

# Making Your Dream Home a Reality



## **Financing can make dream homes come true sooner**

When you're a first time homebuyer, there's so much you want to do you make the house feel like your own. Sometimes it's a coat of paint, sometimes it's tearing out an entire wall! For large projects that will add value to the structure of your house, there's financing to help get the job done sooner.

Purchase Plus Improvement programs offered by mortgage insurers such as the Canada Mortgage and House Corporation, Genworth Canada, and Canada Guaranty can help you finance larger-scale projects faster so you can start living in your dream home sooner.

Oftentimes, people put off taking on renovations thinking they can open a line of credit later or because they want to wait until they refinance their mortgage for a lower interest rate. Lines of credit may actually cost you more, depending on the project, and new rules for mortgage refinancing limit borrowers on the amount that can be financed for renovations.

Purchase Plus Improvements programs can help you get into the right house, in the right neighbourhood, and make it just right for you. Exactly how much you can borrow depends on the value of the home you are purchasing and the type of renovations you are considering.

Understanding the rules and the program is important to understanding what options are best for you, and that's where your credit union mortgage specialist can help.

## Updating your almost dream home

If the house you want to purchase needs renovations, you could qualify to borrow the costs associated with renovations at the time of purchase. This would increase the value of the home and you would make a minimum down payment of 5% based on this new, improved value.

### How does it work?

You provide formal estimates on the work to be done to the lender at the same time as the Purchase and Sale Agreement. The exact dollar amount is added to your purchase price, and the mortgage is determined from the new value. On closing day, the purchase price is released for you to buy your home, while the amount for the renovation is held in trust by your lawyer. Your lawyer will release these funds once the all the work is confirmed completed by an inspection report, confirmation from a certified appraiser, a paid invoice from the contractor who completed the improvements, or copies of receipts and potentially photos of the completed work. If the renovations are less than 10% of the original purchase price, funds can be advanced upon closing.

***TIP:** During a renovation unexpected costs are almost always guaranteed, so you should have funds available in some form—if that's cash or access to a line of credit.*

### Line of credit or CMHC Improvements?

Both are options usually available to homeowners, and each has its benefits depending on your priorities.

- **Keep your down payment low.** For many first-time homebuyers especially, keeping the down payment low is a priority. Purchase Plus Improvements programs let you consider more homes, within a price point you can afford.
- **Steady budget.** Purchase Plus Improvement programs can help you budget easily with regular, consistent payments. But, if your income fluctuates, the flexibility of paying only the minimum payment on a line of credit when cash flow is a little slower may be better suited to you.
- **Amount of the renovations.** Because the lawyer is required to hold the funds in trust, you may have extra legal costs for Purchase Plus Improvements. If you are looking at improvements that will cost under \$5,000, you may find it cheaper to use a line of credit instead of incorporating renovations into the mortgage.
- **What's the catch?** Purchase Plus Improvements programs restrict renovation budgets to physical structures such as windows, doors, the roof, kitchen, etc., and do not include appliances or painting. Your credit union mortgage specialist will be able to explain all the details to ensure you make the right decision for your renovation needs, and ensure it fits best with your financial situation.

Contact us to find out more about financing your dream home.