Low rates, high flexibility

Spring 2015 an ideal time for renewal

The barbecue grills are out, lawn mowers have been dusted off, and snow tires have been swapped for all-season radials. For many Canadians, the arrival of spring means it's time to start making plans for the warm days ahead.

There's something else on the minds of many Canadians these days: their mortgage. According to a recent survey by RBC, about a third of mortgage holders in the country have already started thinking about renewing their mortgage. Among this group, almost half think about this subject more than six months before their mortgage renewal date, and about the same percentage actually know the exact date for their mortgage renewal.

"Canadian homeowners tend to have a high awareness of their mortgage," says Erica Nielsen, vice president, products and segments, home equity financing at RBC. "For most Canadians, their home represents their biggest investment, so they want to be very active in planning and making the right choices with this investment."

While renewing a mortgage can be as quick and easy as coming into the bank to sign some papers, mortgage holders should take the time to review their life plan so they can choose a mortgage arrangement that aligns with their goals, says Ms. Nielsen.

"Think about what you expect to happen in your life over the next three to five years," she says. "Do you anticipate that you're going to stay in your current home, or are you likely to move? If you plan to stay, is there a chance you'll be renovating? As you think about mortgage renewal, it's important to consider the factors that might impact your mortgage."

The outcome of this life plan review, says Ms. Nielsen, will help mortgage holders determine the renewal terms that suit them best. For example, a couple whose children have all recently left to go to college or university may select a shorter-term mortgage if they are thinking of downsizing their home.

DATA

Canadians increasingly opting for peace of mind when it comes to their mortgage: CIBC

A new CIBC survey finds Canadians not banking on further rate cuts and electing to lock in the benefits of a fixed-rate mortgage

Highlights of the poll include:

57 per cent
of Canadians would choose a fixed-rate mortgage if they were to acquire, refinance or renew a mortgage today

30 per cent
would pick a variable-rate mortgage

11 per cent
were undecided between fixed and variable, down from 19 per cent in 2014 and 25 per cent in 2011

44 per cent
expect higher mortgage rates next year, down from 47 per cent last year and 61 per cent in 2011

42 per cent
expect rates to stay the same in the next 12 months

9 per cent
believe rates will be lower in the next 12 months



A proactive approach to renewing your mortgage makes it possible to align your financing with your goals. ISTOCKPHOTO.COM

Mortgage holders shouldn't wait until their mortgage maturity date before visiting their bank to discuss renewal options, says Barry Gollom, vice president, mortgages and lending at CIBC. He notes that most lenders provide an early renewal window. CIBC clients, for instance, can renew as much as five months prior to their mortgage maturity date without facing a prepayment fee.

Ideally, says Mr. Gollom, clients should be reviewing their mortgage once a year with their financial adviser to make sure it still works for them and so they have a clear sense of what actions they need to take as their mortgage maturity date approaches.

"If you have unsecured debt with a potentially higher rate of interest, then have a conversation with your adviser about whether or not you should consolidate that debt with your mortgage at time of renewal," says Mr. Gollom. "That decision can have a material impact on your cash flow and allow you to put more money into an RRSP, RESP or TFSA."

An impending mortgage renewal is also a good time to explore the range of options offered by various providers, says Angela Calla, a licensed mortgage professional at Dominion Lending Centres, which helps homeowners find the best mortgage offered by Canada's largest banks, credit unions, trust companies and other financial institutions. She notes that licensed or accredited mortgage professionals are required by law to present the best mortgage options to their clients.

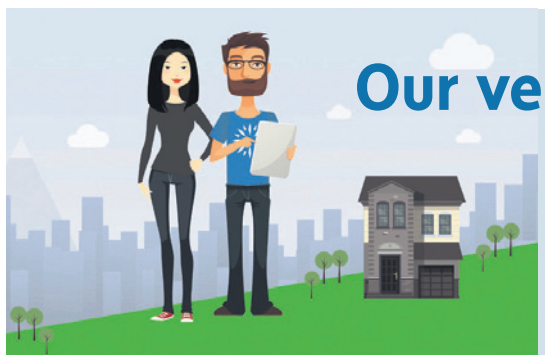
Ms. Calla cautions against making mortgage renewal decisions based solely on interest rates, especially when there's a possibility that the mortgage will need to be modified partway through the term, due to a host of reasons ranging from a relocation, change in health or income, or a change in the interest rate market.

"Fixed-rate mortgages generally incur the highest penalties for future modifications," she says. "Now some lenders are changing their terms to include high exit fees on variables."

Waiting until the last minute – or even past the maturity date – to make a decision about mortgage renewal is not a good idea, she says. Most lenders will automatically put mortgages that have not been renewed into a six-month closed mortgage, "and your payments can suddenly triple," says Ms. Calla.

"That creates pressure for you to sign something quickly," she says. "The sooner you start thinking about your mortgage renewal – four months is ample time – and exploring all the options available to you, the better."

This content was produced by Randall Anthony Communications, in partnership with The Globe and Mail's advertising department. The Globe's editorial department was not involved in its creation.



