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Chapter **1**

Buying and Selling a Home: Just the Basics

Any deal involving a home, whether it's buying or selling, is usually a milestone moment in your life. It can be a step into adulthood, the moment you finally move out of our parents' basement, or perhaps a new phase of your career. People often trade up in the size of their home when they change jobs or have children, and they often trade down to a smaller home when their kids leave and retirement beckons. Some people are nomads or serial renovators and buy several homes over a lifetime; others are small-time investors, trading in homes like other people trade stocks.

This chapter gives you a taste of what's to come and helps you navigate the wealth of information we have to offer. Consider it your jumping-off point into the world of buying and selling a home. We introduce you to the key players in the game of residential real estate and the steps in the process. We also raise some of the key questions you'll want to ask yourself when you're thinking about buying a home or selling the one you have.

Knowing the Cast of Characters When Buying or Selling

Buying a home may not involve a cast of thousands, but it's not a solo adventure, either. Several key figures are involved in helping you do the deal, and many of the same people also help you sell your property. Even though you're the one making the decisions, you can count on guidance from experts in the areas of finance, law, and, of course, real estate.

Recognizing who's important when buying

The obvious goal when you're buying a home is finding a property that provides you with the amenities that meet your present and future needs at a price that meets your affordability criteria. You want a peach of a deal, not a lemon. That's where it pays having these people on your side who know how to find what you're looking for, making your money go further, and giving you peace of mind that your purchase is free of defects and won't need immediate expensive repairs.

The real estate agent

The *real estate agent*, also known by the trademarked term Realtor, is a professional with an intimate knowledge of the market and the types of homes available in a certain market. Working with a knowledgeable agent can mean the difference between a short search and a good deal or a long process that ends up being more trouble than it's worth. We discuss the role of the real estate agent and how to find a good one in Chapter 2.

The lender

Most people require financial help to buy a home. That help usually comes in the form of a loan, known as a *mortgage*. Having a *lender* who can provide you with a mortgage that suits your needs is important. Whether you work with a bank, credit union, or mortgage broker, securing a mortgage will be critical to your getting the kind of house you want at a price you can afford. We discuss your options for mortgages, including which source is right for you in Chapter 5.

The appraiser

Most people won't deal directly with an appraiser when they're buying a home, but appraisers are the folks who confirm that the price you're paying is the one you should be paying. The *appraiser* assesses the fair market value of properties, helping you size up the kind of offer you should make and, more important,

letting the lender know whether the home is worth the mortgage you're asking for. Chapter 2 focuses on the role of the appraiser.

The property inspector

The *property inspector* is a key to avoiding trouble when buying a home. You may think the home has no issues, but the property inspector may tell quite a different story. That could be the difference between saving a few thousand on the purchase price and paying out tens of thousands on repairs. We discuss property inspections in Chapter 10.

The lawyer

Because a home purchase involves a legally binding contract, you'll want to have a lawyer review it. A *lawyer* — or in some provinces, a notary — will also handle *conveyancing*, ensuring the documents documenting the transfer of title into your name are in good order. A lawyer focused on real estate will ensure the property you're buying meets the legal description and is free of liens or encumbrances. The lawyer will also help protect you from real estate fraudsters (alas, they exist). Chapter 2 examines the role of a lawyer when buying a home.

Identifying who's essential when selling

Many of the same experts who assist home buyers in purchasing a home (the possible exception is a lender) also assist home sellers. The experts will represent the property in the best possible light to attract the best offers, enabling the seller to pocket some or reinvest the proceeds in their next dream home. Here are the important people:

The real estate agent

A real estate agent can help take a load off your mind by handling the transaction for you. The agent's role includes making sure that potential buyers know that your house is for sale, coordinating viewings, and generally making sure you can focus on preparing for the move. The professional assistance a real estate agent offers will help you achieve the best possible market value for the home in the shortest period of time. Chapter 2 looks closer at the agent's role when selling your property.

The home stager

You may think your home looks awesome, but those mauve curtains aren't everyone's cup of tea. A *home stager* will prep your home for sale, making it look like something from a TV show, helping it live up to the listing description (and price).

