

HOME BUYER'S

Guide



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YOU'RE READY TO BUY A HOME

When getting started on the Buying Process, there are a lot of things to consider to help you make an informed decision on your new house or condo. Here is a step-by-step guide on what this process may look like for you.

The Buying Process

Step 1: Pre-approval

All buyer's who require financing need to be pre-approved before starting their house hunting journey. For homes under \$500,000 you can have as little as 5% down. For homes over \$500,000 you will need a minimum of 10%

If you want to buy a home with a down payment of less than 20%, you'll need mortgage loan insurance. This protects your lender in case you can't make your payments. CMHC mortgage loan insurance lets you get a mortgage for up to 95% of the purchase price of a home or condo. It also ensures you get a reasonable interest rate, even with your smaller down payment.

It is recommended that your monthly housing costs should be no more than 32% of your average gross (pre-tax) monthly income. This percentage is known as your gross debt-to-income or gross debt service (GDS) ratio. CMHC restricts GDS ratio at 39% to qualify for an insured mortgage.

Gross Debt Service Formula:

$$\frac{\text{Principal} + \text{Interest} + \text{Taxes} + \text{Heat}}{\text{Gross Annual Income}}$$

It is recommended that your monthly total debt load should be no more than 40% of your average gross (pre-tax) monthly income. This percentage is known as your total debt-to-income or total debt service (TDS) ratio. CMHC restricts total debt service (TDS) ratio at 44% to qualify for an insured mortgage.

Total Debt Service Ratio Formula:

$$\frac{\text{Principal} + \text{Interest} + \text{Taxes} + \text{Heat} + \text{Other Debt Obligations}}{\text{Gross Annual Income}}$$

Terms:

Principal and Interest*: Payments should be based on the applicable amortization period and loan amount, including the CMHC premium.

Taxes: Include the property tax amount.

Condo Fees and Site or Ground Rent: If applicable, 50% of the condominium fees must be included in the GDS and TDS calculations. For chattel or leasehold loans, 100% of site or ground rent must be included.

Heat Costs: Mortgage professionals are expected to ask the prospective borrower what the monthly heating costs are for the subject property and use the actual heat cost records, if provided by the prospective borrower. Where no history is readily available, the heat costs used must be a reasonable estimate taking into consideration factors such as property size, location and/or type of heating system. Such estimates are to be based on a sound rationale, providing an accurate estimate that is reflective of the characteristics of the property being purchased.

Other Debt Obligations:

- Other debt obligations include revolving credit (i.e. credit card debts, lines of credit), personal loans or car loans, etc. For unsecured lines of credit and credit cards, factor in a monthly payment amount corresponding to no less than 3% of the outstanding balance. In determining the amount of revolving credit that should be accounted for, lenders should ensure that they make a reasonable inquiry into the background, credit history and borrowing behaviour of the prospective borrower.
- For secured lines of credit, factor in an amount corresponding to at least a monthly payment on the outstanding balance amortized over 25 years using the contract rate (or the benchmark rate if contract rate is unknown). Lenders may elect to apply their own internal guidelines where the result is at least equivalent to the above.

Rental Income: Rental income can be included in the calculation of the debt service ratios and form part of the prospective borrower's total gross annual income. The approach used will depend on the nature of the application for mortgage loan insurance and information available. For instance, when the property is the subject of the mortgage loan insurance application :

- up to 50% of gross rental income can form part of the borrower's gross annual income, and taxes and heat can be excluded in the calculation of debt service ratios;
- for a two-unit owner-occupied property, CMHC will consider up to 100% of gross rental income from the secondary suite.

For investment (rental) properties that are not the subject of the mortgage loan insurance application, net rental income can form part of the borrower's gross annual income.

** The qualifying interest rate for all fixed, adjustable, and variable (standard or capped) rate mortgages is the greater of the contract interest rate plus 2 per cent, or 5.25 per cent. The requirement applies to all mortgage terms (each component of mortgages with multiple interest rates must be qualified).*

Step 2: Choose Your Professional REALTOR®

Me! Check my client testimonials at www.ratemyagent.com. In 2023, I secured the 2nd spot in Winnipeg and 8th in Canada. Committed to giving back I am proudly recognized as the 6th Top Giving Agent nationwide.

