

The NuCasa Advantage

First Time Edmonton Home Buyers & RRSPs

Did you know that, as a first time homebuyer there is a federal program in place to assist you with the purchase of your first home?

Under the Canadian federal government's Home Buyer's Plan, you can use up to \$20,000 in RRSP savings (\$40,000 per couple) to help finance the down payment on your first home. The great news is that you actually have 15 years to pay back your RRSPs penalty free. This timeframe will give you plenty of time to get settled into your new home.

To qualify, your RRSP funds must be deposited for at least 90 days prior to the purchase of your new home. By working with a qualified agent like myself, I will help ensure that the required home purchasing documentation is completed with you. Prior to withdrawing any RRSP funds, you will need a home purchase contract.

Alternatively, if you have \$20,000 in savings and these funds are not located in an RRSP, you may want to utilize the Home Buyer's Plan to its maximum advantage. You could consider transferring your savings into an RRSP, and then withdrawing them through the Home Buyers Plan to receive the tax benefits.

Not ready to buy for another few years? Consider the benefits of utilizing a Tax Free Savings Account. With a maximum contribution of \$ 5000.00 per year, you can save for your future real estate investment. The great advantage of a Tax Free Savings Account is that you can withdraw anytime without penalty and most importantly it's tax free! Before you make your financial decision, remember to always ask advice from an expert such as your financial advisor, lawyer and or tax specialist. These professionals can help determine which approach is best suitable for your financial situation.

CMHC - helping with the Canadian dream
Canada Mortgage and Housing Corporation (CMHC), plays a major role in Canada's housing industry. As a home buyer you can take advantage of the numerous resources available including home research services, market evaluations, and access to affordable financing options. Programs include; aboriginal housing, residential rehabilitation, adaptation for senior's housing needs, public and private partnerships, in addition to available grants and awards.



CMHC makes it easier for Canadians to obtain a home by providing mortgage loan insurance. For many people, especially first time home buyers, saving for a down payment is a challenge. When a home buyer has 20% or less of the purchase price to put down, a lender requires mortgage insurance for protection against any payment defaults. CMHC provides this insurance for you the home buyer, to limit the lenders' risk. The lender will then agree

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to finance up to 95% of the purchase price of your new home. You can then purchase a property with as little as 5% down! For example, if the cost of the home is \$250,000, you only need a down payment of \$12,500.

This allows you to become a homeowner, even if you don't have a large down payment put aside. You just need to meet the following conditions and home ownership can be within your reach:

- The home must be located in Canada and considered your principal residence.
- You must have a down payment of at least 5% of the purchase price.
- Your home-related expenses must not exceed 32% of gross household income which may include utilities, property taxes and condo fees if applicable.
- Your total monthly debt load must not exceed 40% of gross monthly household income. Debt such as personal loans, car payments and credit cards would need to be factored into this percentage.
- You must be able to pay closing costs equal to at least 1.5% of the purchase price. Closing costs may include lawyers' fees, GST, land transfers and more.

CMHC - An Affordable Form of Insurance

To determine your CMHC Mortgage Loan Insurance premium, your mortgage representative will calculate a percentage of the loan based on the size of your down payment. To clarify, if you put a smaller down payment on your home, you will pay a higher percentage in insurance premiums. Alternatively, if you put down a deposit of greater than 20% of the total cost of the home, you are not required to have CMHC Mortgage Loan insurance. CMHC Mortgage Loan Insurance premium fees tend to range from 0.5% to 2.9%. Typically your mortgage insurance premium can be paid as a lump sum annually or can be included into your monthly mortgage payments. Your mortgage advisor will be able to determine what will work best for your needs.

Note A Multiple advance may be necessary in a new home purchase or mortgage plus home improvement type loans.
E.g. \$100,000 for house, \$10,000 for improvements.

Loan Size % of purchase	Single Advance	Multiple Advance
Up to 65%	0.50%	1.00%
Up to 75%	0.55%	1.25%
Up to 80%	1.00%	1.75%
Up to 85%	1.75%	2.50%
Up to 90%	2.00%	3.00%
Up to 95%	2.75%	4.25%

How Much Can You Afford?

Work through the worksheet below see what you can afford.

Calculating Gross Debt Service (GDS)

With this calculation, you can estimate the maximum home-related expenses you can afford to pay each month. The total should not be over 32% of your gross monthly household income.

Example:	
Total monthly housing costs (as noted above)	\$1,035.00
Other debts, (personal loans, car loan, Credit cards, etc)	\$450.00
Total monthly debts	\$1,485.00
Gross monthly income	\$4,500.00
TDS = Total monthly debts (x100) ----- Gross monthly income	= 33%
\$1,485 (x 100) ----- \$4,500	= 33%

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To calculate your monthly mortgage payments, consider the amount borrowed, the interest rate and the amortization. Use our handy mortgage calculator to calculate your monthly payments found on every listing throughout this website.

Cost Per Thousand Dollars Borrowed

%	10 years \$	15 years \$	20 years \$	25 years \$
4.00	10.11	7.38	6.04	5.26
4.25	10.23	7.50	6.17	5.40
4.50	10.34	7.63	6.30	5.53
4.75	10.46	7.75	6.44	5.67
5.00	10.58	7.88	6.57	5.82
5.50	10.82	8.14	6.84	6.10
5.75	10.94	8.27	6.98	6.25
6.00	11.07	8.40	7.12	6.40
6.25	11.19	8.53	7.26	6.55
6.50	11.32	8.67	7.41	6.70
6.75	11.44	8.80	7.55	6.86
7.00	11.56	8.94	7.70	7.01
7.25	11.69	9.07	7.84	7.16
7.50	11.82	9.21	7.99	7.32
7.75	11.94	9.35	8.14	7.48
8.00	12.07	9.49	8.29	7.64
8.25	12.20	9.63	8.44	7.80
8.50	12.33	9.77	8.59	7.96
8.75	12.45	9.91	8.74	8.12
9.00	12.58	10.05	8.90	8.28
9.25	12.71	10.19	9.05	8.45
9.50	12.84	10.34	9.21	8.62
9.75	12.98	10.48	9.36	8.78
10.00	13.11	10.63	9.52	8.95
10.25	13.24	10.77	9.68	9.12
10.50	13.37	10.92	9.84	9.29
10.75	13.51	11.07	10.00	9.45
11.00	13.64	11.22	10.16	9.63
11.25	13.78	11.37	10.32	9.80
11.50	13.91	11.52	10.49	9.98
11.75	14.05	11.67	10.65	10.15

This article is compiled with information obtained from CMHC. The information contained in this article is believed to be accurate, but not warranted to be so.