


# HOW MUCH HOME CAN YOU AFFORD?



When you buy a house, you aren't just paying the purchase price. You also have to be prepared to pay all the other costs that come with buying, owning and maintaining a home.

To help you find out how much home you can afford, Canada Mortgage and Housing Corporation (CMHC) offers the following tips on some of the hidden costs that come with homeownership:

- If you're like most Canadians, the biggest expense in owning a home will be your monthly mortgage payments. The cost of a mortgage depends on the size of your down payment (the amount of cash you are prepared to put down as a deposit to buy the home).
- If you can only afford a down payment of less than 20 per cent of the purchase price of a home, you will likely need to buy mortgage loan insurance.
- One of the next largest expenses for homeowners is annual property taxes. These are taxes that all homeowners have to pay each year, based on how much their homes are worth. Property taxes can vary from one home to another, and from municipality to municipality. When you are buying a home, the real estate listing should tell you how much the property taxes will be.
- When you buy a house, it is usually a good idea to hire a lawyer (or notary in Quebec). Your lawyer or notary will find out if there are any outstanding debts or any other problems with the home. The lawyer will also pay the land transfer tax for you. Land transfer tax is a tax charged by the government whenever you buy land in Canada. It is usually between one to four per cent of the home's purchase price.
- Lawyers can be expensive, so ask ahead of time how much they will charge, and don't be afraid to shop around. To find a good lawyer, ask friends for recommendations, or call the local bar association and ask for the names of lawyers in your area who specialize in real estate law.
- You may also have to pay for a property appraisal, which helps your mortgage lender determine how much they are willing to lend you to buy the property.
- You should also hire a home inspector to inspect the home. The home inspector's role is to inform you about the property's condition. The home inspector will tell you if something is not functioning properly, needs to be changed or is unsafe. You will also be informed of repairs that need to be made and maybe even where there may have been problems in the past.
- As a homeowner, you will be responsible for paying for all of the utilities to heat, light and power your home. Ask your realtor or the current owner how much these utilities will cost each month. Put aside some extra savings each month to cover the cost of repairs and upkeep for your home.

- 
- You will also need to get property insurance to insure your home and its contents in case of fire, theft or vandalism. In fact, most lenders will insist that you insure the home before they will approve a mortgage loan.
  - In most cases, you will have to reimburse the person who sells you the house for any utilities or property taxes that they have prepaid beyond the closing date.
  - In addition, if you are buying a condominium, you will have to pay a monthly condo fee. This fee helps to fund the operating costs of the condominium, as well as any major or minor repairs that the condominium might need in the future.

For more housing information, please visit Canada Mortgage and Housing Corporation at [www.cmhc.ca/newcomers](http://www.cmhc.ca/newcomers).