Preparing for Homeownership

Becoming a homeowner is a huge accomplishment – and an equally large responsibility. That's why it's important to know what to expect before you begin home hunting.

Build a Budget and Stick to It

One of the biggest mistakes first-time buyers make is opting for a home that stretches them beyond their financial comfort zone. The key is to ensure that you can afford your mortgage payments and all the other monthly expenses that go hand-in-hand with homeownership.

Start by creating a realistic budget based on your goals. An effective budget will map out your plan to set aside money for your down payment and additional costs. It will also help determine the price of home you can afford.

Begin by tracking your household income and expenses, and then reviewing your spending habits. All of this can be recorded in a spreadsheet, an app or even on paper. It doesn't have to be fancy – but you do need to be able to regularly revisit and easily update your plan to suit your changing needs.

Examine all areas of your life from the type of food you buy and what you do for entertainment to where you purchase clothing and shoes, and how and where you travel. It's also important to look at your spending habits. Are you an emotional shopper, an impulse buyer or a saver? If, for instance, you're an impulse online buyer, simply identifying this issue and being conscious of it could help you become smarter with your money and avoid repeating old mistakes.

If you can set your budget solidly in place before you head out home shopping, you'll be far more prepared to purchase your first house. It will be well worth your while to make sacrifices early in order to start building equity sooner.

Save For Your Down Payment

In order to buy a home, the first thing you'll need to do is save for your down payment. The more money you put down, the less interest you'll pay over the life of your mortgage.

It's important to keep in mind that if your downpayment is less than 20%, you'll need mortgage default insurance. Mortgage insurance premiums are paid once and can be added to the principal of the mortgage. The only upfront cost here that's due at closing time is the tax on your mortgage insurance.

As a first-time buyer, you can also take advantage of the federal government's Home Buyers' Plan, which enables you to borrow up to $35,000 – or $70,000 as a couple – from your registered retirement savings plan (RRSP) tax- and interest-free to use towards your home purchase. But it's important to keep in mind that you must pay the full amount back in annual installments over a maximum of 15 years.

Consider Your Ongoing Homeownership Expenses

Depending on the type of home you buy, you may need to repair, renovate or buy and install such things as appliances, furnace, plumbing, etc.

You must also take into consideration utilities like gas and electric, phone services, WiFi and any other options you must have in your home. If you have this information on hand, it will make it easier to prepare for mortgage qualification.

Get Prequalified

Your income, expenses and debts will be looked at to determine what you can comfortably afford to spend on a home. So, if you've budgeted ahead of time, you'll likely be in a much more sound financial state when you're ready for prequalification.

Once you're prequalified, you'll have the comfort in knowing the right price range of homes to view. There's nothing worse than falling in love with a property you simply can't afford.

Sadaf Ehsan
Mortgage Agent
M20000056

Cashin Mortgages Inc.
FSRA # 12543
200-2010 Winston Park Drive 2nd Floor
Oakville, Ontario
L6H 6P5
Office (416) 898-7600 ext.315
Mobile (647) 801-4247
Email: sadaf@cashinmortgages.ca
Website: www.SadafEhsan.com

Independently owned and operated.

We have access to the widest variety of lenders – to find the right solution for you. We are experts at helping you achieve your home ownership dreams. Access your best options! REFERRALS WELCOME!