Our very first home

Three-quarters of first-time buyers (FTBs) in 2015 are millenials (34 years old or less). They are finacially fit, well informed and eager to get into their first homes. **HERE ARE SOME FACTS ABOUT FTBS IN 2015...**

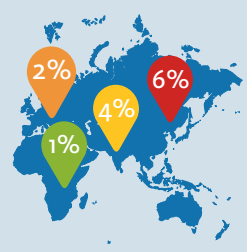
12% immigrated to Canada in the last decade

75% were renters

62% bought with partner/ spouse

89% have post-secondary education

80% of FTBs were born in Canada, and the rest are coming from:



2% Western Europe
1% Africa
4% South Asia
6% China/Taiwan
7% Other

See more on page M 3...

Source: 2015 Genworth Canada First-Time Homeownership Survey conducted by Environics Research. Image: Genworth Canada

Online? Visit globeandmail.com/adv/springmortgagespecial for more information.



It's especially important for luxury homebuyers to have advisers in place to help integrate the broader tax, legal and estate impact with their overall financial plan. ISTOCKPHOTO.COM

PLANNING

Dream homes mean added complexity, higher stakes

They're the stuff of glamorous magazines spreads and viral online listings – sumptuous houses and condos in Canada's most desirable neighbourhoods. But what does it take to become an owner of a luxury home?

A recent Sotheby's report put the typical price range of luxury property at $2.5-million in Vancouver, $1.4-million in Calgary, $2.4-million in Toronto and $1.5-million to $2-million in Montreal. And a growing number of buyers are looking to invest. Luxury homes are being swept up by professionals, expats and new Canadians, to name a few, says David Kuo, head of branch network-Ontario, HSBC Bank Canada. Even successful baby boomers are trading up, selling family homes that have increased significantly in value and looking for something more luxurious for retirement.

> "When you're securing financing for a luxury home ...[the] qualification process becomes more about your overall wealth, so it's less transactional and more relationship- focused."
>
> **David Kuo**
> is head of branch network-Ontario, HSBC Bank Canada

HSBC's 2014 Expat Explorer Report found that Canada "takes the crown" as the world's most popular destination for retirees, with the proportion of retired expats here almost three times the global average (31 per cent compared with 11 per cent globally) and compared to the 26 per cent who choose to reside in the United States.

A luxury home is a dream-come-true for many, but buying a home in the multimillion-dollar range means that the complexity is greater and the stakes are higher. It's especially important for homebuyers in this market to be clear on the impact of taxes and other closing costs, and to ensure that they have advisers in place to help integrate the broader tax, legal and estate impact with their overall financial plan.

While there is no tax specific to luxury homes, all homebuyers pay a one-time land transfer tax upon purchase, says Jafar Hussain, a chartered professional accountant with Century 21 Active Realty in Toronto. Homeowners have to pay capital gains tax on any net increase in value if the home is not their primary residence, a gain that can be significant in this market sector.

Homebuyers who are not Canadian residents may also be subject to a withholding tax of 25 per cent or a percentage mandated by tax treaty with the resident's home country, says Mr. Hussain.

When financing a home in this price range, it's important to build a strong relationship with your lender, says Mr. Kuo. "When you're securing financing for a luxury home, you're typically borrowing a higher amount compared to the average mortgage consumer. The qualification process becomes more about your overall wealth, so it's less transactional and more relationship-focused."

This relationship can also help homeowners down the line if they need to make changes to their original plan, and can provide access to preferred pricing options, he says. "If you do need to make changes to your plan, it is a lot more convenient because you don't have to start over – you can carry on from that pre-existing relationship."

He advises potential luxury homebuyers to connect with a bank that is experienced in dealing with an affluent customer base and with luxury home financing, and suggests considering a mortgage or financing product that offers flexibility.

For the bank, understanding the client's overall needs is crucial to creating a plan that works for his or her needs, now and in the future, says Mr. Kuo.

INSIDE

Renovate to suit with purchase-plus. **M 2**

The benefits of professional advice. **M 3**

Canada's first-time homebuyers. **M 4**

MORTGAGES



"Purchase-plus" mortgages can make it possible to transform a home to suit your needs, before you move in. PACIFIC SOLUTIONS CONTRACTING, GREG GEIPEL

UPGRADES

Well-planned renovations transform "meh" into "It's perfect"

When a friend told Lorne and Marnie Ingram about an apartment for sale within steps of Vancouver's Stanley Park, they decided to take a look – even though it had none of the 'must-haves' on their list. Built in 1948, it needed a new kitchen and bathroom to make it livable – some of the appliances didn't work, and the original bathtub was held together with putty.

But the couple fell hard for the spacious rooms and the windows that opened onto blossoming cherry trees. "With just two months between closing and the day we had to move in, it seemed more than a little crazy to take on a home that needed extensive renovation," says Ms. Ingram. "But we had to try – it was easy to see what it could become."

A recommendation from their realtor led them to Pacific Solutions Contracting, a firm that has made its mark on the city's restaurant scene with eye-catching interiors at hotspots such as Nook, Meat & Bread, Tacofino and Cinara. "Hiring a great residential contractor that is also experienced with commercial deadlines – where delays of even a few days can cost a business hundreds of thousands of dollars – made all the difference," says Ms. Ingram. "We were so fortunate."

