

Top 5 Tips for First-Time Homebuyers

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Buying a house for the first time is a thrilling experience for many people. However, it can also be intimidating and stressful as buying a house may be one of the largest purchases one would ever make in their life.

The following tips aim to help first-time homebuyers navigate the purchasing process and have a successful home-buying experience:

1) Know your budget and be prepared for additional costs.

There are two important sets of costs that you should be prepared for which need to be paid in order for you to get possession of the home that you purchase:

a. Closing Costs paid through your lawyer

Each purchase has its own requirements which determine how much will be paid. The amount is calculated based on:

- Down Payment
- Property Tax Adjustment (prorated share of property taxes for the calendar year)
- Land Titles Registration Fees, Title Insurance, Legal Fees and other Disbursements usually ranges 2%-2.5% of purchase price depending on lender requirements including Land Transfer Tax (set out below)

Purchase Price	Land Transfer Tax
\$150,000	\$900
\$200,000	\$1,650
\$250,000	\$2,650
\$300,000	\$3,650
\$350,000	\$4,650
\$400,000	\$5,650
\$450,000	\$6,650
\$500,000	\$7,650

b. Other Costs

Home and fire insurance need to be paid prior to possession. You should speak directly with an insurance broker to obtain quotes for coverage of the property you will be purchasing. This must be finalized prior to closing and the annual cost must be paid upfront, or arrangements with the broker will need to be made for monthly installments. You may also incur additional costs for other due diligence checks such as a home inspection.

2) Invest in a quality home inspection

An offer to purchase is often subject to the buyer being satisfied with the contents of a home inspection, but it is important that the buyers ensure this condition is included and that it is taken seriously. A home inspection is the only opportunity a buyer has to determine the condition of the house and uncover any hidden defects. Failure to discover defects prior to closing on the sale could result in costly repairs down the road. For this reason, it is crucial for buyers to spend the money up front and hire a trusted professional who will provide a thorough home inspection so you can make an informed decision when you agree to move forward with the purchase.

On possession day the property is supposed to be in substantially the same condition as it was when you made the offer to purchase. A home inspection can be of assistance to this requirement because the inspector will test everything in the house and may be able to provide you with a record that an appliance, plumbing, heating, or electrical item had worked when the offer was made.

3) Ask the right questions

First-time homebuyers should apply the “buyer beware” principle, which means that you purchase property at your own risk and the seller is not responsible for problems that the buyers encounter with the property after the closing is complete.

The exception to the “buyer beware” principle is information that is directly disclosed to the buyer by the seller. For this reason, it is very helpful to have the seller complete a “Property Disclosure Statement” which forms part of the purchase contract. It is designed to give the buyer notice of any material issues to the home, allowing them the opportunity to ask further questions and to consider whether they would still like to purchase the property. When filling out a Property Disclosure Statement, the seller will be asked questions such as “Are you aware of any roof leakage, structural issues or rodent or insect infestation?” If the seller answers “yes” to any of these questions, they are required to provide an explanation and details of the issue. If there is an intentional misrepresentation on the disclosure, the buyer may have remedy to have issues resolved by the seller.

4) Order Title Insurance

Most buyers know the essence of home insurance is to protect the home structure and its contents, but only a few buyers are aware of the benefits of a title insurance. A title insurance protects you against losses if you were to have a problem with the ownership of your property that may have been caused by previous transfers between one owner to another. It also protects against other types of losses such as title fraud and forgery, zoning and by-law violations, and structural encroachments onto neighbouring properties.

Title insurance can be obtained by paying a one-time premium and this will protect you as long as you own your home. It is purchased through your lawyer and because of its wide-ranging protection and relatively low cost, purchasing title insurance is a no brainer for almost all home purchase transactions.

5) Test the Appliances on Possession Date

Most offers to purchase will contain a clause stating that all items included with the purchase will be substantially in the same condition as they were when the offer was made. If you have made an offer to purchase that includes working appliances, this means that all appliances should be working when you take possession of the property. However, if an appliance breaks down after closing, it will be the buyer's responsibility to either fix or replace it.

On your possession date, make sure to fully test all appliances to ensure that they are in good working condition. It is also a good idea to test electrical, plumbing and heating components as well. You must contact your realtor immediately if you run into any problems. Remember, the longer you wait to deal with these issues after possession, the more likely you will be responsible for any repair or replacement costs of defective appliances.

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