

# Home & MORTGAGE

Winter 2010



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## Let **YOUR** personal economy guide you

**As the Canadian housing market recovers and stabilizes, many consumers are wondering whether now is the right time to buy a home.**

**T**he answer depends on the state of your own personal economy. Instead of trying to time the market, the decision to buy a home to live in — whether it's your first or you're moving to another property — should depend on whether it's the right time for *you*. Here are four questions to help you make an informed decision.

### **Are you prepared for the expense — and the commitment?**

Whenever you're buying a home, plan for transaction costs such as legal fees and closing costs. You may also have to pay a land transfer tax. If you're selling a home, you'll also incur costs such as the real estate agent's commission. Consider whether you plan to stay in your new home for several years to make these costs worthwhile.

### **Do you have a good down payment?**

A solid down payment can lower your mortgage payments and improve your cash flow. By putting at least 20% down, you'll save the mortgage default

insurance premium. Also, consider the Home Buyers' Plan, which may allow you to borrow, interest-free, up to \$25,000 from your RRSP. If you weren't able to put 20% down on your last home, ask us about strategies for doing so this time.

### **How reliable is your income?**

If you're planning or anticipating changes in income, we can review your budget to assess whether it would affect your ability to afford a home purchase. Changes in employment could influence your ability to get a mortgage, at least in the short term. Call us to discuss.

### **Are you prepared for fix-ups?**

Many first-time house buyers are surprised by the amount of maintenance and repairs involved in home ownership. Hire a qualified home inspector before you make an offer, so you understand the amount and type of work that could be required.

If you're considering a home purchase this spring, call me now, so we can discuss how a new home fits into your personal financial situation. 🏠



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# Avoid these 7 serious reno mistakes

The spring home renovation season is just around the corner. If you're using the winter months to plan your project, watch out for these seven reno mistakes that could cost you.

**1 Over-estimating your DIY skills**  
Even major home improvement projects may be doable on your own, but be honest and realistic about your skill level, the amount of work involved (including potential unforeseen issues), and whether you have time to complete the job while meeting other obligations.

**2 Hiring the wrong contractors**  
Check the references of tradespeople carefully and make sure they have a current licence and up-to-date insurance. It may also be a good idea to ask to view their comparable past work. Get more than one quote and ask questions about how service levels differ.

**3 Choosing poor-quality materials**  
The materials you choose should be of a quality and style that suit both the overall project and the home. In a high-end kitchen reno, for example, don't skimp on countertops but, for a more basic kitchen, less-expensive laminate counters may be fine. Research which materials, finishes, and styles will withstand the wear and tear you expect the area to endure.

**4 Bypassing city hall**  
Be wary of contractors who say you don't need a permit. Check your municipality's website to be sure. The time and cost involved in obtaining a permit are far less than you might incur if the work is halted or you receive a tear-down order.

**5 Reducing rooms, reducing value**  
Before you tear down walls, understand how it may affect your home's value. A home with three small bedrooms, for example, may have a greater resale value than a similar home with two medium-sized bedrooms. Talk to your real estate agent or a professional property appraiser to determine the resale implications of significant floor plan changes.

**6 Over-renovating for the area**  
Neighbourhoods have price ceilings that are difficult to break through. If you do a renovation that's out of scale with your area and then sell, you may not get what you think your renovated home is worth.

**7 Working around a problem**  
Damp basement? Poor wiring? Inadequate insulation? Sure, you can probably work around issues like these. But after all the work is done, you'll likely still be cursing the musty smell, flickering lights, drafty rooms — or worse, dealing with a hazardous situation. Address known problems so your reno project rests on a solid foundation.

Doing it right may mean spending a few extra dollars on your renovation project — but it's worth it. Talk to me about financing options that can help. 📌

## Get credits. save Money.

Make sure you're getting all the government tax incentives and rebates you're eligible for as a home buyer or renovator.

■ **Home Renovation Tax Credit (HRTC) – Feb 1, 2010, is the deadline** to pay for home improvements to claim 15% of eligible expenses between \$1,000 and \$10,000, for a maximum tax credit of \$1,350. For more info, go to [cra.gc.ca](http://cra.gc.ca) > **Individuals > Homeowners.**

■ **First-Time Home Buyers' (FTHB) Tax Credit** – First-time home buyers are eligible for a non-refundable tax credit of \$750. For more info, go to [cra.gc.ca](http://cra.gc.ca) > **Individuals > Homeowners.**

■ **Home Buyers' Plan (HBP)** – First-time home buyers, and those who've not been homeowners in the current calendar year or the four previous calendar years, can withdraw up to \$25,000 each (\$50,000 per couple) from their RRSPs, as a tax- and interest-free loan to be repaid over 15 years. For more info, go to [cra.gc.ca](http://cra.gc.ca) > **Individuals > RRSPs and Related Plans.**

■ **ecoENERGY Retrofit grants** – Receive grants for energy-saving retrofits. To be eligible, you must obtain initial and follow-up assessments by a qualified energy advisor. For more info, go to [oee.nrcan.gc.ca](http://oee.nrcan.gc.ca) > under **For Personal Use**, click **Residential.** 📌

# Condo shopping? Look past the hype

When you're shopping for a condo from pre-construction plans or in a newly constructed building, you may need to make a buying decision based on glossy brochures, model suites, or sales pitches. Here's how to find out if it's the right place for you.

