



Genworth
Canada



Can You Afford To Buy A Home?

By Genworth Canada

The first thing any prospective homebuyer needs to do is determine whether they can afford to buy the home they want.

Many people believe they have to save a large down payment. Thanks to mortgage insurance, there are various programs that enable homeownership with little or no down payment at all.

A down payment of 20 per cent or more will qualify you for a conventional mortgage. If it is less than 20 per cent, the mortgage must be insured with a mortgage insurance company, such as Genworth Canada.

Mortgage insurance works by transferring the homeowner's risk of default from the lender to the mortgage insurer. This benefits homebuyers by allowing them to obtain loans at lower interest rates than would otherwise be charged if the lender retained the risk of default.

Once you've determined how much you can put toward a down payment, it's time to approach a qualified mortgage planner to discuss mortgage options available to you, and create a mortgage strategy that meets your specific needs and goals.

Most mortgage lenders look at five factors when determining whether you qualify for a mortgage loan: your income, debts, employment and credit history and value of the property you want to buy.

One of the first criteria a lender will consider is how much of your total income you'll be spending on housing. This helps the lender decide whether you can comfortably afford to buy a home.



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We recommend that you spend no more than 45% of your NET income on all home-ownership expenses. Our professionals will help find a price range that ensures your home will be affordable.

A lender will then look at your debts, which generally include house payments as well as other monthly obligations – such as loan payments, charge cards, and child support.

A history of steady employment, usually within the same job for several years, helps you to qualify. But a short history in your current job shouldn't prevent you from getting a loan, as long as there have been no significant gaps in income over the last two years.

Good credit is very important in qualifying for a loan. It's important that you have maintained all of your obligations in a timely manner. The lender will also want to know what the house is worth and the price you plan to pay.

The size of your down payment affects the amount of your monthly mortgage payments. A smaller down payment will mean your monthly mortgage payments will be higher, but it may allow you to buy sooner rather than later.

Mortgage payments for principal, interest and taxes should not generally exceed 30 per cent of your gross monthly income. Simply multiply your gross monthly household income by 0.30 to determine your maximum monthly payments. If your gross monthly income is \$4,000, the maximum you can qualify for is $\$4,000 \times 0.30 = \$1,200.00$ a month to cover mortgage payments plus property taxes.

You should also remember that there are other expenses over and above your mortgage payments. These include the land transfer tax and legal fees to close the purchase of your home and other monthly-related expenses such as condominium fees, heat, hydro, water, property tax, moving costs, insurance and household maintenance.

For more information, visit Genworth Canada, at Genworth.ca.