

Buying A Home

Are you planning to buy a home?

Home ownership may be the biggest investment you will ever make. There is a lot to consider such as your budget, lifestyle and location. Do you want a detached home, a condo, or a townhouse? Is it freehold or leasehold? What about financing? What should you expect from your real estate agent, lender, lawyer, home inspector and builder? It sounds complicated but by carefully looking at the options you can make an informed decision about home ownership.

Mortgage Financing

Before you embark on your housing search, it is a good idea to talk to a financial institution or mortgage broker about your financial requirements. They can help you determine how much you can afford, provide a pre-approved mortgage and review the mortgage options that are available. Do you want it open or closed? Short term or long term? Fixed or variable rate? Prepayment privileges? Portability? Mortgage life insurance? Once you have completed this process you will have a good indication of the price range you should be looking at for your new home.



Contract of Purchase and Sale

Once you have found the right property and it is time to make an offer consider having a lawyer review the Contract of Purchase and Sale before it is presented to the vendor. By doing so, you ensure that your interests are properly protected under the Contract of Purchase and Sale which becomes a binding contract once it is accepted by the vendor.

Normally an offer is made on the standard form published jointly by the B.C. Branch of the Canadian Bar Association and the B.C. Real Estate Association. It is important to ensure that all the essential terms of the Contract of Purchase and Sale are clearly set out or the contract will not be enforceable. Some of the items to think about when making an offer include: the purchase price, the deposit amount, the time period for which the offer is valid, the closing date and what you expect to be included with the house. It is important to carefully review all the clauses as they will be binding on you. If a particular clause is not applicable, it should be crossed out and initialed by both you and the vendor. You may wish to have something added to the contract which must also be initialed by both parties. Remember you need to feel comfortable with the offer.

You will have to make a deposit on the purchase price at the time the vendor accepts your offer. It is in your best interests to keep the deposit amount as small as possible. If you subsequently fail to complete the transaction, the vendor is usually entitled to keep the deposit.

Subject Clauses

Unless you are paying cash, you should make the offer "subject to financing". This clause will allow you out of the contract in the event that financing is not available. There may be other subject clauses that

you wish to include, such as a “subject to inspection” clause, which permits a home inspection and allows you out of the contract if not satisfied with the inspection results. Without this clause, the principle of “buyer beware” applies so you will likely be stuck if you discover a problem with the property.

The Contract of Purchase and Sale should cover everything you are buying. If your intent is that all appliances are included then ensure it is stipulated in the Contract of Purchase and Sale. If you have concerns about the condition of the property then ensure the vendor provides written warranties and representations about those items and include a clause stating that those warranties and representations will survive the closing date.



Additional Costs

- Appraisal Fee
- Home Inspection Fee
- Survey Certificate
- Mortgage Insurance
- Property Transfer Tax
- GST
- Prepaid Property Tax
- Utility Adjustments
- Legal Fees
- Home Insurance

Property Transfer Tax

At this stage you should also consider other expenses involved when buying property. One is the Property Transfer Tax which is payable to the Provincial Government by purchasers of real estate. The amount of the tax is 1% on the first \$200,000 of the fair market value of the property and 2% on the remaining fair market value. There is a First Time Home Buyers exemption that is available for individuals that meet the criteria which include the following: you are a Canadian citizen; you have lived in B.C. for one year prior to the purchase or you have filed two income tax returns as a B.C. resident during the six years before the date you register the property; you have never owned an interest in a principal residence anywhere in the world; and you have never received a first time home buyer's exemption or refund. Other details for the program are available on the B.C. Government website.

Other Costs

Some transactions are subject to the federal Goods and Services Tax. GST is most often payable when the property is purchased from a builder or renovator, when the property is new or substantially renovated, or when the property is not a residence or personal recreational property. It may also be payable in other circumstances. The vendor must declare whether GST is payable on the transaction.

Other expenses could include insurance, a share of the property taxes and other adjustments which may vary depending on the nature of the purchase. If you are financing your purchase by way of a mortgage there may be fees for insurance, survey certificate, appraisal, etc. These costs do add up and it is important to estimate and plan for them early in the process to ensure that you have sufficient funds available prior to the closing date.

Lawyer

Your lawyer is available to review the contract of purchase and sale prior to it being presented to the vendor. Once the offer has been accepted by the vendor the details should be provided to your lawyer who will complete all the legal work, protect your interests and convey title of the property into your name. If you there are have any subject clauses you must ensure that they are removed by the timeframes stipulated in the contract.

Once your lawyer has the information they will complete the necessary searches, draft documents, review documents, coordinate with your lender, register documents to ensure that you receive the proper legal title to the property and pay the relevant parties on your behalf. Your lawyer is working for you and should be contacted whenever you have any questions.

This information applies as a general rule but may change depending upon the specific circumstances of your own situation. You should consult a lawyer before acting on any of this information.

If you have any questions, please do not hesitate to contact us:

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