

# ULTIMATE BUYER E-BOOK

THIS E-BOOK IS PREPARED FOR YOU BY  
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## GET YOUR DOCUMENTS READY

Prior to booking an appointment with your bank make sure to have these **documents** ready:

- A picture ID like driver's license or health insurance card
- Letter of employment with a permanent status
- The last **pay stub**
- If you are self-employed, the notice of assessment for the last 2 or 3 years depending on your lenders.
- Depending on your situation and the lenders, the notice of assessment and the T4 for the last 2 to 3 years.
- The proof of all your **investments** for the down payment and closing cost.
- The list of **all your debts** including the payments, the balances, the limits and the type of debts (i.e. credit card, credit line, car loan/lease, furniture load, etc.)





## UNDERSTANDING YOUR CLOSING COSTS

Not only do you need the money for your down payment, the closing costs can add up pretty fast too (1%-3% of the purchase price). There are **3 stages** at which you will need to pay for your closing cost. Here are the most common fees with their timeline:

### PRIOR TO THE CLOSING DAY

- Home inspections (optional): on average 400\$ to 800\$ plus taxes depending of the type of property
- Certificate of location when it's a repo: on average 750\$ plus taxes
- Home appraisal: on average 350\$ but you can negotiate with the lender to pay for it.
- A deposit when applicable. The amount will be deducted from your down payment at the closing day.

### AT THE CLOSING DAY

- Notary fees: on average about 1,200\$ plus taxes
- Adjustment for the school and municipal taxes
- When applicable, 9% on a premium cost of an insured mortgage loan.
- GST (5%) and QST (9.975%) on the purchase for new construction. If the property is 450,000\$ and under, you might be eligible for a new housing rebate. You can also finance it if you prefer not to pay it in a lump sum.
- Sometimes a title insurance would be required: on average 300\$ plus taxes

### AFTER THE CLOSING DAY

- Land transfer tax
- Moving expenses
- Property insurance
- Renovations and repairs
- Cost of buying new furniture & appliances
- Utilities such as hydro, gas, internet, phone, etc.

**Be aware:** some other costs might be applicable to you. Make sure to run an in-depth research about it.





## UNDERSTANDING YOUR CREDIT SCORE

There are two main credit bureaus in Canada: Equifax and TransUnion. The credit score range can be anywhere from 300-900.

My past experience as a mortgage specialist taught me that most banks would consider giving you financing when your score is around 680 and above. The higher your score, the better mortgage conditions you can get. A score **lower than 680**, your bank will often require a strong cosigner or simply reject your request.

Keeping a **good score is very important**. To do so, you need to pay on time, keep your balance low, not exceed your limit and not apply for many credits in a short period of time.



## PRE-APPROVED MORTGAGE

Not getting a pre-approved mortgage is the top mistake a buyer can do. My many years as a mortgage specialist and as a realtor made it very clear to me that this is a must to all buyers.

So why is this so **important**? Three reasons come right to my mind:

**NOT COMPETITIVE:** as we know it, most of the greater Montreal is a seller market. Which means, being in a multiple offers situation happens quite often. So not having a pre-approved mortgage make your offer less competitive vs. those with it. Some sellers even make it a condition to present any promise to purchase.

**WASTING YOUR TIME:** too often, I have seeing buyers shopping for months, sometimes years, to finally put an offer on their dream house to discover later the bank won't lend them that much financing.

**BITTER LOVE:** for buyers who have put an offer rejected by the banks. After finding the courage to shop at a lower price bracket, buyers will find it very challenging. Unconsciously, the buyer will always compare the house at a lower bracket with their dream house they lost when they didn't have any approval. Removing that comparable from their mind is a big challenge. For other, this novice mistake is too much to bare and the buyer will get discouraged and give up on their search.





## SHOP FOR YOUR MORTGAGE

With **raising selling prices** and interest rates, getting the lowest interest rate becomes something very sought out. Sometimes, even contacting different mortgage specialists within the same lender can result in a different set of conditions.

