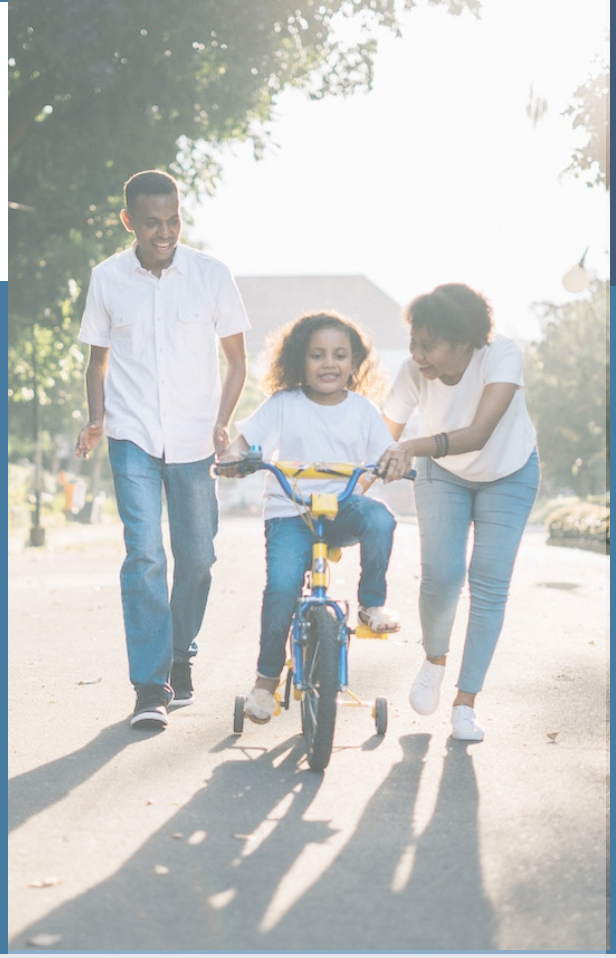
Boychuk Mortgage GROUP

First Time Home Buyer's Guide

Mortgages Made Simple!



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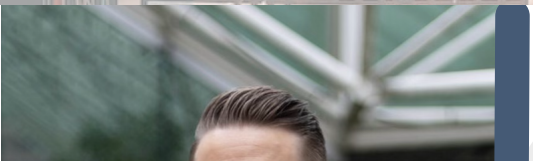
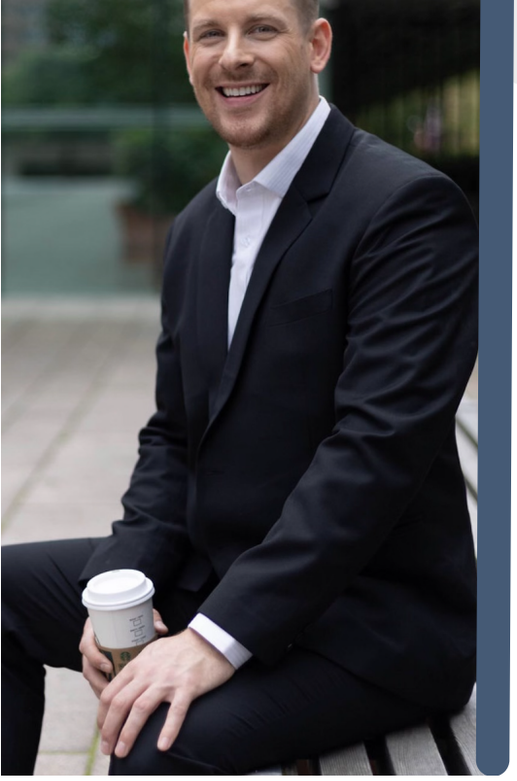


Meet Your Team!



Riley Boychuk – Partner & Senior Mortgage Advisor

As your dedicated and trusted mortgage advisor based out of the Greater Vancouver area, it is my pleasure and business to ensure my clients are in the most suitable mortgage that supports their needs for today and goals of tomorrow, whilst securing a safety net given any changes that come along in life.

