

Savings Options

for your first home



HOW MUCH MONEY DO YOU NEED TO BUY YOUR FIRST HOME?

The biggest obstacle for first-time homebuyers is often saving the money needed to buy it. Every first-time homebuyer has to come up with a down payment, which is typically between 5-20% of the purchase price.

This isn't all you'll have to save. There is also a number of expenses and fees, collectively called closing costs. We take a look at all of the costs you can expect to have to pay and how you could still buy your first home, even if you don't have much in the way of savings.

THE BIGGEST COST: THE DOWN PAYMENT

There are some key advantages of making at least a 20% down payment. Firstly, you'll owe less, have lower mortgage payments and ultimately pay less in interest. Even more importantly, having a 20% down payment means you don't have to take out mortgage insurance, which can be costly.

Here are some down payment examples:

HOME COST		20% DOWN PAYMENT REQUIRED
\$100,000	→	\$20,000
\$200,000	→	\$40,000
\$300,000	→	\$60,000



These are considerable amounts and can be beyond the reach of many first-time homebuyers. So, if you don't have this kind of money saved but want to buy a home now, what are your options?

THE MORTGAGE DEFAULT INSURANCE OPTION

Any down payment between 5% and 19.99% requires mortgage default insurance from either [CMHC](#) or [Genworth](#). If you can't muster a 5% down payment, you can't buy a home.

The amount of mortgage default insurance you'll have to pay will depend on the size of your down payment and the cost of your home. Here are some examples of mortgage insurance premiums:

HOME COST	DOWN PAYMENT	TOTAL LOAN	INSURANCE PREMIUM	INSURANCE COST
\$200,000	5% - \$10,000	\$190,000	4.0%	\$7,600
\$200,000	10% - \$20,000	\$180,000	3.1%	\$5,580
\$200,000	15% - \$30,000	\$170,000	2.8%	\$4,760

Thankfully, you don't have to pay for this up front. It can be added to your mortgage loan and paid over the same amortization period (typically 25 years).

THE HOME BUYERS' PLAN OPTION

If you have sufficient money saved up in your RRSPs, you could use that money for your down payment and avoid having to pay for mortgage insurance. Under the government's Home Buyers' Plan, each homebuyer can use up to \$35,000 of their RRSP savings without paying a penalty.

There are some rules however, including:

- You can't have owned a home in the previous five years.
- You have to live in the home you're buying.
- You'll need to pay the money back into your RRSPs within 15 years.

THE GIFT OPTION

You can use a financial gift to pay your down payment. However, the money must come from a close relative and they will have to provide the lender with a letter confirming that the money is a gift and not a loan.

CLOSING COSTS

There are several other expenses you'll need to pay to close the sale of your new home. Costs vary depending on the price and size of your home, but below is a range of typical expenses:

Appraisal fee – most lenders require this to determine the value of your new home. **Approximate cost: \$350.**

Legal costs – you will need to hire a lawyer and their services typically include title insurance and title searches. **Approximate cost: \$700-\$1,000.**

Home inspection fee – not obligatory, but can save you thousands of dollars if it uncovers major structural damage. **Approximate cost: \$200-\$800.**

Land title transfer fee and mortgage registration – You'll need to pay a land transfer fee of 0.3% of the property's value plus \$160 mortgage registration. **Total cost depends on purchase price: for example, \$760 for a \$200,000 home.**

Moving costs - **\$500 on average.**

Home insurance – you will need to have this in place before you move in. **Costs can vary and are usually charged monthly.**

Working out exactly how much you'll need to save to buy your first home can be tricky. Your Cornerstone mortgage advisor can help you calculate your down payment and closing costs. They can also help you to find the best mortgage to suit your particular needs.

Call
1.855.875.2255
today to book an
appointment to
help you get into
your first home!