So to get the best conditions for your mortgage, you need to shop shop and shop some more.

But first, here are some **basic lingo and valuable tips** that you need to know before going shopping.

### LENDERS VS. MORTGAGE BROKERS

Lenders such as banks, trust companies, and credit unions sell their own mortgage products. To get the best deal out of them you have to be a skilled negotiator and deal with each of them individually.

On the other hand, mortgage brokers sell mortgage products provided by their partnership lenders. In other words, they are mortgage middlemen. Their job is to shop around on your behalf within their partnerships for the best conditions possible.

The two main **upsides** are:

- ☑ If you don't like to shop or negotiate, a mortgage broker (such as Dominion Lending, Multi-Prêt, etc.) is an easy way to shop at multiple lenders all at once. It is almost like one stop shop.
- ☑ Each lender can have its own internal mortgage approval criteria. A mortgage approval could be easier with some lenders while it could be tougher with others. By being able to have access to multiple lenders, great mortgage brokers would be able to advise you on which lenders might be more suitable for your specific financial situation. My experience tells me that there is only a small percentage of mortgage brokers that are experienced enough to advise efficiently. Shopping for the right professional is not that easy unless you have the knowledge to test them.





## SHOP FOR YOUR MORTGAGE (CONT.)

The two main **downsides** are:

- ☑ They have signed a partnership with multiple lenders but not all. So if they don't have a partnership with the lender giving the best conditions, then they cannot offer the best offer to you.
- ☑ They are a middleman, if you are a skilled negotiator, by going direct to the lenders, you can cut off the middleman and get a lower rate by signing with them.

***TIP:** if you don't know where to start, I would suggest you shop with a mortgage broker. Don't sign any contract with them that commits you at this point. Narrow down what's suitable for you. Ask who the lenders are then go negotiate directly with them. With all my past experience, I was always able to beat the mortgage broker's conditions by going directly to the lenders.*

### CONVENTIONAL VS. INSURED MORTGAGE

Conventional mortgages refer to a loan where the buyer puts a minimum of 20% in down payment. If the buyer puts less than 20%, this loan would be referred to as an insured mortgage (aka high-ratio mortgage).

Furthermore, all high-ratio mortgages must be insured by either the Canada Mortgage and Housing Corporation (CMHC), Genworth Financial or Canada Guaranty.

The cost for this insurance protection ranges from 2.5% (up to 20% down payment) to 4.0% (for 5% down payment). This insurance cost is financeable on top of your mortgage. But don't forget the 9% insurance sales tax which needs to be paid at the notary.





## SHOP FOR YOUR MORTGAGE (CONT.)

### TERM VS. AMORTIZATION

The **term** of a mortgage represents the length of time you are committed to the mortgage rate. It varies from 6 months to 10 years. The most popular mortgage term is a 5 years fixed rate.

On the other hand, **amortization** refers to the length of time you need to pay off the entire mortgage loan. For a conventional mortgage, in Canada, it could be as long as 35 years. An insured mortgage is to a maximum of 25 years. The longer the amortization, the smaller your mortgage payment will be. This will, in turn, increase your total interest paid.

### FIXED VS. VARIABLE RATE MORTGAGE

Fixed rate mortgage is a loan that has a fixed interest rate for the entire term of the loan. This is the most **common** type of mortgage. It appeals to people that want to pay the same predictable mortgage payment amount for the entire term.

A **variable** rate mortgage has an interest rate that is adjusted, as often as monthly, to reflect the money market conditions. Which means, if the prime rate (rate giving by the bank of Canada) go up, your mortgage rate goes up and so does your payment, and vice versa. People that choose this product are willing to take a risk that the interest can go up and down in exchange for a rate lower than a fixed rate mortgage at the moment they choose this option.





