



Making the jump to home ownership

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If one of your long-term aspirations is to become a homeowner you'll be happy to know that your dream may well be within reach.

To begin planning for your transition from renter to homeowner, it's essential to have a clear idea of what you can afford by getting pre-approved for a mortgage.

To do so, you need to provide pertinent details like proof of income, to a mortgage broker or financial institution. They will perform a credit check and thereafter, advise you of the maximum mortgage amount for which you qualify. Be sure to obtain a number of quotes to get the most competitive rate.

While as a general rule your monthly housing costs shouldn't exceed 32 per cent of your gross monthly income, there are a number of different mortgage payment options that can make carrying costs more manageable.

Conventional mortgages require a down payment equivalent to 20 per cent of the purchase price however; you can take advantage of a program that offers homebuyers who have a down payment of at least five per cent, access to mortgage insurance, the cost of which can be added to your mortgage.

One option to come up with your down payment is to utilize the Homebuyers' Plan, which allows homebuyers to make a tax-free withdrawal of up to \$25,000 from RRSPs that have been owned for at least 90 days, provided the funds are repaid into an RRSP within 15 years.

If you're a first time homebuyer, a number of other incentives are available as well. The First Time Home Buyers' Credit provides a 15 per cent credit on up to \$5,000 of closing costs, translating to maximum tax relief of \$750.

You are also eligible to receive rebates of the provincial and Toronto land transfer taxes. The maximum provincial land transfer tax (LTT) rebate for first time buyers is \$2,000 and the maximum Toronto LTT rebate for first time buyers is \$3,725.

Additional benefits are available to all homebuyers. All resale homes for example, are exempt from the GST and all primary residences are exempt from the capital gains tax, which relieves you of paying tax on profit achieved from the sale your home.

Be sure to consult a REALTOR® who can fully explain the provisions of government programs and help you identify homes suited to your budget.

One interesting opportunity for example, is currently being offered through the non-profit organization Options for Homes, which sells condominiums at cost before construction. Units can be reserved for \$100 and a loan of up to 15 per cent of the suite's price can be provided. It's essentially a second mortgage that, along with a pro-rated share of any price appreciation, only has to be repaid when you sell or lease the unit.

Given that there are so many options to help you go from renting to buying, you can make this year the year you become a homeowner. For more information talk to a REALTOR® and visit www.TorontoRealEstateBoard.com

Tom Lebour is President of the Toronto Real Estate Board, a professional association that represents 28,000 REALTORS® in the Greater Toronto Area.