### ✓ Closing the Deal

- Schedule a home inspection
- Review closing documents
- Explore insurance options
- Pick up the keys and move in!
- Review closing documents with a lawyer

### ✓ Once you own

- Maintain your home with regular inspections
- Keep your insurance up-to-date
- Track any home improvement projects
- Review your mortgage regularly with your financial institution

SECTION 7

# Managing your new home

Congratulations on

buying your first home!

Follow this check list to make the move-in process easy and efficient so you can relax, unwind, and enjoy homeownership.



# Final Tips

Buying a home is an exciting yet challenging process. Start the process early, stay organized and informed, and work with professionals to ensure your success.

No matter where you are on your home-buying journey, we're here to help.



**Want to talk to a financial strategist?**

Book an online or one on one chat with a strategist to determine the solutions to get you ahead the fastest.