## SHOP FOR YOUR MORTGAGE (CONT.)

### OPEN VS. CLOSED MORTGAGE

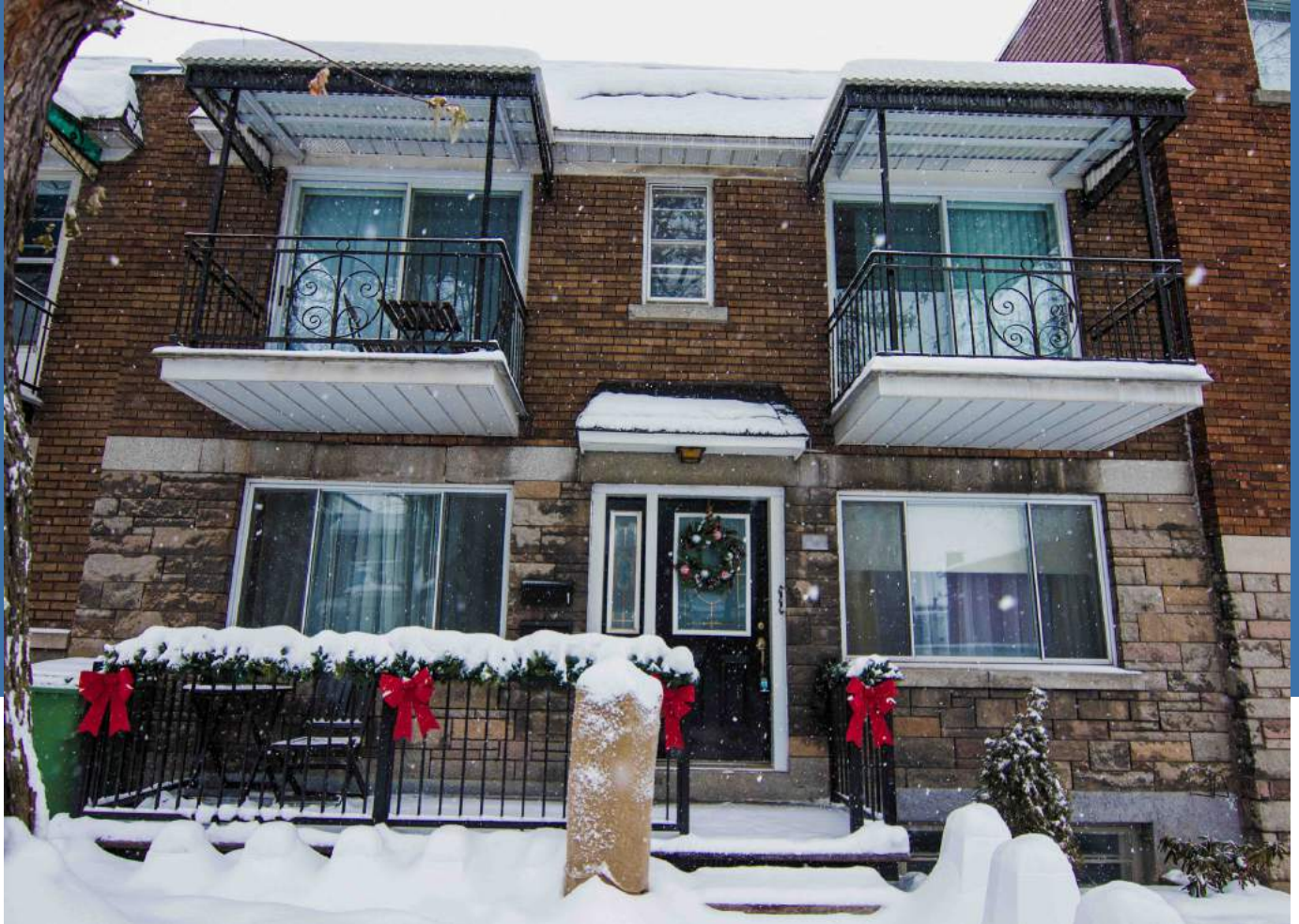
An **open** mortgage gives homeowners the chance to prepay any lump-sum up to the full mortgage loan, at any time, with no penalty before the end of its term. Since this option has no penalty, open mortgage rates are always higher than the closed mortgage rate.

