

First-time homebuyers wish they had a second chance: report

Survey shows many would make bigger down payment, be better prepared for process

BY TRACY SHERLOCK, VANCOUVER SUN AUGUST 9, 2012



A TD Canada Trust report on first-time homebuyers finds that more than half have regrets that they didn't buy a home sooner.

Photograph by: Gerry Kahrmann, Vancouver Sun

Buying a first home is one of life's most significant purchases, and a new poll shows many first-time homebuyers wish they had done things differently.

More than half of those who were asked said they would make a bigger down payment and that they would buy a home sooner, the 2012 TD Canada Trust First Time Home Buyers Report found.

"The survey results reveal that people generally want the best of both worlds, to be able to buy a home sooner and to have a bigger down payment," said Brett Currah, district vice-president, TD Canada Trust. "What it means at the end of the day, though, is that planning becomes critical."

Richmond mortgage broker Chris Pughe said the most important thing to consider is whether you can afford your monthly payments. The size of your down payment or the timing of your purchase is not as important as being sure to buy a home that is within your means, Pughe said.

With a five-year fixed rate, monthly payments are fixed, but for buyers who chose variable-rate mortgages, Currah suggests factoring a potential rate increase into your budget.

He also suggests adding a clause that lets you lock in at a fixed rate if market volatility makes you nervous down the road.

Many first-time homebuyers said they could have been better prepared and more thorough when budgeting, the poll found. Thirty-seven per cent of those surveyed did not budget for ongoing costs such as maintenance and utilities, while 17 per cent overlooked some of the one-time charges like inspection fees and five per cent didn't budget for anything beyond the down payment and mortgage payment.

"When setting a budget for home ownership, you not only need to consider all the upfront costs but the ongoing costs that will become a part of your monthly expenses. Having a realistic picture of your new monthly expenses will give you a clear understanding of what you can afford and help you decide on the mortgage term and repayment plan that you'll be comfortable with," Currah said.

Some of the expenses that come along with buying a home include an inspection fee of \$400 and up, but the buyer decides whether they want to do an inspection, Pughe said. Sometimes a lender will require an appraisal of the property, which could cost \$300 or more.

Another expense is the property transfer tax, which is waived for first-time homebuyers of homes purchased for less than \$425,000, Pughe said. The tax is one per cent of the first \$200,000 and two per cent of the remainder. Pughe said many people don't realize that if a couple is buying a property and one of them has not previously been on a property title before, 50 per cent of the tax can be waived on homes purchased for less than \$425,000.

Legal fees for a property purchase will cost about \$1,100, Pughe said, adding that a high-ratio buyer will also face CMHC fees, but those will not come out of pocket, they will be added to the mortgage amount.

"There shouldn't be any surprises," Pughe said, but added that strata fees are always subject to change.

Two-thirds of first-time buyers in the province admit they're worried about affording their home if interest rates go up, the survey found.

Despite very low five-year fixed mortgage rates in July, a panel of mortgage experts put together by RateSupermarket.ca does not expect downward movement to continue.

"Due to increasingly poor global economic performance and consistently low Government of Canada bond yields, fixed mortgage rates are not anticipated to change," the panel said in a news release. "Variable mortgage rates are also expected to remain the same due to the Bank of Canada maintaining its key interest rate."

New mortgage rules were brought in last month that shorten the maximum amortization to 25 years from 30, which was expected to deter some first-time homebuyers, although that doesn't appear to be the case. Although sales are slowing in Vancouver, The Sun reported earlier this month that the Real Estate Board of Greater Vancouver's president Eugen Klein said the decline appears to be caused by a drop off in investment buyers, and not declining numbers of first-time buyers.

The TD survey found that most first-time homebuyers save for one to four years for a down payment, and that in B.C. those buyers are equally split between looking for a detached house or a condominium, with townhouses the next most popular choice.

Currah said prospective buyers can learn from other buyers' mistakes.

He suggested beginning to research online and pointed out that TD Canada Trust has an online forum that allows potential homeowners to chat with experts at www.tdcanadatrust.com/homeownership.

tsherlock@vancouver.sun.com

Blog: vancouver.sun.com/yourmoney

© Copyright (c) The Vancouver Sun