How To Pick Your Perfect Home!

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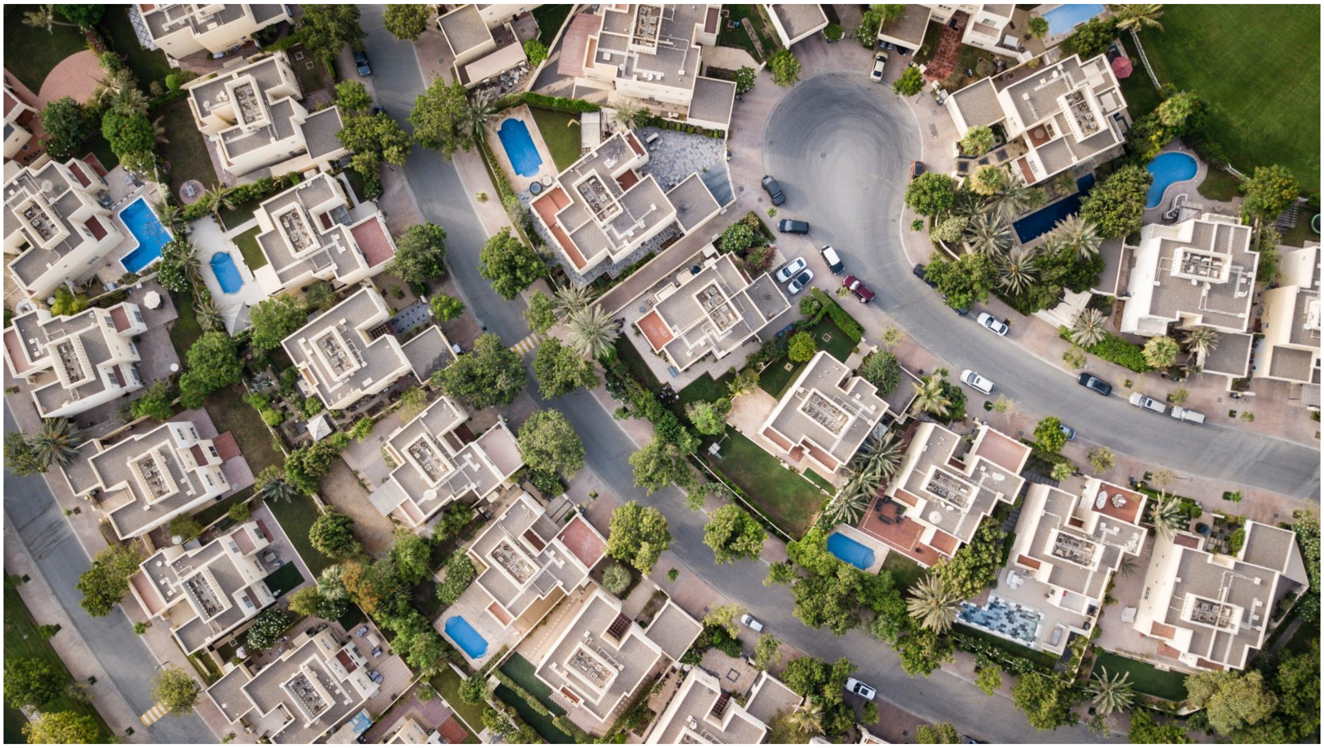

If you're not in the market for buying a home, chances are you will be in the future. Therefore, when looking for that dream home, there are a few things that you must take into account before you purchase. For many, a house is a second or third investment that you'll make. Usually behind a car and student loans. However, a mortgage is no joke. It takes decades to pay off and the last thing you want is to be stuck with a property that you're unhappy with! Therefore, we're going to go through some thought processes that'll help you in the future!

1. Finding The Right Home

I'm sure at one point or another we've all dreamed of living in an amazing house. However, we all have to start somewhere. Finding the right property can mean many things. A house can be absolutely amazing and not have everything you may want. Before we get into that, let's look at some things people may want in their new home.

The area plays a quintessential part in choosing your first or any home for that matter. Is it near a school, is the neighborhood safe? How about a strong sense of community? or maybe you're a foodie and want to be near amazing restaurants. There are many different factors that come into play. Furthermore, if you're buying in a new subdivision, there is a chance that the value will go up.

Next, we're going to dive into your financial situation for a brief moment. There are many times where I've seen people buy a house that's above or at the limit of their budget. This leads me to believe that people underestimate how much work it takes to maintain a home.

Houses aren't cheap and there should be some sort of compromise if necessary. You should only purchase a house if it makes sense to you financially. It is nice to have everything you wanted but is it worth the extra few hundred dollars a month? Carefully evaluate your financial situation and purchase a home within that limit. If anything happens you can still be safe maintain your home. This will become much harder if you're so close to your budget, leaving you with less wiggle room

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2. Pricing Is Everything

As I briefly mentioned above, price is a huge and for most, the main factor when buying a home. Remember, appreciation is one of the main reasons that buying a property can be such a great investment.

For example, a decade ago we bought our house in a relatively new subdivision After a few years a couple of schools, recreation centers, and other amenities were built. We bought that house for $290,000 in 2010 and sold for $620,000 in 2017. Therefore, buying a house in a developing area or in the city where appreciation happens at a greater pace is a common desire.