A **closed** mortgage gives homeowners the chance to prepay only a limited lump-sum of the mortgage loan without any penalties before the end of its term. If that limit is reached, any prepayment above that limit will incur a penalty.

For the homeowners thinking about **selling** in the near future, an open mortgage could be the solution to minimize their penalty.

There are many more lingo available and more in-depth elements to take into consideration when shopping for a mortgage. Make sure to talk to a specialist near you or educate yourself.





## TAKE ADVANTAGE OF GOVERNMENT MORTGAGE PROGRAMS

There are so many financial programs to **help homeowners**. You would be crazy not to use it! These programs go from a refund for the land transfer tax to giving you a hand to pay your renovations.

The good thing about these programs, for most of them, you can be eligible to more than one at the time. Here are some of the most common:

### HOME BUYERS' PLAN (HBP)

You can use **up to 25,000\$** from your registered retirement savings plan (RRSP) as a down payment to buy or build a qualifying home for yourself or for a related person with a disability. As a couple, you can qualify up to 50,000\$.

### HOME BUYERS' CREDIT

The city of Montreal offers three major financial programs to help first time buyers (or homeowners that are buying) to help with their closing cost and renovation expenses:

- **Home purchase assistance program:** give you a lump sum financial assistance if you buy a new property or a refund on your land transfer tax for purchases made on a dwelling of 5 units and less.
- **Renovation programs:** no matter if you're doing a small renovation or a total overhaul, this can give a great hand for your budget.
- **Stabilization of Residential Building Foundations:** this financial program helps owner-occupants with the cost of repairs for their building's foundation.

### GREEN RENOVATION TAX CREDIT

This green credit program (aka Rénovert) encourage homeowners to invest in recognized eco-friendly home renovations that have a positive impact on the environment and improves their dwelling's energy efficiency.





## WORKING WITH OR WITHOUT A REALTOR

As a real estate broker, I do believe buying without a realtor is feasible. That being said, I also believe that only few buyers have the time, the knowledge, skill set and the personality to represent themselves to make it a truly successful transaction.

To me, a **successful transaction** is:

### **NOT OVERPAYING ON THE FAIR MARKET PRICE**

According to the realtor statistic, **more than half of the buyers will overpay for their property.**

Why is that? They all forget to do the single most important step prior to writing up the offer, doing a complete market analysis of all the comparable listings sold. This step should be done each time, with no exception, before you draft any promise to purchase.

### **NOT PUTTING YOUR TRANSACTION AT RISK**

Not using the right form, clause, deadlines to fulfill the conditions, arguments, intel, attitude or due diligence can jeopardize the completion of the transaction. Even worse, completing a purchase to lose money after the sale.

A quick search on Google can show the rise of legal lawsuits for less than perfect transactions the past years with "For Sale By Owner" and realtors lacking in depth knowledge to complete transactions without any major hitch.





## **WORKING WITH OR WITHOUT A REALTOR (CONT.)**

Instead of coming up with a long list of pros and cons, look at the **questions below**. If you answer all the questions by a “Yes”, you might have all the attributes to buy on your own. If not, I would recommend you strongly to shop around for a realtor. Remember, don’t choose the first realtor that you interview, find the best that you can find!

### **CAN YOU DO A STRONG MARKET ANALYSIS IN A VERY SHORT NOTICE?**

Do you have the tools to do the comparable listings correctly? In a seller market, as we are in, it’s not uncommon to have 24-48 hours to do your due diligence, market analysis and take a decision. Can you really do all that on your own? A bad comp will make you overpay your property or offer less than the fair market value and make you lose the deal. So this step is the most important prior to making an offer.