Even though a home doesn't need to be staged or furnished with the latest styles to sell, a home stager can help it command a higher price than it would otherwise. We discuss home stagers in Chapter 15.

The appraiser

The appraiser also plays a critical role when selling, because an appraiser's specialty is in determining the property's fair market value. An appraisal will help you establish a fair list price for the property and provide documentation that validates the suggested list price. The appraiser can also let you know about market factors that will help you position the property for sale. We discuss the appraiser's role in selling a home in Chapter 14.

The lawyer

The lawyer, even more than the real estate agent, is critical when selling a home. The lawyer handles conveyancing documents including discharge of the mortgage. If you're selling your home yourself, without a real estate agent's help, a lawyer can review the contract documents and ensure that you haven't exposed yourself to future claims or liabilities. Chapter 2 focuses on the lawyer's role when selling your house.

Preparing to Buy a Home

Buying a home can take a few days or a few weeks, but the typical process has a few key steps that remain the same, including arranging financing, finding a property, making an offer, and closing the deal. These sections look closer at these processes.

Arranging financing

How much home you can afford depends on how much cash you have for a down payment and how large a mortgage you can obtain. Knowing how much you can put towards a down payment and multiplying the amount five times will indicate the size of conventional mortgage you'll need.



REMEMBER

For example, a down payment of \$100,000 would cover 20 percent of a home bought for \$500,000. The corresponding conventional mortgage would be \$400,000. However, a variety of other factors may mean the lender only approves you for a mortgage of \$300,000. By pre-qualifying for a mortgage, you'll know the price range that will guide your purchasing process. We discuss down payments and preapprovals in Chapter 4.

Finding a home

After you know how much home you can afford, scout the listings to see what's available and where different homes are located. Work with a real estate agent who knows what you're looking for; the agent may be able to give you a head start on your dream home. Chapter 7 discusses the ins and outs of shopping for a home.

Making an offer

Have you found a home you seriously love and that fits your budget? If so, it's time to make an offer. The negotiating process may take a few days, and during this stage you and the seller will hammer out a contract that gets you the home you want at a price that pleases both sides on a timeline that makes everyone happy. We discuss the fine art of making an offer in Chapter 9.

Doing the due diligence

A deal isn't done just because your offer is accepted. There's still plenty of work to do, as we discuss in Chapters 10 and 11. You'll need to make sure that the conditions you've put on the offer are satisfied, including a comprehensive property inspection that doesn't reveal serious issues with the property that may lead you to walk away and obtaining financing. You need to make sure that the property the seller is offering is the property you're getting and that you won't face any headaches afterwards. After you're satisfied that this home is right for you, you can remove the conditions and proceed to close the deal.

Closing the deal

Closing, or completing, the purchase involves a lot of paperwork. Ideally, if your real estate agent, lender, and lawyer are on the same page, it will go smoothly. Sometimes it doesn't, so make sure the closing date isn't the same day as the possession date, let alone the moving date. We discuss what's involved in Chapter 12 and how you can manage the process so that it involves as few hassles as possible.

Considering Some Important Questions to Ask When You're Ready to Buy

Never feel timid about asking questions, because questions lead to a deeper understanding of the process, your obligations, and the obligations of others. Here are some sample questions to consider as you begin your buying journey.

What is this going to cost me?

In addition to the purchase price, a home purchase comes with plenty of additional costs, including closing costs. Your lender will likely factor them in as part of your mortgage qualification process, but knowing what your costs will be will help you understand what loan amount the lender will be prepared to extend to you.

Closing costs include legal fees, sales taxes, property transfer taxes, and various adjustments that can add significantly to the purchase price. Then you have ongoing costs of ownership, including maintenance fees (charged monthly for condo dwellers), property taxes, home insurance, and of course mortgage costs. A smart buyer will also budget for special levies, extraordinary expenses, and other costs, ideally by setting aside a contingency fund.

In short, there's plenty of costs beyond the cost of a home. Know what to expect by reading Chapter 4.

This is the right home, but is this the right neighbourhood?

