



First-Time Home Buyers

Terms & Definitions Cheat Sheet

Down payment

The lump sum of money you will have to put towards the total cost of your new home. At Libro, you must have these funds for at least three months.

- If the down payment is less than 20% of the purchase price, CMHC or Sagen mortgage insurance is required. See *High-Ratio Mortgage* below.

Purchase price	Minimum down payment required	Down payment Required
\$500,000 or less	High ratio: 5% of the purchase price	≤ \$25,000
	Otherwise: 20%	≤ \$100,000
\$500,000 to \$999,999	High ratio: 5% of the first \$500,000 of the purchase price	\$25,000 +
	+ 10% of the portion of the purchase price above \$500,000	\$50,000 to \$100,000
	Otherwise: 20%	\$100,000 to \$200,000
\$1 million or more	20% of the purchase price	≥ \$200,000
	Not eligible for High Ratio Mortgage	

Deposit

A deposit amount is put forward with your offer on a property. The deposit counts toward your down payment. It is usually non-refundable once conditions to an offer have been fulfilled or waived if there are any.

Pre-Approval

Getting pre-approved for a mortgage shows what you can afford, and that you are able to finance that based on your current financial status. It is the first step in your first-time home buying journey

At Libro, a pre-approved mortgage rate is confirmed for 120 days. Your closing date to must be within this window to get the guaranteed rate.

- Libro can still give you a great mortgage rate beyond the 120-day pre-approval process. We calculate from your closing date 120 days backwards and give you the best rate possible.

Documents needed:

- 3 months' proof to show you have had your down payment money for the last 90 days.
- Depending on your employment situation and where your down payment is coming from, we may require additional documentation
- Self-employed individuals will require additional paperwork
- For gifts you need a gift letter from your immediate family member stating you are not required to pay it back



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High-Ratio Mortgage

If you have less than 20% for the down payment, you'll be applying for a high-ratio mortgage. The maximum property value for a high-ratio mortgage must be less than \$1,000,000. Insurance is required through CMHC or Sagen.

Fixed Rate Mortgage

A fixed rate means your interest rate is set for the entire mortgage term. You'll always know what your mortgage payments will be and how much of your mortgage will be paid off at the end of the term. The initial interest rate may be higher than a variable-rate mortgage, and there are higher penalties if you break your mortgage.

Variable Rate Mortgage

A variable rate mortgage can change because the mortgage rate is based on the prime rate. When the prime rate changes, it affects your mortgage rate.

Open Mortgage

Open mortgages can be paid off anytime without a penalty. They provide the greatest amount of flexibility. However, a rate premium may be applied.

Closed Mortgage

Closed mortgages can offer a lower overall rate, yet this type cannot be paid off early without facing a penalty.

Purchase Plus Improvements

Purchase Plus Improvements mortgages make it possible to get an insured low down-payment mortgage that covers the purchase price of a home and the cost of repairs or renovations.

It's recommended to get 3 quotes from different contractors to ensure you're getting quality service and a fair price.

Step 1: Talk to your Coach

- Quotes are required at the time of application submission. This is important to keep in mind if you would like to partake in this program.
- The offer to purchase should be negotiated with a financing condition of obtaining a "purchase with improvements" mortgage.
- CMHC or Sagen appraisal systems confirm the cost of improvement costs are reflected in the "as-improved" value after completion.

Step 2:

- Funds are not released until the renovation is complete. The buyer should be prepared to pay for it out of pocket and then reimbursed
- Many institutions require a lawyer to handle the disbursements of funds, whereas Libro does everything in-house. This results in money getting to the buyer faster



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For example, a \$400k purchase requires a minimum 5% down payment, so \$20k. If the house needs \$20k in renovations, the down payment price will become \$21k, or 5% of the purchase + improvements price. At completion, the \$20k to pay the contractor will be advanced. You do not get that money upfront.

Land Transfer Tax

A tax imposed by provincial government ranging from 0.5 to 4.0 percent and paid by the purchaser of a property at closing. It is based on the house's selling price and is applied whenever a property is transferred from one owner to another. Your lawyer will have the best estimate of this cost. First-time homebuyers can also be eligible for a provincial land transfer tax refund for all or part of the tax.

Mortgage Term

The amount of time your mortgage contract is in effect. Terms can range from six months to five years or more.

Amortization Period

Lenders in Canada typically offer amortization periods of five to 25 years, this is the amount of time it would take to pay off the mortgage in full, with the maximum being 30 years when you have a down payment of at least 20%. In addition, buyers typically complete several mortgage terms before paying off the loan entirely.

Interest Rate

The amount of interest you will pay on the mortgage. The interest paid is incorporated into your regular mortgage payment; the other portion of your payment pays down the principal amount borrowed.

New Construction Rate Guarantee

Libro offers a one-year rate hold on any Tarion home when purchasing a new build.

Condo New Construction Rate Guarantee

Libro offers a rate guarantee for 18 months and a posted rate of +.30% premium for 24 months

Financing Contingency

You can add a clause that makes the offer conditional upon the buyer's ability to receive sufficient financing. Discuss this with your Coach, realtor and/or lawyer.

Home Inspection Contingency

You can add a clause that makes the offer conditional upon the home inspection results that the buyer finds satisfactory. Discuss this with your Coach, realtor and/or lawyer.