Even with careful attention to detail and custom built-ins in the office and living room, the renovation was completed on time and on budget. "I'm so glad we didn't let our misgivings stand in our way," says Ms. Ingram. "The apartment is absolutely perfect for us now, and it was well within our budget, even with the renovations."

As long as your renovation costs are within your overall home purchase budget, remodelling before move-in can make great sense from a financing perspective, says Brandon Scott, an Edmonton-based accredited mortgage professional with Benchmark Mortgages.

Homeowners who decide to wait to renovate until they've settled in and built some equity in their home may find themselves waiting longer than expected because of the most recent regulatory changes, he points out. "You're only allowed to refinance up to a maximum of 80 per cent of the home's value, compared to a maximum of 95 per cent financing of the original purchase price."

That means that, with a home valued at $400,000, the mortgage would have to be down paid down to $280,000 before an additional $40,000 refinance would be considered, he explains.

"Purchase-plus" mortgages that include renovation financing have additional qualifying requirements, so it's important to allow adequate time and get professional advice, says Mr. Scott. "It's always a good idea to talk to a mortgage broker or financial adviser in order to help make sense of the financing options in advance."

He also advises taking improvement plans to a home appraiser before getting started. "We're inundated with home shows that imply that any amount of money we put into our home will equate to an equal increase in the home's value – but you want to make sure you're not over-improving a home for the neighbourhood."

> "We're inundated with home shows that imply that any amount of money we put into our home will equate to an equal increase in the home's value – but you want to make sure you're not over-improving a home for the neighbourhood."

Brandon Scott
is a mortgage professional with Benchmark Mortgages

ADVICE



SUPPLIED

Renovating on a tight timeline? Don't make these mistakes

We asked experts Brandon Nobbs and Darren Elliott of Pacific Solutions Contracting in Vancouver about **the five most common ways homeowners blow their budget and timeline.**

Here's what they told us:

1: **Start the job before you know exactly what you want.** One of the most important parts of a project is the prep work that goes into its planning. If you're still trying to make up your mind or waiting for materials to come in when the project is in full swing, you're losing time. When you know exactly what you want and everything is pre-ordered, there's no waiting – and no changing things halfway through.

2: **Don't communicate with your contractor to stay on top of the budget.** A lot of people can visualize what they want but don't understand the process that's involved in getting to that end goal. Communication between the client and the contractor is hugely important, because there are often more cost-effective ways to achieve a similar end result. You may be looking on Houzz or Pinterest and seeing great things that are also expensive – by working together, we can often find a solution that looks similar but costs significantly less.

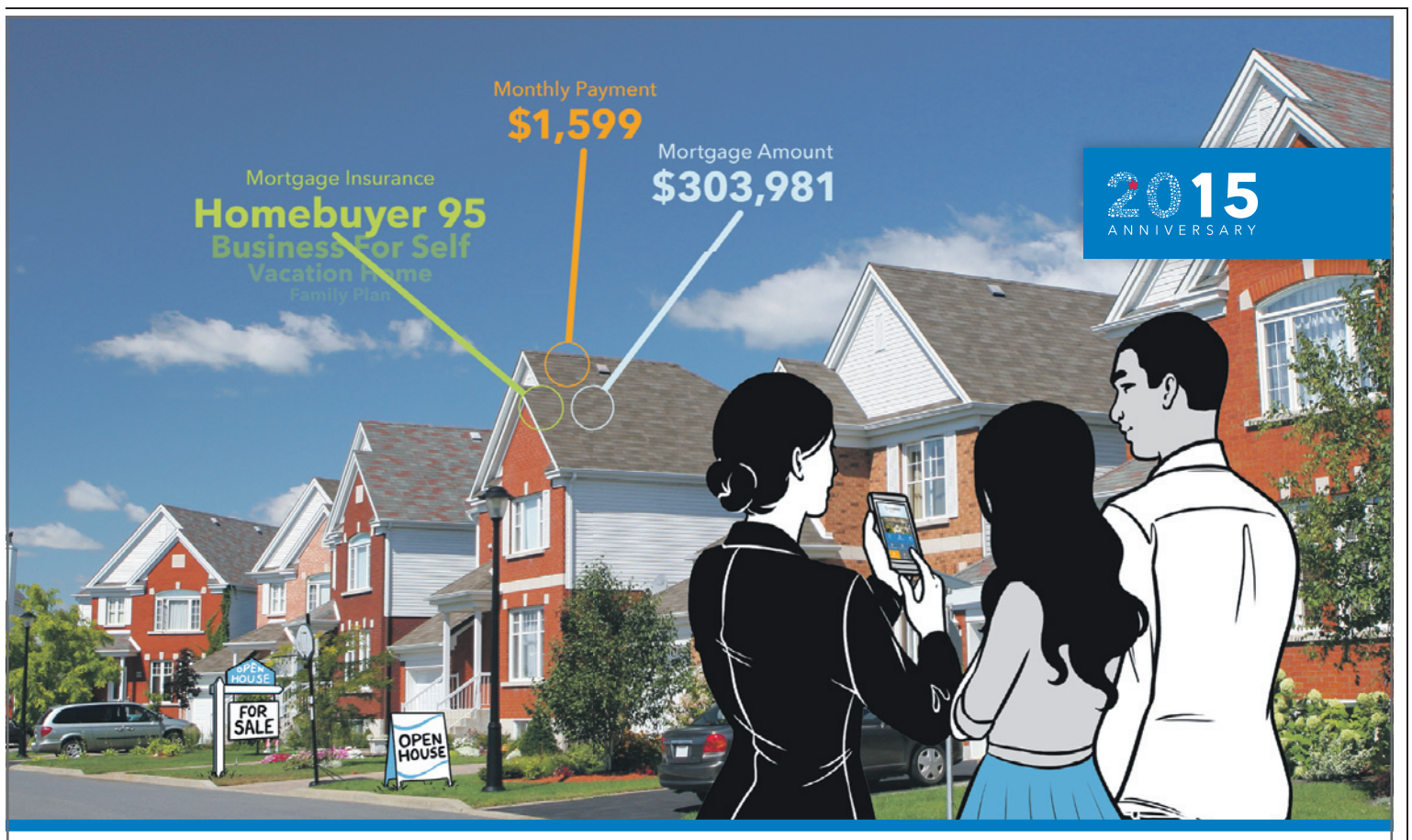
3: **Break the budget with those "small finishing touches."** As the renovation's going on, homeowners can get excited and start shopping without keeping track of the budget or communicating with their contractor. It may be only $100 here and $200 there, but it's so easy to get carried away. The next thing you know, the overall cost of your renovation has skyrocketed.

