

# Making the leap to home ownership

Congratulations! You've decided you'd like to become a homeowner. It's a big responsibility, but one that comes with many rewards: both emotional and financial.

There is however, some emotional and financial investment that comes first. Yes, a home purchase is going to be among the biggest and most important financial decision you'll ever make. The good news is that you're part of a very lucky generation of homebuyers. Lending rates are probably lower for you than they would have been for your grandparents. We've become so accustomed to low lending rates it's hard to remember that homebuyers struggled with lending rates of almost 20% in the early 80's!

Today, a whole range of flexible mortgage options make the leap to home ownership financially painless. What it takes is just some planning and commitment. But here's a quick-start guide for aspiring home owners:

**1. Educate yourself.** You can actually start off by talking to a mortgage professional – who are generally great at “plain talk”. They can help familiarize you with the legal and real estate lingo, because those industries seem to have a language all their own. Or if you're web-savvy, try looking up real estate or mortgage glossaries online, to help you move into a purchaser's comfort zone. A good website for the beginner is the CMHC (Canada Mortgage and Housing Corporation). It covers the basics – and more.

**2. Be aware of the importance of a good credit rating.** Mortgage lenders will definitely check your credit profile and when they do, you want to be sure that everything looks great. Not sure what your credit rating even looks like... or if you even have one? Go to [www.equifax.ca](http://www.equifax.ca), which can tell you everything you need to know about what a lender might find when they check out your profile. The higher your credit score, the better financing you will receive – amount and interest rate. The basics: you need to prove you know how to pay money back. That means you should always pay your bills on time and preferably in full. One or two credit cards, regularly used and paid up, can help you establish credit. A mortgage professional can offer more tips on building a good credit rating quickly.

**3. The right mortgage can save you thousands of dollars.** Your bank will want your mortgage of course, because it's good business

for them, but the bank represents only one lender choice.

A mortgage professional can have access to more than 50 lenders, including most of the banks. Best of all, they don't work for the lender; they work for you. Mortgage professionals are a wealth of information, and they're usually very easy to talk to. You want someone who will take the time to understand your situation, and will answer all your questions. This is an important decision; you have a right to know what it's all about.

**4. Get pre-approved.** We can't emphasize this enough. Find a mortgage professional that you trust. He or she will have the maximum number of options for you. Don't have a downpayment? That may not be a problem; there are excellent options now for homebuyers who haven't saved up a downpayment. The important thing is to look at the mortgage – before the house. Your mortgage broker can help determine the amount of mortgage money that you are qualified to borrow and you'll ensure the right budget for things like closing costs too. A letter of pre-approval is an enormously handy document to have in your pocket before you start to view houses. And, if you get into a bidding war on the home of your dreams, it's good to know your limit, since it's easy to be swept up in the excitement. So get pre-approved.

**5. Location and planning.** Armed with your pre-approval, you can be practical and reasonable about how much house you can afford. Stay within your means and focus on making the best possible home selection – not just for the investment potential, but for the quality of life you want to enjoy. For both, location will be a key consideration. Many real estate experts still agree that the best real estate values can be found by selecting the least expensive house in a good neighbourhood. You'll enjoy and benefit from the value of the neighbourhood, without paying too much extra for it. A desirable and stable location is the place to invest your money. Can't afford the house of your dreams yet? Take the long view. Your dream house is in your future, but most of us have to work our way up the real estate ladder.

Remind yourself that the decision to buy a house has its emotional rewards too. A house is not just a house. It will soon become your home. Happy homebuying!



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