You're not just buying a home, you're also buying into a community. We discuss neighbourhood priorities and how to size up neighbourhoods in Chapter 7.



TIP

For example, if you have visions of living in a place where everybody knows your name, be sure to talk to the neighbours before you move in. Visit the local park and bike trails and find out what they're like. Do people greet you on the street, or do they wander around with eyes glued to a screen and ear buds blocking out the world?

Perhaps you don't crave social interaction, but you love the amenities a community has to offer. What are the shops, restaurants, and so on like, and does the transportation infrastructure allow you to get around, either by car or public transit? Can you live life on your terms, or will you be caught waiting for a bus that comes every half hour at 40 below? (We've been there, and we don't recommend it.)

Don't forget to factor in the hidden annoyances like the summer music fest that attracts thousands of nonresidents to the local park with music blasting until late at night. What about the regional transit loop at the end of the street with the constant coming and going of diesel buses? Be sure to visit your neighbourhood at all hours to make sure it's a place you want to live.

What kind of changes can I make?

Your house, your rules, right? Sadly, that's not always the case. Sometimes, the structure of the home or site conditions prevent you from making the kinds of changes you want to make. You may want to add a guest suite in the basement, for example, but the reality is that there's not enough headroom for it to be a legal suite. Alternatively, zoning bylaws may prevent you from expanding the home or adding certain uses. Other restrictions may relate to the heritage status of the building, which can seriously hamper your efforts to upgrade the property. Chapter 8 discusses several of the changes you can't make that might be deal-breakers.

How much should I budget for maintenance?

Because every property is different, depending on age and upkeep, we can't answer this question for you. A property inspection will give you some tips that will help you draft a budget, however. The inspection report you receive as part of your due diligence will help you understand the condition of the home you're buying and flag areas of specific concern. You can then begin to budget for the repairs, potentially even asking for a discount off the purchase price if the seller is unwilling to undertake the repairs prior to sale.

The inspection report will guide you in developing a contingency fund you can put towards annual repairs, if not a full-blown renovation or replacement of key items such as the roof, windows, heating systems, and so forth. We discuss the cost of various renovations in Chapter 8, but individual circumstances will vary as will labour costs.

What's my exit strategy?

Thinking about leaving your home before you've even bought it may seem premature. However, nothing lasts forever, so consider how and when you might like to eventually sell your place. Knowing how long you plan to be somewhere, or under what circumstances you'd consider moving, can help you determine how to structure your financing and may allow you to settle for a starter home if you're planning on moving after three or five years.

Although a home can be a shelter from the storms of the world, some people keep trying to pay a mortgage long after economic shocks strike. Being ready to sell can help you avoid default if, for example, you lose your job and can no longer pay your mortgage. It sometimes pays to cut your losses rather than get so far into arrears that you lose all the equity you built in your home. We discuss the various factors you should take into account when determining the right time to sell in Chapter 13.

Knowing What Happens When You Sell

Selling a home is the flip side of the process of buying a home. If you're moving to a new home, you'll quickly discover just how different the process is. You won't prequalify for a mortgage, but you'll have to prepare the home to appeal to buyers. These sections give you a quick overview of the process.

Deciding to sell

Several factors play into the decision to sell, as we discuss in Chapter 13. Sometimes you have no choice, as when you change jobs, your family grows, or your financial circumstances change. The decision may be sudden or you may have thought it out. Regardless, after you make the decision to sell, the sales process begins.

Preparing the home

Preparing your home for sale involves two related activities:

- » You need to prepare to move, in which case it pays to read up in Chapter 12 on decluttering your home and packing only what you need.
- » You want to give the home a makeover, addressing any problems and making the cosmetic changes that will boost its curb appeal. This may include minor landscaping, a paint job, and of course a general cleaning. Chapter 15 offers plenty of tips on how to make your house shine.

Listing the home

Whether you're working with an agent or selling the home yourself, you'll need to make sure it gets in front of the right people. A real estate agent has the experience needed to develop a listing that brings in the right buyers, though you can also use sites that allow you to post your own ad. In some cases, an agent will promote your property in exchange for a finder's fee. We discuss the various options available for listing a property in Chapter 16.