4: **Don't start with a comprehensive budget.** When budgeting for a kitchen reno, for example, it's relatively easy to add up the cost of cabinets, appliances, countertops and flooring. But many homeowners forget to also include the cost of hardware, adhesives and other materials required to do the installation, as well as the labour costs.

Remember too that buying the cheapest materials can sometimes multiply labour costs because essential parts aren't included or the installation is more complicated.

5: **Manage the project yourself.** Experienced contractors have built loyal relationships with suppliers and with skilled, reliable tradespeople. For tradespeople, there is an even greater sense of pride in their work, because they're working with professionals they'll work with again and again in future.

We were recently asked to do some carpentry for someone who had decided to manage his kitchen renovation project himself in order to save some money. But because he didn't have those relationships and supplier discounts, it took weeks longer than it had to and caused him a lot of stress – and the final cost was essentially the same.



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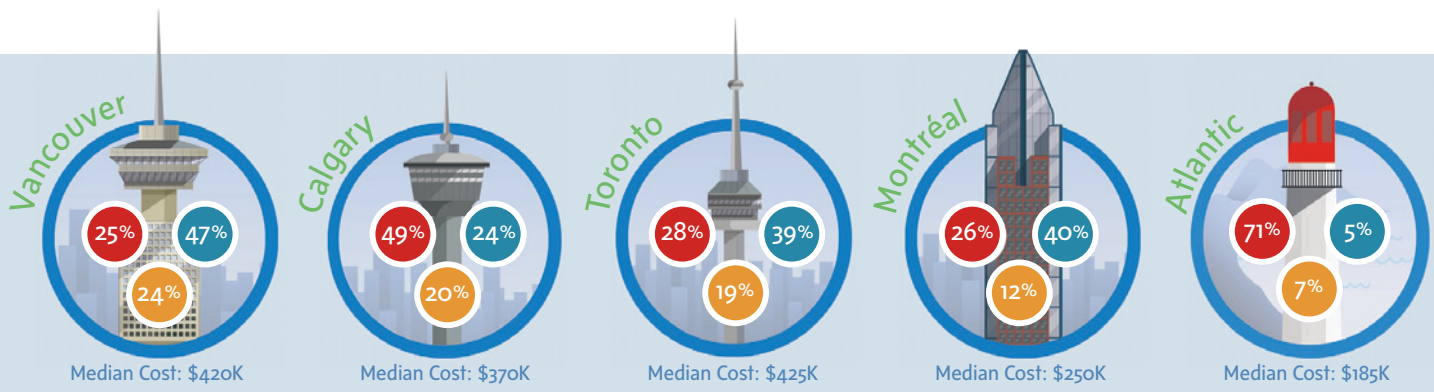
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HERE'S WHAT FIRST-TIME BUYERS ARE BUYING ACROSS THE COUNTRY:

- Detached House
- Townhouse
- Condominium

See more on page M 5...



Source: 2015 Genworth Canada First-Time Homeownership Survey conducted by Environics Research. Image: Genworth Canada

INTERVIEW

Don't buy a home alone – a mortgage professional can help



Jim Murphy, AMP, President and CEO of the Canadian Association of Accredited Mortgage Professionals (CAAMP), answers questions about mortgage brokers and the services they offer



Mortgage brokers will negotiate on your behalf with multiple lenders to ensure you receive a mortgage tailored to your unique requirements. SUPPLIED

What are the benefits of using the services of a mortgage professional when buying a home or renewing a mortgage?
Mortgage brokers offer expertise to assist with the biggest financial decisions most Canadians will make in their lifetime.