Having grown up in the lower mainland of British Columbia and discovering early on my passion for finance & economics, I knew from an early age that I wanted to get involved in the real estate industry. I was fortunate enough to grow up with a remarkable and supportive family, that allowed me to fulfill my early life dreams of becoming a professional hockey player. Playing professional hockey also led me to becoming a 2nd generation career firefighter. It's with an enormous amount of gratitude that I am able to apply the same high standard of service and level of professionalism to my clients as I do to the citizens I serve as a city firefighter. I have learned that my compassion for others, integrity, and competency in my abilities to help others are traits that allow me to provide the highest level of care for those I work with & for.

Because searching for that perfect mortgage can be stressful and time consuming, it is my duty to find the right mortgage and the very best rate possible for my clients. My personal goal in every endeavour is to increase the capacity of myself, and those around me, to create a service committed to excellence and integrity, in providing my clients a stress-free and rewarding experience from start to finish.

Our Promise to You

1. **Pride in Helping Families**
   Purchasing a home is one of the biggest financial undertaking you may face & that is why we take pride in making each step of the mortgage process simple & easy for you to understand.

2. **Saving You Money**
   We offer a lowest rate guarantee policy as our fiduciary values are to save you as much money as possible!

3. **Relationships**
   Our foundation is established on Integrity & Trust, with a knowledge base focused on helping you make that educated financial decision that best suits you & your family. We are here as your support for the life of your mortgage.

We work for you!

Rent vs Own

Rent or Buy?

The big question is – to buy or not to buy. And with that, it's crucial you know if home ownership is for you. We have broken down some of the common advantages & disadvantages:

Renting Pros

- Your money is more accessible
  Because a home is illiquid, homeowner have their money tied up in equity.

- Less responsibility
  Homeowners are responsibly for things like repairs & maintenance.

Renting Cons

- Rent payment are 100% interest only
  Each payment results in paying off your landlord's mortgage.

- Limited opportunity to create wealth
  With rising rental prices & interest only payments, there is limited room for financial growth.

- Less stability
  With ongoing change in ownership & property management, finding that stability can be a challenge.

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Home Ownership Pros

Home Ownership is a Sound Investment

Real estate is one of the safest investments you can make.

Homeowners grow their equity in FOUR main ways: appreciation, mortgage pay down, cash flow components, & sweat equity.

With the price of homes historically increasing over time & a portion of your monthly payment paying down your mortgage, your equity grows & so does your net worth.

Tax Deducible

Homeowners may benefit from certain tax breaks like deducting mortgage interest & any early on out-of-pocket expenses.

Stability

Owning your home means you call all the shots.

Sometimes Cheaper

While payments are generally higher than that of renting, you'll see the upside when subtracting the portion of each payment that goes towards paying down your principal, especially over time.

Home Ownership Cons

More Responsibility

Homeowners are responsible for things like repairs & maintenance

More Expensive

Homeownership is more expensive upfront, but beneficial in the long run

Commitment to Stay

Buying a home comes with a commitment to stay. Breaking a mortgage, selling a home, & moving all come with costs.

Questions to Ask Yourself

Are You Ready for Home Ownership?

Answer these simple questions to find out if you're ready to start your home buying journey.

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Are you familiar with the real estate market?

TIP - Contact your realtor or one of our mortgage advisors at Boychuk Mortgage Group to learn more on where prices are at, including details on today's market.

Do you have a consistent income source - salary or self-employed?

TIP – Conventional "A" lending is income qualifying & will require some sort of income source.

Do you know how much you can afford?

TIP – It is important to understand how much mortgage you can comfortably carry. The free, no obligation discovery call will tell you everything you need to know about how much your monthly payment and closing costs may be.

Do you have a healthy credit score?

TIP – A credit score is how lenders measure the level of risk on their loan. Remember, no credit is considered bad credit. If you don't have credit, you can establish some with a pre-paid credit card.

