

# Planning to own

**Buying a home, whether a house, condominium, or any other type of property is a major decision in most people’s lives. There are many considerations, including lifestyle, ongoing support needs, and long-term planning, plus some key financial and legal issues. This information sheet offers just a few of the key things to think about. You should discuss home ownership with your Circle of Support, your Financial Advisor and a Realtor, and share your housing plan with your CLBC Facilitator and anyone else you think it is important to share with before you purchase a home.**

If you are seeking support services from CLBC, this means planning well in advance of when you will need them. CLBC does not pay for housing, only for services. Individuals who want to own their home are expected to pay for their housing costs, including mortgage and down payments, utilities, deposits, strata fees, property taxes, insurance, home maintenance, etc. Let your CLBC Facilitator know your vision for a home, including when you hope to move, several years in advance. Talk to them about the various options and things you should consider. If you are thinking about home ownership it is important that you discuss this with your local CLBC office early so you can make informed decisions.

## The Pros and Cons of Buying

There are lots of good reasons to become a homeowner. But there may also be good reasons to continue renting. Here are some points to consider about home ownership:

Pros	Cons
<ul style="list-style-type: none"> <li>• You can renovate or decorate however you choose</li> <li>• Your home is an asset that won't incur capital gains tax</li> <li>• You may be able to earn money by renting out extra space</li> <li>• You may be able to use your home equity to finance another investment</li> <li>• Your home can offer financial security for your family or for retirement</li> <li>• You can change service providers without having to move</li> <li>• You can stay long-term and get to know your neighbours and community</li> <li>• If you own in a building with a strata you can be involved in in your building's management</li> </ul>	<ul style="list-style-type: none"> <li>• You need to commit a large portion of your savings to a down payment</li> <li>• You are responsible for repairs, maintenance, insurance, property taxes and other costs</li> <li>• You may not be able to sell when you want or need to access ready cash</li> <li>• You need to commit to ongoing mortgage payments for many years</li> <li>• The market will dictate the value of your property</li> <li>• Your needs may change requiring renovations to your property</li> <li>• If you own in a building with a strata you will have to follow strata rules</li> </ul>

## Some Essential Things to Think about Before Buying

1. In which neighbourhoods do I want to live in?
2. Do I really want to own a home and what type of housing is best suited to my long-term needs?
3. Should I consider buying by myself or in partnership with others, with who?
4. Do I want/need co-owners? Do I/we have enough money to make a down payment?
5. Can I/we afford a mortgage?
6. Can I/we afford all the special fees, taxes and monthly payments required when owning a home? Have I/we explored all the home ownership programs that are available?
7. Can I/we afford maintenance on a home (i.e. new water heater, roof, etc.)?

The following links are good places to start reading about this.

<https://www.cmhc-schl.gc.ca/en/buying/homebuying-in-canada-a-step-by-step-guide>

<https://plan.ca/2013/02/14/steps-to-buying-an-inclusive-home-by-maggie-pierce/>

## Understanding Down Payments and Mortgages

Most people have to have a certain amount of money to even consider buying a home. This is called a down payment. Most people borrow money from a bank or credit union to finance the rest of their home purchase. This is called a mortgage. Mortgages are quite complicated and hard for people to understand. Learn as much as you can from the internet, friends and family, and financial institutions (banks and credit unions). Entering into a mortgage is a type of contract so you will have to show that you understand the contract and your responsibilities.

You may also qualify for the First Time Home Buyer's Program which allows you to have make lower down payment on your first home. In addition to the cost of the down payment, you will also need to pay Property Transfer Tax, legal fees, appraisal fees, home inspection fees, home insurance and moving costs.

A good starting place is:

How much can you afford -

<https://www.vancity.com/Mortgages/UnderstandingMortgages/FirstTimeHomeBuyers/HowMuchCanYouAfford/>

Building Down Payment

<https://www.vancity.com/Mortgages/UnderstandingMortgages/FirstTimeHomeBuyers/BuildDownpayment/>

Mortgage Options

<https://www.vancity.com/Mortgages/UnderstandingMortgages/FirstTimeHomeBuyers/ExploreMortgageOptions/>

## Some Financial Models to Consider

Most people save money and purchase their first home by themselves based on the income they earn from their employment. Even so, because buying a home is expensive many people get some financial support from their families. There are other creative ways that people buy homes. The list of examples

below is not exhaustive however shows some ways that you can be creative and think about housing for the long-term.