They're educated and knowledgeable about the various mortgage products and rates, as well as the issues and trends that may affect you and your mortgage over the longer term.

Once a mortgage broker sits down with you in order to fully understand your income, type of work and total assets, as well as whether you're new to Canada or self-employed, they're able to then negotiate on your behalf with multiple lenders – including banks, credit unions and trust companies – to ensure you are matched with the best product to meet your specific needs.

And it's a service that is generally free to the homeowner. In the vast majority of cases, mortgage brokers in Canada – including AMPs – are paid by the lender once they successfully place your mortgage. So it's in a broker's best interest to ensure you receive the best possible mortgage product and rate, tailored to your unique requirements.

What distinguishes Accredited Mortgage Professionals, or AMPs?
The AMP is a designation granted by CAAMP – the mortgage brokering industry's national association – to mortgage brokers who have been in the industry for at least two years, have taken additional courses and have passed a national proficiency exam. Recently, CAAMP undertook measures to strengthen the designation by enforcing more stringent requirements for qualifying and renewing. This ensures that those who obtain the designation have met the highest standard of education and ethics in the Canadian mortgage industry.

When is the right time to connect with a mortgage professional?
It's never too early, especially if you are a first-time homebuyer. If you're thinking about buying a home, you want to know the mortgage amount for which you qualify before you head out on your search. That way, you can look at options within your budget and avoid the disappointment of becoming attached to a home that's beyond your financial means.

If you don't have a mortgage broker yet, you can visit www.caamp.org to find a member in your community through our online directory – or talk to family, friends and other referral sources.

Is there anything else homebuyers should keep in mind when looking for a mortgage professional?
If you don't understand something your mortgage professional has explained to you, be sure to ask questions until you feel comfortable. And although rate is important, there are many other questions that are just as important when it pertains to your mortgage. Are there penalties for breaking the mortgage early? What are the prepayment options?

> In the vast majority of cases, mortgage brokers in Canada – including AMPs – are paid by the lender once they successfully place your mortgage.

Also, there is no substitute for being prepared. Educate yourself and get the facts you need to make the right mortgage decision and increase your home-buying confidence. Although buying a home is a sound investment idea, it is critical to understand what homeownership entails. Understanding each step of the home-buying process is key to ensuring you will make a wise decision that suits your emotional needs and your financial situation.

Should borrowers stay in touch with their mortgage professional after the mortgage is finalized?
CAAMP research shows that homeowners like to hear from their mortgage professional five or six times a year. That may include a spring, fall and winter newsletter with basic tips about spring cleaning or home maintenance. There are always things going on with the Bank of Canada, the real estate market and the government that may affect a homeowner, depending on what type of mortgage they have. Because a home is usually your largest financial investment, it's wise to stay on top of that activity, and a mortgage professional can help keep you informed about your mortgage options throughout the home-buying process and beyond.

DATA

In 2014, the share of outstanding mortgages that were placed through the broker channel reached its highest point since we began measuring:

30 per cent
of outstanding mortgages were obtained through a broker (55% were placed through a bank).

67 per cent
(up 10% from last year) cited the top reason to consult a mortgage broker as "to get the best rate."

Just 1 in 10
broker customers choose ONLY rate as the reason for choosing brokers, showing that most customers are looking for brokers to provide a variety of benefits over the direct-to-bank channel.

Of first-time homebuyers,
73 per cent
rated mortgage brokers/specialists as important sources for mortgage info (31% consulted a broker and 66% consulted a lender's specialist).

Past mortgage broker customers are
44 per cent
more likely than average to be in the housing market in the next year.

Homebuyers average a
20 per cent
down payment, and nearly
80 per cent
of Canadians say they could have afforded a larger down payment.



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- HSBC Representatives who can help you choose a mortgage solution that fits your individual needs

For further information, visit an HSBC branch, www.hsbc.ca/mortgage or call 1-866-609-4722[3]

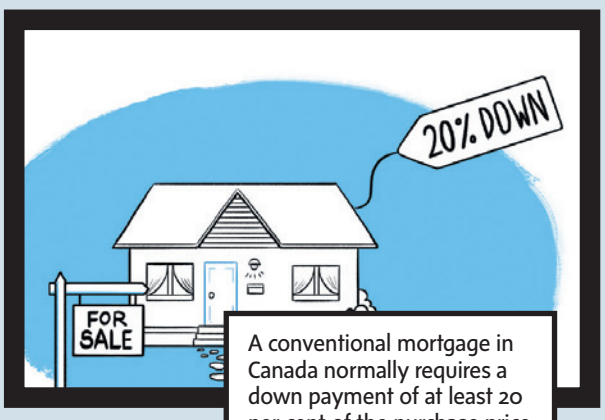
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[1] To confirm most recent rates, please contact any HSBC branch. All rates are subject to change without notice. Subject to credit approval.
[2] To be eligible to apply a prepayment, you must be up-to-date on your regular mortgage payments. The lump sum payment of up to 20% must be a minimum of $100 and can only be made on the anniversary date of your mortgage loan. You may only increase your regular payment amount once each year and you must continue to pay this new mortgage payment amount for at least 12 months. You may make an additional payment or increase your regular monthly payment or both. For each year, your extra and increased payments, in total, must be less than 20% of the original principal amount of your mortgage loan.
[3] HSBC Representatives are available by phone Monday to Friday 6am-6pm PST and Saturday 7am-3pm PST

MORTGAGES

What's mortgage default insurance?