Have you saved enough for a down payment?

TIP – The minimum down payment is 5% on the first $500k – 10% on the next $500k, up to 1 mil - & 20% on a purchase over $1,000,000.

Do you have a handle on your consumer debt?

TIP – A high debt load can hinder your ability to qualify for a mortgage. Car loans are the most common, including credit cards, lines of credit, student loans, personal loans, & more.

Your home may well be one of the biggest purchases you'll ever make. The good news is you won't have to save the full $629,971 (which is the national average home price in July 2022).

Budgeting

The minimum down payment would be $37,997.10

Here are a variety of ways to save for your down payment !

1. Work hard; rack up accomplishments; ask for a raise.
2. Earn a second income
3. Save cash from relatives
4. Inheritance or gift from family
5. Budget now & build a plan
6. Pay yourself first: automate payments each pay period.
7. Eliminate credit card debt: quit paying interest
8. Eat at home more often.
9. Never grocery shop whungry
10. Avoid impulse shopping
11. Acquire a roommate or live at home
12. Downsize
13. Declutter your belongings
14. Catch up with friends over a walk, not cocktails
15. Limit yourself to luxury items or vacations (for now).

Power of Home Ownership

Remember – Its time in the market that builds WEALTH in real estate!

Today

- **Purchase Price = $500,000**
- **Mortgage Balance = $494,000 - with mortgage loan insurance**

In 5 years

- Value = $565,704.11
- Mortgage Balance = $418,983.89

Based on consistent payments at a rate of 2.59% over 25 years with 5% down ($25,000) & a 2.5% conservative annual appreciation.

5-year estimated property value = $565,704.11

5-year principal pay down = $75,016.11

5-year earned equity = $121,720.22 - includes day one loan insurance premium

5-year equity outlook = $146,720.22

The Home Buying Process

Steps

1. Apply
Discuss your goals & provide information

2. Pre-Approval
Obtain your rate hold & borrowing power

3. Build You Team
Select your Lawyer, Broker, Realtor

4. Home Search Begins
Shop for your new home

5. Offer
Make an offer & have it accepted

6. Conditions
Order appraisal, satisfy conditions & remove subjects

7. Deposit
Provide this in trust to your realtor

8. Celebrate
Celebrate & wait

9. Lawyers
Sign final documents & provide down payment

10. Complete
Take possession of your new home

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Mortgage Pre-approvals Explained

- **Your pre-approval includes a one-on-one success planning session to help educate you & create a long-term mortgage & wealth strategy**
- **In this step, we review your mortgage application, examine documents, check your credit, then source the best lender(s) & product for your situation.**
- **A true pre-approval with Boychuk Mortgage Group is a guaranteed stamp of approval that we have done the proper due diligence to protect your best interest in advance of shopping.**
- **Pre-approvals are a free, no obligation step, put in place to help you understand your unique borrowing power before starting the home buying process with your realtor.**
- **Your pre-approval rate will be held for 120 days (sometimes more), protecting you should rates rise. This comes with a guaranteed best rate at time of submission.**
- **Understanding your borrowing power at time of offer, not only gives you the upper hand in negotiations, but it provides you the confidence to take action.**

You are now ready to begin your home search with your realtor!!

Building Your Team

Build Your Team:

Buying a home is one of the most significant purchases in a lifetime & is why it is essential to have an experienced team working for you.

Mortgage Broker

Our team presents a fiduciary service to provide you financial insight & options with your best interest at mind throughout the home buying process. As your trusted mortgage team, it is our duty to ensure you are in the most suitable mortgage that supports your needs for today and goals of tomorrow, whilst securing a safety net given any changes that come along in life.

What our mortgage team provides you that the corporate banks can't!

Options – We have access to 100+ lenders & 5,000 products, resulting in you saving money, where the bank offers their products only.

Exceptional Service – Our office doors do not close come evenings or weekends. We are available 24/7 & work around the clock for you.

Continuous Support – We are here for you for the life of your mortgage.