It is true that you can make a copious amount of money when you sell a property. However, what I suggest is that you should try and win from the very beginning. What do I mean by this? I mean purchasing a house that is moderately below its value. Let's say that you find a house valued at $400,000 and purchase it for $300,000. You're now up that $100,000 and any appreciation that'll happen in the future! However, finding an undervalued property is not easy. They are very few and far between. This is why you have to do quite a considerable amount of due diligence.

Check what the what previous houses in that particular area have sold for. This will give you a good understanding of what the house you're looking for is valued at. However, if you have a good real estate agent, they'll most likely walk you through all of this. It's in their best interest that you find what you want because that's when they get paid.

3. How Much Should The Down Payment Be?

There are a lot of different opinions on what your down payment should be, especially on your first house. Before we get into that, let's take a look at what the minimum requirement is.

Purchase price of your home	Minimum amount of down payment
$500,000 or less	• 5% of the purchase price
$500,000 to $999,999	• 5% of the first $500,000 of the purchase price • 10% for the portion of the purchase price above $500,000
$1 million or more	• 20% of the purchase price

For homes under $500,000, a 5% down payment is required. From $500,000 – $999,999 you have to pay an additional 10% for the amount above $500,000. Finally, the minimum down payment for homes over one million dollars is 20%.

Now, many people say that you putting 20% down immediately is optimal, regardless of price. However, the may not always be the case. Let's say you found a house that is undervalued (below $500,000) and is a steal. However, you only have 10% of the down payment. It may be in your best interest in using that 10% or even 5%. This is because there is a chance that the property may increase in price.

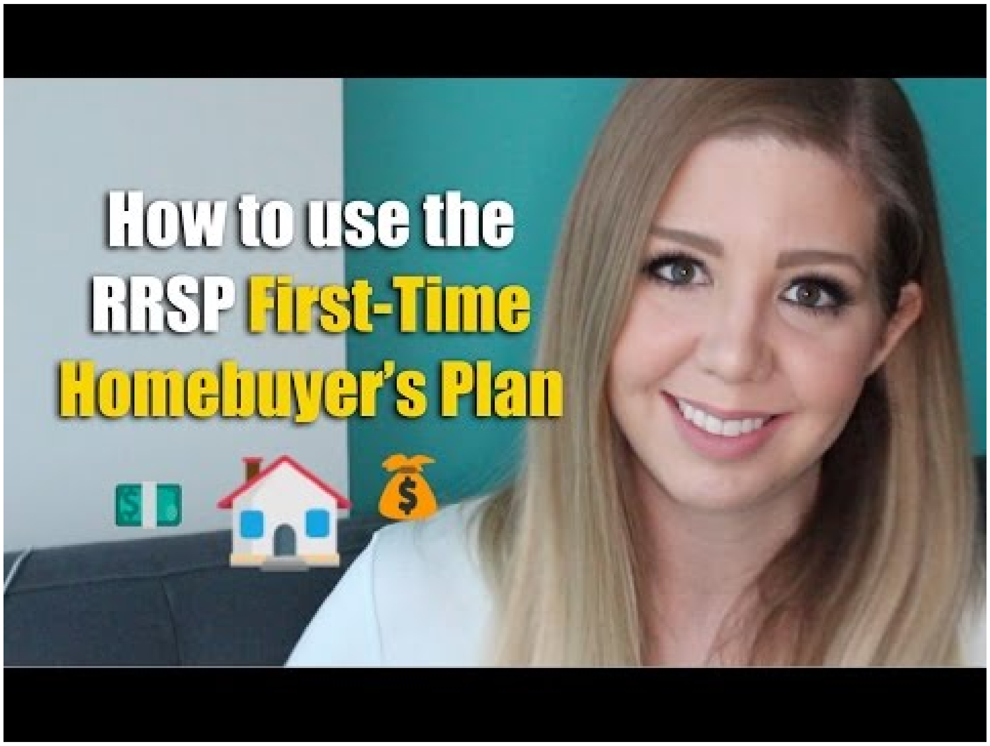
One thing you have to remember is that if you purchase a home for under a 20% down payment, you may want to look at private mortgage insurance. This is an insurance that protects you in case you default on your mortgage or if the property goes into foreclosure. Here is a bit more information from Investopedia on the topic of PMI.

> The PMI is usually paid monthly as part of the overall mortgage payment to the lender. Provided a borrower is current on their payments, their lender must terminate PMI on the date the loan balance is scheduled to reach 78% of the original value of the home (in other words, when the equity reaches 22%). Alternatively, a borrower who has paid enough towards the principal amount of the loan (the equivalent of that 20% down payment) can contact their lender and request that the PMI payment be removed.

For more information on PMI, visit Investopedia!

Home Buyers' Plan (HBP)

The home buyers' plan is definitely something you may want to look into when purchasing your home. The HBP allows an individual to take up to $25,000, tax-free, from their RRSP plan. This money can then be used towards their down payment. However, keep in mind that you'll have to pay that money back into your RRSP within 15 years. Therefore, before entering into the HBP, make sure that you're able to make those monthly payments consistently. The last thing you want is to pay any penalties!



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Last Words…

Purchasing a home can be extremely difficult at times. However, there is always a method to the madness. Keep points 1 – 3 in mind and I'm confident that you'll find the perfect home for you! Not to mention you can make some money along the way, which is always a bonus!

Happy home shopping!