Know your options, and ask your mortgage professional how Genworth Canada can help you realize the dream of homeownership sooner.



A conventional mortgage in Canada normally requires a down payment of at least 20 per cent of the purchase price.

When homebuyers have less than 20 per cent for a down payment, mortgage insurance allows them to secure a mortgage for their home purchase.





Tailored mortgage insurance products can help you achieve the dream of homeownership sooner and with as little as five per cent down.

ADVICE

Buying your first home? Focus on these five key steps



Buying a first home can be an overwhelming experience, says Janet Boyle, the newly appointed vice president of Real Estate Secured Lending at Scotiabank. "It's exciting and it's scary, wrapped up together."

She provides five key steps that can make the process easier and help achieve a positive outcome.

1: UP YOUR SAVINGS GAME

Saving for a down payment is an essential first step, and a financial adviser can help you create a financial plan and find ways to save money. There are often a lot of different spots in a budget where it's possible to look and say, "I can save some money here, and I can save some money there."

It's also wise to set up a pre-authorized contribution, putting aside a set amount of money into a separate down-payment account each month.

We have a great tool on our website called the Money Finder Calculator. It's a way to see how those small savings translate into a larger pool of funds down the road. It can help first-time homebuyers visualize how easy it is to get there, what their time frame is, and what they need to do to achieve their goal.

2: KNOW HOW MUCH HOME YOU CAN AFFORD

Working with a financial adviser to develop an overall plan ensures that you're making a fully informed decision about your home purchase, and eliminates some of the anxiety. We have a lot of online tools to help homebuyers, and one of them – the What can I afford? tool – is designed to answer the question of affordability. It asks for information around income and other factors, and can help provide a sense of the mortgage for which you could qualify.

3: GET PRE-APPROVED BEFORE YOU MAKE THAT OFFER

While it's helpful to have a rough idea of what you might qualify for in a mortgage, we also encourage first-time homebuyers to get a pre-approval before starting their home search, so that they're aware of what their goalposts are around affordability.

It helps ensure you don't get into a situation where you feel stretched – we provide a realistic plan as to what you can afford when you're out there looking for a home.

4: UNDERSTAND YOUR OPTIONS

There is so much conversation out there around mortgage rates, and rate is obviously very important. But it is just as important to consider mortgage features and flexibility. First-time homebuyers typically focus on the rate and payment schedule, but it's really crucial that you also consider other important options, such as prepayment schedules.

Are you going to be able to make an extra payment or two during the year? With certain products, that's not allowed – and prepayment can shave years off your mortgage.

Is the mortgage portable? One of the things we know is that first-time homebuyers often start to think about making a change after two or three years, maybe upsizing, downsizing or moving. Being able to move the mortgage with you to your next home is an essential point of discussion.

5: BUILD YOUR TEAM

A home is the biggest purchase most of us will make in our lifetime, so you want to make sure that you're making good decisions, supported by qualified and knowledgeable people.

It starts with your financial adviser, so you know what you can afford. You'll want a really solid real estate agent, someone who understands your needs. Get a lawyer, or a notary if you're in Quebec, because you'll need legal assistance to close that deal. You'll also need a home inspector, an appraiser and an insurance broker to make sure that you're getting insurance on the property.

REPORT

Research shows potential first-time buyers proceeding with caution

Recent RBC research found that the intention to buy a home is stable, slightly up over 2014. Among potential first-time homebuyers, however, "we are seeing some hesitation, largely because first-time homebuyers are ensuring they are emotionally and financially prepared for the leap," says Trisha Fineza Forbes, the senior manager of Strategic Segments, Home Equity Financing at RBC. One in four Canadians plan to purchase a home within the next two years, and 51 per cent say it makes more sense to wait until next year, according to the RBC research.

The research suggests that this group is waiting or delaying their purchase because of some concern around job security and income levels, making sure they have enough of a down payment and will be able to keep up with the overall total cost of being a homeowner, she explains. "One thing we find among many homebuyers, and in particular among first-time homebuyers, is the general fear and anxiety about homeownership.

"For new buyers, it's a new experience, and likely the biggest purchase of their life. It can be an overwhelming process. It's clear they want to have extra time, and need extra care and advice as they embark on the journey," says Ms. Fineza Forbes.

Online research can help first-time buyers become mentally prepared and understand their financial situation as well as the impact of homeownership, she adds. "There are lots of resources online, from calculators to budget tools. RBC also hosts a monthly Twitter chat to connect first-time homebuyers directly with the experts. They can ask their questions in the comfort of their own home, which is a really good way to ease into the process and get answers to some of those big questions."

BY THE NUMBERS

The 22nd Annual RBC Home Ownership Poll found that 44 per cent of Canadians who say they are likely to buy a home within two years say they will be first-time buyers, up from 40 per cent in 2014.