Unbiased Advice – We work for you & not the lenders.

Free! – In most cases, our service to you is free with NO hidden fees.

We Negotiate on Your Behalf - Because of our partnerships, we have the upper hand in securing our clients the lowest rates.

Relationships – With your best interest at heart, we win when you win. Our focus is to help you meet your goals while educating you on building long term wealth in real estate.

As well as a Mortgage Advisor, you'll want to assemble a team of home-buying experts to provide you with assistance along the way

Realtor

A buyer agent's responsibility is to represent the buyer and to ensure that they are protected. Realtors protect you by giving valuable advice, knowledge and expertise that allow you to buy with confidence knowing that you're making informed decisions. Having the right Realtor on your side can transform a complex transaction into an exciting and rewarding experience.

Apraiser

An appraiser is a professional who will conduct an experienced & unbiased opinion of your homes current value. That appraised value is what most lenders will base their lending on. While not required in all transaction, many lenders will condition for an appraisal prior to funding.

Legal Team

With every real estate transaction, it's your legal team who will help you finalize your transaction. Your legal team may consist of a notary or a lawyer of your choice. Notaries can process your transaction, but cannot give legal advice. Alternatively, lawyers can process your transaction & give legal advice.

As well as a Mortgage Advisor, you'll want to assemble a team of home-buying experts to provide you with assistance along the way

Insurance Broker

Upon securing your new home, an insurance agent will provide you with the appropriate home insurance policy, helping you protect your asset. Often home insurance is required prior to mortgage funding.

Home Inspector

A home inspector is a qualified professional who will give you peace of mind on the conditions & safety of your new home. Home inspectors have expert knowledge & tools to help find any deficiencies (if any) the home may have. While optional, this report is often conducted after your offer is accepted & before conditions are removed.

Starting Your

House Hunt

Offer Accepted.. Now What?

Step 1 - Get your Mortgage Approved & Appraisal done!

Step 2 - Get your home Insurance policy quote in place!

Step 3 - Inform your legal team of your new purchase!

Step 4 - Confirm property conditions like the hot water tank, roof, plumbing, electrical, HVAC & other upgrades.

Step 5 - Review strata documents with your realtor (if applicable)

Step 6 - Call the city – Confirm no issues from their end.

Step 7 - Conduct your home inspection – Confirm no deficiencies.

Step 8 - Final review before subject removal – Purchase contract, inspection report, condo docs, mortgage financing, personal notes, pictures, timelines, & GUT CHECK!

Credit Score Basics

Your credit score is a three-digit number that is a prediction, based on statistics of your credit at a specific point in time. The higher your score, the more likely you will be approved for a mortgage – and receive a better interest rate.

Factors that impact credit score:

- Written off accounts
- Minimal credit length
- High credit utilization
- High Debts/ Carrying a balance – over 40% of credit limit
- Missed payments
- Exceeding your credit limit.

Factors that do not impact credit score:

- Carrying a balance of less than 35% of your credit limit
- Ordering a copy of your report
- Inquiring on your new mortgage

How to improve your credit:

- Make payments on time
- Pay off or down credit cards
- Don't carry over 35% of your available credit limit to your next monthly bill cycle.
- Increase your credit limit

TIP - Order a copy of your credit report from consumer credit agencies like Equifax or TransUnion to track your monthly & annual progress

Insurance

Mortgage Default Insurance

Default insurance is for those borrowers purchasing with less than 20% down. This insurance is added into the total mortgage which protects the lender in case of default.

Homeowners Insurance

All homeowners require this insurance policy as it covers your property & contents against fire, water damage, theft, & other forms of damage. It also provides a liability component protecting you in the event someone gets hurt on your property.

Rental Insurance

Also known as contents insurance, this policy will be for your renters. It protects their contents, but more importantly to you, as a landlord, it covers their liability for property damage caused by their negligence.

Mortgage Life & Disability Insurance

Title insurance is now required by most mortgages & is put in place by your legal team to protect you & your lender from losses related to property title or ownership.

