

Savvy ways to save when buying a home

By Bruce Whitaker

There are a number of savvy ways to save on a home purchase.

First off lets define the cash that is needed for a home purchase. There is the down-payment of at least 5% which needs to come from your savings. Then, you need to pay the closing costs amounting to roughly 3% of the purchase price. These costs include home inspection, legal fees, transfer taxes, utilities deposit, adjustments, PST on mortgage default insurance and the first monthly insurance premium. Finally, you will need to pay for moving, renovation, telecom and decorating costs. And, don't forget the deposit when you make your offer to purchase!

TIP #1- take advantage of incentives:

There are several incentives offered to homebuyers by the provincial and federal governments. You really need a road map to get a sense of them all.

1st time homebuyers can take advantage of the Homebuyers Plan to source their down payment. The Canadian Revenue Agency allows 1st timers to access up \$25K out of RRSP contributions to use towards the down payment.

There are rebates on both the Ontario and Toronto Land Transfer Taxes (\$2,000 and \$3,725 respectively) for first time homebuyers.

The Purchase + Improvements product offered through Canada Mortgage and Housing Corporation (CMHC) allows you to add the cost of renovations to your mortgage.

If you wanted to renovate your newly purchased home by spending at least \$1K but not more than \$10K and you complete this work before Feb 1, 2010 - you are entitled to a tax credit - Home Renovation Tax Credit. The maximum tax credit claimed when filing your 2009 tax return is equal to \$1,350.

The Home Buyers' Tax Credit is calculated by multiplying the lowest personal income tax rate for the year (15% in 09) by \$5,000 - thus the credit for 2009 will amount to

\$750.

Tip #2- don't go to your bank for a mortgage, use a mortgage broker

In the US, 90% of homebuyers use mortgage brokers. In Canada, it is approaching 30%. Why the difference? Canadians have strong loyalty to their banks.

It is time to break the loyalty! A mortgage broker will shop your needs to 30+ lenders to get you the absolute best mortgage rate. In other words, they shop for you. Better yet, only one credit bureau is required and you do not pay them for their service. They get a commission from the lender.

Tip #3- bundle your needs and save.

When getting your home insurance, your insurer will charge you a much lower premium if you give him your automobile insurance business. Even better, throw in your life insurance and get an even further reduction.

Toronto based homebuying company, Buyingblock.com, will knock .05% off your mortgage rate or give you up to \$500 cash if you use their realtor network. Plus, if you use all of their one-stop services you save \$100 on legal fees, \$50 on home inspection and 5% on your home insurance premiums.

Tip #4- always get three quotes.

As soon as you mention that you are shopping, providers will sharpen their pencils to get your business. You can use quoting systems through various online providers including Buyingblock.com. It saves you the time of having to negotiate yourself.

Tip #5- negotiate with the seller.

There are likely to be a number of changes you need to make to your new home. If the seller is not willing to budge on price, request some of the improvements be made by the seller. Check your home inspection and prioritize the improvements suggested by the home inspector.