## Home Ownership through a Trust

If an individual with a disability has a Trust, the Trust can own the home on behalf of the individual. An example of this is Kenyon's Story: A home and a community to call his own <https://www.communitylivingbc.ca/clbc-connect/kenyons-story-a-home-and-a-community-to-call-his-own/>

## Joint Ownership

Joint Ownership is when two or more individuals or families purchase a home together. In BC there are examples of families who partner and purchase a home for their adult children with developmental disabilities. An example of this is Elinor's Story, captured beginning on page 51 in Looking Forward to the Future: Supporting Individuals with Developmental Disabilities as They Age (Link <https://www.communitylivingbc.ca/wp-content/uploads/2018/03/Looking-Forward-To-The-Future.pdf>)

## Leveraging Assets

While still in high school, CJ started talking about his goal of living with roommates. After considering the equity that had built up in their home over two decades, CJ's parents decided to redevelop their East Vancouver property so that CJ could have a permanent place to live with roommates and his parents would have a new smaller place of their own right next door. While this particular project involved an adjoining lot owned by a neighbour, this family demonstrated that reinvesting the equity in their original home was a financially viable way to make building a new home for their son affordable. CJ's parents now receive rent from him and his roommates to help pay off the mortgage on this new home.

## Ownership for Shared Living

While most families of adult children with disabilities who have purchased a home for their adult child do so with plans to manage the home themselves, CM's parents wanted stable long-term and inclusive housing for their son, but without the management responsibilities. To do this the family purchased a home which they rent to a service provider that provides home sharing coordination services for their son. The service provider rents the home to CM and a family that provides shared living supports to him. This unique model uses home ownership and rental income to provide inclusive housing.

# Mortgages

There are two main types of mortgage: fixed and open.

- A fixed-term mortgage allows you to pay a lower interest rate, but there is a penalty if you make extra payments above a certain amount or prepay your mortgage in full before the maturity date.
- An open-term mortgage gives you the flexibility to pay off their mortgage ahead of time. You can make additional payments any time without penalty.

For whichever type of mortgage that suits you, there are different rates that come along with it.

- A fixed rate mortgage holds the same interest rate for the entire term of your mortgage. This allows payments to be more predictable because the payments are the same.
- A variable rate mortgage applies an interest rate that fluctuates with the prime interest rate. While that can mean unpredictable payments, it can also mean lower interest charges.

You also have options when choosing your mortgage “amortization period”, which is the length of time you can take to pay your mortgage in full. While you can choose a period of up to 25 years for high-ratio mortgages and up to 30 years for conventional mortgages, you can also shorten the amortization period:

- When you choose a shorter amortization, your monthly payments are higher, but you save money over the long term by paying less interest over the life of the mortgage.
- When you choose a longer amortization, your monthly payments are lower, but you pay more interest.

As you consider home ownership it will also be important to explore and get legal advice about who holds the mortgage. A mortgage is a legally binding contract so it is important that the person who holds the mortgage understands what they are agreeing to and that they can fulfill their obligations.

## First Time Home Buyers' Program

The First Time Home Buyers' Program reduces or eliminates the amount of property transfer tax you pay when you purchase your first home. If you qualify for the program, you may be eligible for either a full or partial exemption from the tax.

If one or more of the purchasers don't qualify, only the percentage of interest that the first-time home buyer(s) have in the property is eligible. For example, if you qualify and purchase a property with a fair market value of \$400,000 with a person who doesn't qualify you would still qualify. If you owned a 60% interest in the property, 60% of the tax amount would be eligible for the exemption.

To qualify for a full exemption, at the time the property is registered you must:

- be a Canadian citizen or permanent resident
- have lived in B.C. for 12 consecutive months immediately before the date you register the property or filed at least 2 income tax returns as a B.C. resident in the last 6 years
- have never owned an interest in a principal residence anywhere in the world at any time
- have never received a first-time home buyers' exemption or refund

and the property must:

- be located in B.C.
- only be used as your principal residence
- have a fair market value of:
  - \$475,000 or less if registered on or before February 21, 2017, or
  - \$500,000 or less if registered on or after February 22, 2017
- be 0.5 hectares (1.24 acres) or smaller

This information is correct at the time of writing, however any current information on the First Time Home Buyers Program can be found here (link <https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/exemptions/first-time-home-buyers>).

***This information sheet is for information purposes only. CLBC and Inclusion BC cannot provide financial or home ownership advice. It is recommended that individuals and families discuss their options with a professional Financial Advisor.***



[www.KeyToHomeBC.ca](http://www.KeyToHomeBC.ca)