Of potential buyers who report they have not purchased a home before now:

50 per cent
say they don't have enough of a down payment;

48 per cent
cite their income level as their primary concern; and

27 per cent
are delaying their purchase because of concern about personal debt.

To learn more, visit rbcroyalbank.com/firsthome.

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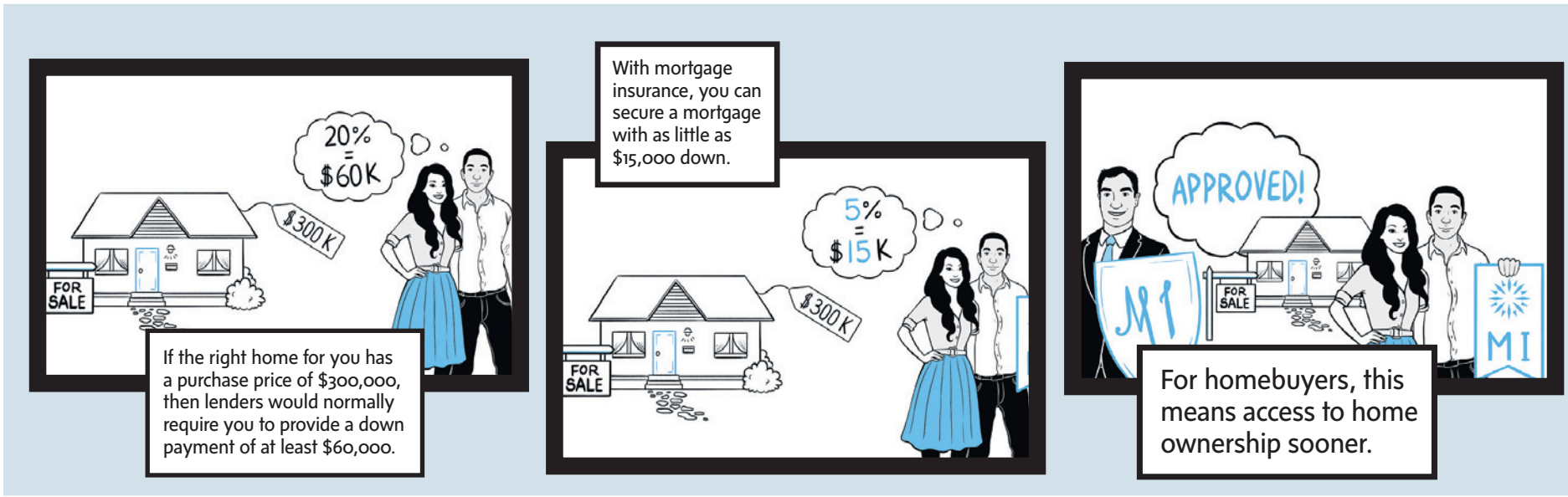
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For Quebec offer and terms and conditions, visit rbc.com/mortgagesavings. For rest of Canada – 1 Eligible mortgage applications must be started March 30 – July 3, 2015. 2 Offer limited to new 4 and 5 year fixed term closed residential mortgages and to eligible applicants. 2 Other terms and conditions may apply. Subject to Royal Bank of Canada lending criteria for residential properties. Employee rates may be changed or withdrawn at any time. Visit rbc.com/employeemortgage for details. ®/™ Trademark(s) of Royal Bank of Canada. RBC and Royal Bank are registered trademarks of Royal Bank of Canada.

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Source: Genworth Canada

PROFILE

'SuperSue' helps family buy their dream home in Canada

Dr. Raouf Rafik El Batanony and his family moved to Canada from Egypt two and a half years ago. Last year, after more than two years of renting, they decided they were ready to buy their first home here.

Both Dr. El Batanony and his wife Sylvia were dentists in Egypt, but they had to go through a long process involving many examinations before being licensed to practice here. As a result, he says, "I'd just started working in Canada less than a year before we started looking for a home. Without T4s or payroll documents, we tried applying for a mortgage almost everywhere and it didn't work."



Good advice helped Raouf and Sylvia El Batanony achieve their home-buying goal. ISTOCKPHOTO.COM

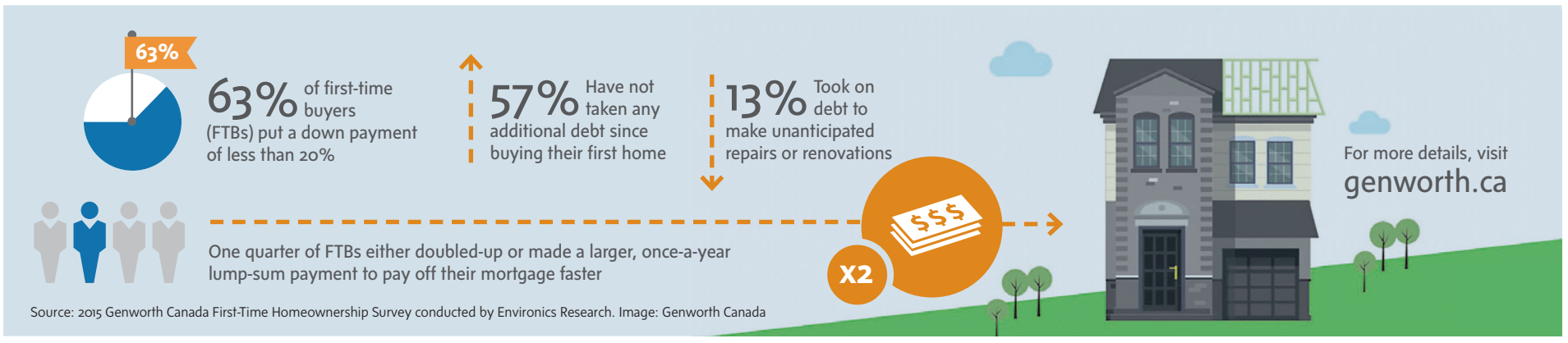
They were ready to give up, but their realtor Janice Tonon suggested they first see Sue Danychuk, a Scotiabank home financing adviser based in Burlington, Ontario.