Negotiating the sale contract

When a buyer decides your property meets her needs, she'll submit an offer. As the seller, you can present a counteroffer that includes your terms for the sale. Or

you may accept or reject the buyer's offer outright. You can also specify a timeline for the sale that meets your needs as part of the negotiating process. Because you're selling the home, the onus is on the buyer to get you to part with it (unless, of course, you're a motivated seller). We discuss the negotiating tricks in Chapter 18.

Closing the deal

After you and the buyer have hammered out the sale contract to your mutual satisfaction, and all the conditions of sale have been removed, the stage is set for closing. The buyer will typically have more to do than you at this point, but as the seller you'll have to pay the listing agent a commission for the hard work she's put in to selling the property.

You'll also have various fees associated with the discharge of the mortgage and the paperwork required to complete the transaction. The story's not over till these fees are paid, and you've received the net proceeds from the sale. After they're in hand, you can move onto your next home purchase or whatever the future holds.

Answering Some Questions You May Have When Selling

"Why are you selling?" is among the most common questions people get asked when a For Sale sign appears on their property. But it also pays to ask yourself these questions to make sure you're confident that you're making the right decision.

Does this home meet my needs?

Sometimes you just need to purge years of stuff to realize that you haven't outgrown your home. Taking a close look at how you're using your house (or condo) and making some simple changes can convince you a move is unnecessary. Other times, a growing family or a progressive disease such as multiple sclerosis or Parkinson's requires people to consider an alternative living situation. You may want a larger home or one with rooms all on one level with universal design features that make it safe for you to age in place. Perhaps the kids have moved out and you're left with more home than you need, and the accumulated equity will be put to better use elsewhere.

Determining whether or not a house meets your needs, a question we discuss in Chapter 13, will be key to deciding whether or not it's time to sell and whether there's a better option available.

Will moving be more trouble than it's worth?

When the time comes to pack, many people are overwhelmed. Or, perhaps the commission they'll have to pay an agent is daunting. Alternatively, a penalty may be owing for early discharge of the mortgage. Really, is it all worth it?

The questions all factor into the decision to sell, something we discuss in Chapter 13, but being able to pin down some of the answers can help you understand if selling really is worthwhile or just a lot of trouble. If you're selling to move to a more manageable home, one that suits your lifestyle, or one that will allow you to continue building equity, then no, the move won't be too much trouble (in retrospect, anyway).

How much will this cost me?

Between commissions, home staging, and mortgage costs, not to mention moving to a new home, selling a home is a considerable expense. We discuss the price of selling in Chapter 14, but don't forget that the proceeds from the sale will likely cover them.



REMEMBER

The final payment you receive when the dust settles will be net of most of those expenses, meaning that the costs won't hurt you as much as if you paid them straight out of your pocket. Focus on maximizing the proceeds and putting them towards what the future holds.

Are last-minute renovations worth the cost?

Will that \$10,000 renovation add \$20,000 to the sale price of your home? It all depends on where you're spending it, and whether or not it's making up for a major deficiency. Some renovations may be perceived as window dressing, whereas others amount to, ahem, deferred maintenance.

Buyers expect your property will be in good condition, meaning just a few renovations have the wow factor that add significant value to a property. A renovation worth doing is one worth enjoying well before it comes time to sell. Chapter 8 includes a table of common renovations and the value they add to a resale property.

What are the chances I'll be homeless if I sell?

You won't end up sleeping rough if you sell your home. Most sales contracts can include a clause that makes the sale contingent on the seller finding a new home or providing for a closing date that coincides with a new purchase.



TIP

In a worst-case scenario, arrange for temporary accommodation while you're waiting to take possession of your new home. Alternatively, you can obtain *bridge financing* (a short-term loan designed for temporary financing needs) to enable you to buy a new home before the proceeds from the old one's sale become available. Both options are extra expenses you may not want, but getting the short-term bridge financing is probably better than sleeping in the local park. We discuss the various contingency plans in Chapters 12 and 13.