### **DO YOU WIN MOST OR ALL OF YOUR BID AT EACH OFFER THAT YOU DO?**

If not, you clearly don’t understand how to come up with the right price or understand the market conditions to win the bid.

### **CAN YOU PREDICT THE SELLING PRICE OF EACH PROPERTY SOLD IN YOUR PREFERRED MARKET?**

Pretend to put an offer on the next property. When it is sold, would you win the bid or overpay that property? Repeat that process and see how often you are successful or not. If you are not wrong most of the time, you might be a naturally skilled buyer. If not, think of hiring a pro to help you out.

### **HAVE YOU BEEN SEARCHING FOR LESS THAN 6 MONTHS?**

If you have been searching for more than that time frame, your expectations might not be realistic. An expert will be able to let you know if your budget and wish list make sense for the area that you are looking for or find you a more appropriate area.





## WORKING WITH OR WITHOUT A REALTOR (CONT.)

### CAN YOU NAME ALL THE PITFALLS WHEN BUYING A PROPERTY?

This usually comes with experience. You cannot see the problem if you don't know the problem. If you are faced with a problem, do you know what are the right solutions?

### DO YOU KNOW HOW TO WRITE CONDITIONS/CLAUSES ON YOUR OFFER THAT PROTECTS YOUR BEST INTEREST?

Too often I have seen people presenting offers that don't include the proper clauses that protect them.

Even though you answered YES to all of those questions, it would be unwise for you not to work with a realtor since their **service is paid by the seller**. Which means it is technically free for the buyer to hire a real estate professional. Why would you pass on a professional opinion when it is free?

I know some buyers don't want to hire a realtor because they have a bad reputation. Just like any industry, there are very good realtors some bad ones also. My suggestion is simply to interview as many realtors as possible to find one that can "wow" you with their knowledge.





## HOUSE HUNTING

Coming up with your list of **top requirements** such as the desired neighborhoods, characteristics, type of the property and all the amenities is the easy part to start your search. How to match your needs with the reality of Montreal's crazy seller market is something else!

You must **understand the market conditions** to sync it with your wish list with the reality of the real estate market. If not, you will be searching for a very long time.

These days, the number one place to hunt for a property by far is **online**. Even though this is where you would most likely find your dream home, winning a bid is not as easy in Montreal's competitive market. That it is why you would need to be creative in your search.

Sometimes, you can **find the right property for you on:**

- Expired listings
- Bank repossessed homes
- Foreclosures and distressed sales
- Succession properties

Most of these properties would be found off market. You would require to **subscribe** to specialized website or work with an agent that have access to these sites.

While house hunting, it is the perfect opportunity to gather intel when visiting your future dream house. Make sure to:

- Ask as many strategic questions to the realtor or the sellers
- Identify the seller's or his/her realtor's personality and try to connect with them
- Find out the seller's motivation to sell.
- Find out who suggested the listing price. The realtor or the seller? Who is truly controlling the transaction.





## WRITING UP A PROMISE TO PURCHASE

Writing up the promise to purchase (making an offer) is the easy part, right?

In fact, it is **not that easy to write an offer** without any technical errors that can be exploited by a savvy seller (or his/her realtor) or to have no legal issues down the road.

That is why, in Quebec, the number of lawsuits have been on a rise for poorly written promise to purchase offers. Make sure to hire the right real estate professional to help you out or get busy and start learn everything beyond just filling up a form!

Prior to writing an offer, I always pay attention to these elements to have a competitive edge at the negotiation table:

- The market conditions
- The comparable market analysis
- Research about the financial and familial status of the sellers.