I come to you with over 30 years experience and will guide you through the entire process with no pressure. I will educate you on everything you need to know about the buying process.

Step 3: The Service Agreement:

The Real Estate Services Act (RESA) and Regulation 84/2021 came into effect January 1st 2022 and replaces the Real Estate Broker's Act (REBA). This is the regulatory framework in which all REALTORS® in Manitoba must follow.

The new act requires all REALTORS® to enter into a Service Agreement ("Agreement") with each prospective buyer, seller, landlord or tenant of real estate or prior to providing them with any real estate services, on behalf of their Brokerage. Upon signing the agreement, a copy will be provided to you and one will remain with your REALTOR® and the Brokerage. Verbal agreements or consent is not permissible.

Once we decide to work together I will send you the Service Agreement so we can get started. It basically states:

- 1) Description of services to be provided; this section will identify some or all of the services the Brokerage may be providing to you (this may include sending you MLS listings via email, arranging to show you properties, discussing the real estate market)
- 2) Date of the Agreement and Date it expires; this section will clearly outline the start date and end date of the agreement, in which we are able to provide real estate services to you.

Step 4: Finding the Right House/Condo:

Now that you have a clear picture of your finances and mortgage options, it's time to start thinking about what kind of home or condo you want to purchase based on your needs today and in the near future.

Location, size, special features and the kind of lifestyle you live will help determine this. I will set you up on an email search that sends you property listings that meet your check list. When a new property is listed that meets your criteria, you'll be notified sooner than any online medium. This is an invaluable resource that gets you closer to the

property you want sooner. Once you find a home or condo to view, you can call, text or email me and I'll arrange to represent you and show you the property.

Step 5: Your Wish List:

Your wish list is important, but don't forget about the practical list your potential home should have as well. Wiring, attics, furnaces, shingles, soffit, fascia, plumbing... the list goes on! They should all be up-to-date and reliable (or the price should reflect it if not). The home's monthly utility and tax bill should also be practical for your budget. I will be able to request the home's full history that the seller is aware of. I will let you know of any potential troubles to watch out for and whether completed updates had permits pulled. It's my job to spot any potential hazards that you might overlook, and to give you my best and honest advice using my 30 plus years of experience.

Step 6: The Offer to Purchase:

As your REALTOR® I will help you determine a lucrative offer using comparable sales of similar homes in the area you're shopping in. Once you've decided on a value, we'll determine your deposit amount, possession date, and what terms you'd like to have in your offer. I will advise on any other conditions that should be considered such as financing, home inspection, hold backs on pools or hot tubs, a condition on the sale on the home you currently own. We will draft a legal Offer to Purchase and it will be submitted for review by the Seller and the Seller's agent. The Seller can accept, reject or counter your offer. I will guide you when we get to this part.

Step 7: The Final Step - Closing:

You will need a lawyer you trust to complete the legal side of the paperwork to finalize your purchase. You'll also need an insurance broker to set up your new home's insurance requirements. I can refer you to both of these. I will provide you with a digital file that will include copies of your offer and accompanying documents in addition to an estimate of your "closing costs" (which include land transfer taxes, lawyer fees and disbursements etc.) These fees will be due when your lawyer gives you your keys. I will provide you a list of "things to do" before possession so your purchase will go smoothly.

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Entering my 32nd year in Real Estate in 2025, it's remarkable to reflect on the journey. I have met so many amazing people that have gone from clients to friends and I am blessed that many of my past clients continue to reach out when they need advise or are ready to enter the market again. Educating and guiding buyers through the process is a passion of mine.

Check my client testimonials at www.rate-my-agent.com. In 2024, I received a Top Ranked spot in Winnipeg as well as in all of Canada for my 4th year in a row.

My Mom and my Mother in-law fought Dementia and both have passed away from this horrible disease. For that reason, I advocate and donate to the Alzheimer's Society. I also donate to the Humane Society, Manitoba Animal Alliance, Habitat for Humanity, Manitoba Harvest, Agape Table and various fundraisers.

My reputation as a consummate professional is reflected in nearly 80% repeat clientele - a testament to my commitment and deep knowledge of real estate.



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