"Coming to a new country and purchasing your first home can be an exciting but overwhelming experience," says Ms. Danychuk. "When I met the El Batanony family, I knew we could work together to find a home financing solution that would be right for them."

The family found a two-year-old home in Burlington, where one of Dr. El Batanony's dentistry practices is located, and which is reasonably close to his primary practice in Brantford and his office in Toronto.

With the help of 'SuperSue,' as the family calls Ms. Danychuk, they were on their way to homeownership in Canada.

"It's like a dream home for us," he says. "It has everything we were looking for: five bedrooms, beautiful, spacious, very bright – and on the street we wanted to be on."



Source: 2015 Genworth Canada First-Time Homeownership Survey conducted by Environics Research. Image: Genworth Canada



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RESOURCES

Lender programs designed to help newcomers buy their first home in Canada

It's the Canadian dream, one that has been achieved by seven out of 10 households in the country: owning a home.

For many of the 260,000 immigrants who arrive in Canada each year, homeownership is a major goal and milestone in their life journey as new Canadians.

"For most immigrants, owning a house is so important; it's almost like saying 'I've arrived; this is my land,'" says Nick Noorani, author of the newcomers guide book Arrival Survival Canada, and managing partner at Destination Canada Information Inc., a Toronto-based company that offers programs designed to help prospective immigrants prepare for life in Canada.

Mr. Noorani's advice to newcomers looking to buy a home: Take the time to assess what you really need, and to prepare for homeownership.

Location is an important consideration for all prospective homeowners. For many newcomers, it's especially critical, says Mr. Noorani.

"Most immigrants will choose to buy their first home in a place where they have a family member," he notes. "But then they find another job that's better suited to their skills and all of a sudden they have to sell their house and relocate somewhere that's closer to work."

Newcomers sometimes decide on the size of a new home without taking into account how their family structure might change over the coming years, says Mr. Noorani. They might fail to consider, for instance, that their older children could go away to university or college, or get married in the next two to five years.

Mr. Noorani says he often encourages new Canadians to build up some savings before shopping for their first home.

"As soon as you can, start putting money away into an RRSP because you can put these funds towards a down payment for your first home," says Mr. Noorani, referring to the Home Buyers' Plan, which allows first-time homebuyers to withdraw up to $25,000 of RRSP money to put towards their purchase.



For newcomers, homeownership is a major goal and milestone in their life journey as new Canadians. ISTOCKPHOTO.COM

"Don't assume that because you're new to Canada that you don't qualify. We have programs that are designed specifically to help newcomers manage their finances and settle in Canada."

Christine Shisler
is director, client strategy at RBC

Christine Shisler, director, client strategy at RBC, says newcomers sometimes think homeownership is out of reach for them because recent immigrants can't qualify for a mortgage.

"Don't assume that because you're new to Canada that you don't qualify," she says. "We have programs that are designed specifically to help newcomers manage their finances and settle in Canada."

These programs include a "welcome to Canada" package with products such as a banking account with no monthly fees for six months, available to immigrants who have been in Canada for less than three years; and an unsecured card with no credit history required for those in Canada for one year or less. RBC also offers a newcomer mortgage program for newcomers who have been in Canada for five years or less, including those with no credit history.

RBC isn't the only lender with programs designed to help newcomers get into their first home in Canada. Scotiabank, for instance, has its StartRight mortgage program for immigrants who moved to Canada within the last five years. At HSBC, existing clients from abroad can have their credit history from a previous country of residence transferred to Canada and used for their mortgage application.

For example, "If someone has just returned to Canada after working in the U.K. for three years and wants to buy a new home, we recognize overseas income as part of the qualification for financing," says David Kuo, head of branch network-Ontario for HSBC Bank Canada.

Building a good relationship with your bank is important, says Ms. Shisler. She advises newcomers to come in and sit down with their bank or account manager.

"Tell us about your short- and long-term goals so we can help you put together a plan," she says. "Maybe you're not ready to buy a home – but if you're wondering how to best save for a down payment, talk to us and we will help you."

Having a strong relationship with your bank can also help homeowners maintain a comprehensive wealth management strategy, so you can continue putting money into a savings or retirement plan while paying off your new home, says Mr. Kuo.



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