Usually an **offer will include** at least:

- Identification of all parties
- The description of the property
- The price offer, mortgage conditions or if you are paying all cash
- Conditions such as mortgage financing, home inspection, to review important documents, etc.
- The notary contact info
- Your occupancy, deed of sale and adjustment dates
- The inclusions and exclusions
- All other clauses and conditions
- All annexes to the offer
- Until when the offer is binding

For a stronger impression, consider presenting the offer in person. To do so, make sure to have your comparable listings and presentation ready. Always be respectful and keep an open mind. For a multiple offers situation, all the intel will help you draft a more competitive offer.





## THE NEGOTIATION

Just like a chess game, you need to **plan a few moves ahead**. All intel preciously gathered will become handy at this state.

The first offer is rarely accepted from the seller. So planning before this stage would help you get what you want.

If you don't like to negotiate, hiring the right realtor that have your interest at heart might be the solution. If so, as mentioned before, make sure to interview at least 5 realtors before making a decision.





## COMPLETING ALL CONDITIONS

Make sure to fulfill all conditions that are cost free first. Therefore, if you find something wrong with these conditions, you can abort the promise to purchase before fulfilling conditions that will cost you money.

### GETTING YOUR MORTGAGE LOAN APPROVED

If you are not represented by a realtor, make sure to send all documents to your lender as soon as possible. This includes:

- The promise to purchase (aka offer)
- All applicable annexes
- Declaration of the seller
- All enhancements forms
- All counter proposals forms
- The details listing sheet
- All documents applicable to you on Page 2

*Make sure that all documents are filled, signed and dated. You must do a close follow-up with your lender so no important deadlines are missed.*

### REVIEW ALL IMPORTANT DOCUMENTS

The most common documents to be reviewed are:

**Declaration of the seller** - Savvy buyers would request these documents prior to putting an offer.

**Certificate of location** - If it is not up to date or not available right away, make sure to write a clause in your promise to purchase that allows you to opt out if there are any problems after receiving and reading the document.

**School and municipalities taxes statement**

**All invoices when applicable**





## COMPLETING ALL CONDITIONS (CONT.)

### For condos only:

- declaration of co-ownership and amendment
- the minutes of meetings of the co-owners for the past three years
- the board meetings for the last three years
- the financial statements of the co-ownership for the last three years
- the statement of sums deposited in the contingency fund

*These steps are often **overlooked by buyers**. Too much to read, too little time to do it and too complex to understand for the average buyers. It is a very important step if you know what you need to look at. Any great realtor will read these documents with you so he can advise accordingly.*

### HOME INSPECTION

Understanding the content and having the right expectation is **crucial**.

Too often, I see buyers over-estimate the cost of repair and lose a great deal. Or worse, the cost of repair and losing money after the sale. Make sure to hire a home inspector that can explain the impacts for each element. At the end of the day, the objective is to pay a fair price. That is where most of the deals are closed.

### ALL OTHER CONDITIONS

If you have any other conditions, make sure to put them in the promise to purchase. More **importantly**, put logical deadlines and fulfill them in a chronological timeline.

### NOTICE OF FULFILLMENT OF CONDITIONS

Once all the conditions are met, make sure to send a notice of fulfillment of the conditions and make sure the seller signs it back within the deadline.

A great realtor will guide you **step by step**, do a close follow-up and read all the documents with you. Most importantly, they will advise you so you can make the right decision for you and avoid technical errors that can make you lose the deal.





## GETTING READY FOR THE NOTARY

If you are not represented by a realtor, make sure to send all documents to your notary at least one to two weeks before the day of the signing of the deed of sale. This includes:

- The promise to purchase
- All applicable annexes
- All enhancements forms
- All counter proposals forms
- The certificate of location
- The seller(s) contact info
- For condos, the syndicate contact info

Once you've signed the deed of sale at the notary, you are new homeowners. Congratulations!

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**THANK YOU FOR TAKING YOUR TIME AND READING THIS BUYER E-BOOK**

If you are looking for more articles, reports, tips and FAQs, please visit my website

[TPTRIEU.COM](http://TPTRIEU.COM)

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