## Location

Is the building in a desirable area, for example, close to a business centre or on a good transit line? An in-demand location will help the resale value or the potential to rent the unit if you outgrow the condo in the years ahead.

Check out the area closely. Walk around the site area or building to check for potential nuisances, like noisy nightclubs, fire stations, or traffic-jammed access roads. Does the neighbourhood offer the services and infrastructure that will make for an enjoyable life, such as grocery stores, banks, shops, and parkland?

## Layout

Size matters in a condo. If you're considering buying based on a model suite, take a tape measure and measure the size of the rooms and the ceiling height, then compare them to the floor plans of the unit you're interested in, to get a better sense of what the actual unit will really be like. In addition, ensure that the floor plans of your unit, including measurements and square footage, are in the building agreement before you make an offer.

Also important: flexibility and a thoughtful layout. A decent-sized den with good partitioning, for example, could be turned into a second bedroom.

Check the privacy factor. How many other units adjoin yours on the top, bottom, and sides? Is your unit near an entrance or garbage chute? Noise often seeps through the door from the hallway, so take a look at where the living space is, relative to the door.

## Condo fees

Confirm in writing what the monthly condo fees include. For example, which utilities are included? Cable and Internet, or

heat and power too? Property tax? Is there a sufficient reserve fund contribution?

Some buildings set the condo fees artificially low to lure new buyers. Compare against established buildings with a similar size and amenities. If the condo fees are exceptionally low, budget for increases down the road.

Other fees and charges that should be spelled out in the building agreement include administrative fees, security deposits, school board levies, and any other specific costs to be borne by unitholders, such as guest suites. Also remember to factor in sales and land transfer taxes.

## Future developments

Ask your real estate agent to check on development plans for the surrounding area. Otherwise, that beautiful vista you're paying a premium price for could be gobbled up in a couple of years by another building.

If the building is part of a larger development, ask where future phases will be built and when. You could be living through a lot of noise and grit during the construction.

As with any home purchase, take all documentation to a lawyer for review. Many provinces offer a cooling-off period that allows you to change your mind after you sign a pre-sale contract.

If you're in the market for a condo, visit me first, so we can determine how much you can afford before you start shopping. 🏠



## Condo ABCs

Helping you be an educated homeowner

■ **Common elements:** Portions of the condominium that are shared and owned by all unit owners of the condominium corporation. Common elements may (but don't necessarily) include hallways, elevators, stairwells, recreational facilities, parking, and central heating and air conditioning.

■ **Condo fees:** Monthly fees paid by each unit owner. Condo fees may include some or all of heat, electricity, cable, Internet, maintenance and operation costs, and reserve fund.

■ **Status certificate (estoppel certificate):** A document that sets out the monthly fees for a particular unit, condo bylaws, information on the financial status of the condominium corporation, and other key information for the buyer. 🏠

# Winter Almanac

## Your winter home maintenance checklist



These tips will help keep your number-one investment in tip-top shape.

- Monitor relative humidity (RH) levels throughout the season with a hygrometer. Run a humidifier (or boost the setting), if necessary. Generally, winter RH should be between 30% and 50%. Aim to keep humidity at 30% when outdoor temperature is below  $-10^{\circ}\text{C}$  ( $14^{\circ}\text{F}$ ).
- Clean and de-scale your humidifier regularly to keep it operating effectively and safely.
- Watch for overflowing gutters and ice dams, so you can address the problem in the spring.
- Keep snow and ice from accumulating on exhaust and gas appliance vents and gas meters as this can prevent proper functioning. 🏠



## Salt? Sand? Other?

There are more options than ever before to help Canadians combat slippery ice, sleet, and snow. Here's a rundown of what's available, their effectiveness — and their impact on the environment and pets.

**Rock salt (sodium chloride).** Inexpensive and effective to  $-7^{\circ}\text{C}$ . However, this common ice reducer has been shown to harm plants, pets, birds, and the water system.

**Granular ice melters.** Chloride (salt) compounds, such as magnesium chloride and calcium chloride, still cause damage but are less concentrated in salt and are effective in colder weather — magnesium chloride to  $-15^{\circ}\text{C}$  and calcium chloride to  $-31^{\circ}\text{C}$ . Both are more expensive than salt.

**Urea.** The high concentration needed for effectiveness can burn grass and harm water systems.

**Sand.** Inexpensive and better for animal paws. Provides some traction, but will not melt ice or snow. Can accumulate on streets and clog drainage systems.

**Lava rock.** The newest line of ice remover, touted as being safe for gardens, animals, and the environment, but costly.

No matter which product you choose, the most effective way to keep walkways safe is to shovel away snow and ice as early and as often as possible. 🏠

## Slash your heating bills

The cost to heat the air and water in your home is usually your largest winter utility expense. To save money, focus on increasing efficiency in these ways:

- Caulk and weatherstrip any drafty doorways and windows you may have missed in the fall to prevent heat loss.
- Your furnace gets a real workout in winter; change the filter every one to three months to reduce fuel use.
- Install a programmable thermostat and set lower temperatures during the nighttime and while the house is empty. A reduction of  $1^{\circ}\text{C}$  overnight could reduce heating costs by 2%.
- Set ceiling fans to winter mode so they push the warm air down to where you are.
- To reduce heating bills, open curtains on sunny days to let the warmth in and close them at night to reduce heat loss.
- Insulate your hot-water heater and pipes with an approved insulation blanket to reduce heat loss.
- Turn your water heater to the vacation setting when you go out of town; no point paying to heat water when you don't need to. 🏠

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