Title Insurance

While 100% optional, life insurance will pay off your mortgage in full, for in the event that a borrower passes away. The disability component will cover your mortgage payments for up to 2 years, in the event one borrowers is found injured or sick & can't earn an income.

Closing Costs

Common Closing Costs

Legal Fees:
As the final stage of your home buying process, your legal team (lawyer or notary), are responsible for legalizing your transaction, including registering your mortgage & transferring title. This estimated cost is between $1,500 & $2,500.

Home Insurance:
Most lenders will require proof of home insurance at completion. This cost will vary, but you should budget $50 - $100 a month.

Appraisal Costs:
Your lender may ask you to order a home appraisal as part of your conditions to confirm the value of your home. In many cases with a down payment of less than 20%, we can have this appraisal completed at no cost to you. However, if required, this cost may vary depending on property value, property location, and if there is a rush on the report, but we typically recommend a budget of $500 to $1000.

Home Inspection Cost:
A home inspection is optional in most circumstances. This cost may vary depending on the uniqueness of the property & if there is a rush on the report, but we typically recommend budgeting between $500 & $800

Adjustment Costs:
If the seller has pre-paid property taxes, water bills, or utilities in advance for that year, you'll need to reimburse them at completion via your legal team's final adjustments. This can potentially add hundreds to your closing costs.

Cost of Newly Construction Homes:
On a new construction purchase, you will likely be required to pay a 5% GST tax at completion, on top of your down payment.

Closing Costs

Land Transfer Tax
In the province of BC, when ownership transfer title, buyers are faced with a land transfer tax – AKA, property transfer tax

+ 1% on first $200,000
+ 2% on balance up to $2,000,000
+ 3% on the balance over $2,000,000
+ 2% on balance over $3,000,000 ****If Residential****

Note, that there are some exemptions to this tax for first time home buyers like you & new build properties.

Title Insurance:
Title insurance can safeguard you against fraud. Fees here range from $150 - $300 & are arranged by your legal team.

Down Payment:
Your down payment is the accumulation of funds that make the difference between your total purchase price & your total mortgage.

Minimum Down Payment:
5% on the first $500,000
10% on the next $500,000 up to $1,000,000
20% on any purchase over $1,000,000

Moving-In-Costs
Make sure to budget for last minute expenses such as professional movers, lock smiths, cleaning supplies, etc...

Do's & Dont's during the home buying process

Do's

- Keep saving
- Continue paying down unsecured debt
- Keep your mortgage team up to date with any changes including down payment & income
- Maintain an adequate credit score

Dont's

- Do not take on any new debt, including a vehicle
- Do not change jobs
- Do not spend your down payment
- Do not move your down payment around

First-time Home Buyers Incentive Plan

Pros

- Helps you qualify
- Brings your monthly payments down
- Interest free loan
- In the event of depreciation at time of sale, the government will cover up to a max 8% of that loss.

Cons

- In the event of appreciation at time of sale, the government will see up to a max 8% of that gain.
- This loan is to be paid back within 25 years or at time of sale, refinance, port, or release of security. You can also pay back the loan in advance of 25 years at no extra cost.

Everything You Need To Know

How it Works

The first-time home buyer's incentive is a shared equity program with the government who will loan you 5% - 10% of the homes purchase price as an additional source of down payment.

Criteria

- Total annual household income must not exceed $120,000 / $150,000 if the home is located in Toronto, Vancouver, or Victoria.
- Your total borrowing is no more than 4x your qualifying income / 4.5x if the home is located in Toronto, Vancouver, or Victoria.
- You & your partner are first time home buyers.
- You are a Canadian citizen, permanent residence, or non-permanent residence with a work visa.
- You meet the minimum required down payment of less than 20%.What are the different steps you'll take to help them reach their goals?

Types of Homes

- New construction = 5% or 10%
- Existing home = 5%
- New & existing mobile / manufactured home = 5%

Incentives:

First-time Home Buyer Plan

FTHB Transfer Tax Exemption

Existing Homes

- Full rebate up to $8,000 on a purchase price of $500,000 or less.
- Partial rebate on a purchase price between $500k & $525k.
- Partial rebate on a purchase price of $500k or less where one borrower is not a FTHB.

New Builds

- Full rebate up to $13,000 on a purchase price of $750,000 or less.
- Partial rebate on a purchase price between $750k & $800k.

FTHB Tax Credit

First time home buyers who acquire a qualifying home can claim a non-refundable tax credit of up to $750 for the year of purchase.

This value is calculated by multiplying $5,000 by the lowest personal income tax rate (15% in 2022).

Currently, the proposed change is $10,000, otherwise resulting in a $1,500 credit.

Home Buyers Plan

As a first-time home buyer, this Home Buyers Plan allows you to withdrawal up to $35,000 (2022) from your registered retirement savings plan (RRSP) for the purpose of a down payment on an existing home or to build a home for yourself or a related person with disability.

The 4 C's of Mortgage Qualification

Credit

To mitigate risk, lenders review your credit history to assess your ability & willingness to pay off bills & other loans. Many lenders have a minimum credit score where in some cases, a stronger credit score can result in a more competitive interest rate.

Capacity

Also known as your income to pay back the loan. With conventional "A" financing based on income qualifying, lenders will look at:

- Your employment type.
- History of employment.
- How you're paid.
- Stability of your income.
- How much you earn.

Alternatively, lenders will offset your income against household debts, such as:

- Car payments.
- Student loans.
- Credit card payments.
- Personal loans.
- Child support.
- Alimony.
- Other debts.

Capitol

Capital refers to not only the accumulation of your down payment, but also all personal assets to your name.

Lenders consider your readily available money via a number of sources, such as:

- Savings.
- Investments.
- Properties.
- Assets.
- And more.

Along with the above cash reserve sources, other acceptable sources of capital might include:

- Gifted funds from family.
- Down payment or closing cost programs.
- Grants.
- Sweat equity.

Collateral

In the case of a mortgage, the collateral is the home that you're buying. Your home is pledged as security against your new mortgage. If you default on your mortgage payments, your lender could take possession of your home, also known as foreclosure.

From Comfort Zone to Growth Zone

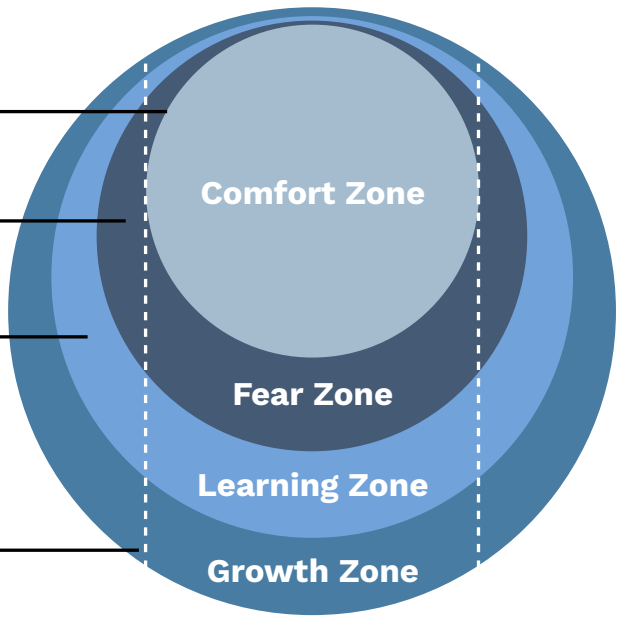
Look how far you've come. !

Comfort Zone
Thinking about getting in the market, but not sure where to start

Fear Zone
Overwhelmed with how much there is to know before purchasing

Learning Zone
Understanding your options, lender's requirements, & the steps you need to take to maximize your pre-approval anount

Growth Zone
Choosing the best mortgage option that addresses both short & longterm goals



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