



# BUYING YOUR HOME GUIDE



[www.torontotransitions.com](http://www.torontotransitions.com)

# Buyer's Guide

## Contents

<b>Commitment of Service .....</b>	<b>page 1</b>
The Toronto Transitions Team	
The Power of the Team	
The Power of Royal LePage	
<b>Before looking to buy .....</b>	<b>page 4</b>
Broker representation	
Finding a good lawyer	
Mortgage pre-approval	
What to expect when viewing homes	
Home Insurance Concerns	
<b>Putting in an offer .....</b>	<b>page 7</b>
Offer of Purchase and Sale	
Steps Involved	
Deposit	
Home inspection	
Multiple offer situations	
Closing date	
<b>Closing costs .....</b>	<b>page 9</b>
Survey	
Title Insurance	
Land Transfer Tax	
Legal Fees	
Disbursements	
Statement of Adjustment	
Home Insurance	
Moving Costs	
First Mortgage Costs	
Second Mortgage Costs	
HST	
The Week Before Closing Date	
<b>Home Buying Expenses Work Sheet .....</b>	<b>page 13</b>
<b>Glossary .....</b>	<b>page 15</b>

**Ellen Hanbidge and Marisha Robinsky**, Sales representatives

Royal LePage Real Estate Services Ltd. Brokerage  
3080 Yonge St., Suite 2060 Toronto ON M4N 3N1  
B: 416 487-4311 F: 416 487-3699

# Commitment of Service

---

Ellen Hanbidge and Marisha Robinsky are the Toronto Transitions team providing a full spectrum of service since 1987. Their objective is not only to help their clients maximize the value of their real estate portfolio, but also to ease the way through each of their real estate transactions. Working with a network of professionals, they will co-ordinate or refer, as needed, to ensure their clients get the required expertise from trusted lawyers, accountants, mortgage brokers, estate planners, service providers, home stagers, providers of property and landscape maintenance, content appraisers, moving coordinators, and tradesmen. Their goal is to smooth the transitions that a change in property ownership inevitably brings.

Ellen and Marisha take great pride in their business, a business that is based on long-time clients and referrals, which allows them more time to focus on their clients' needs. They share a dedication to providing outstanding personal and professional service for their clients.



## **Ellen Hanbidge**, real estate sales representative

Ellen has a successful background in computer consulting, teaching, and real estate. As a graduate of Queen's University (with an Honours BA in Mathematics and Economics), she spent several years consulting in the technology industry. But when she started searching for her first home to buy, she was hooked. In 1986, Ellen earned her real estate license and spent several busy years helping her clients buy and sell Toronto real estate. She paused briefly from her full time career in real estate to start her family. While her two girls were young, she completed a Master's degree at the University of Toronto and taught at several

private and public schools.

When Ellen resumed her real estate career full time, her knowledge of the school system in Toronto was extremely useful in helping clients relocate. She has earned her ASA professional designation (Accredited Senior Agent) specializing in providing real estate services for clients aged 65+, and served on the Board of Queen's University Alumni Association and the Toronto based choir Exultate.



## **Marisha Robinsky**, real estate sales representative

Born and raised in Poland, Marisha is fluent in Polish and has a working familiarity with Russian, French, and Spanish. She completed a Bachelor of Applied Arts degree in Poland, with a specialty in Surveying. In Toronto she took additional courses in Soil Mechanics, Foundation Design, and Computer Science at Ryerson University before completing her real estate license in 1987. Marisha raised her son, Chris, while enjoying the challenges of her busy real estate career. Chris influenced her interest in computers and encouraged her to learn HTML and build simple websites.

Marisha's hobby is working with stained glass, and many of her clients own pieces of her work. She also loves books, theatre, classical music, fine art, and ballroom dancing. Marisha served for many years on the Board of Directors of the Polish Canadian Music Society and the Toronto Sinfonietta, and is the webmaster for the Sinfonietta's website.

# The Power of the Toronto Transitions Team

## Two professional experienced full time agents – working for you

Ellen and Marisha have been helping their clients buy and sell real estate in Toronto since 1987, providing their clients with:

- 24 hrs-7 days a week direct contact with the expertise of a licensed real estate agent
- Negotiating techniques honed over years of experience under a wide variety of market conditions
- Significant sales volume, generating a large referral database with extensive neighbourhood knowledge
- Proven system for providing clients with continued contact throughout the buying period, monitoring the market for new properties listed and sold, as well as new market developments
- Solid long term professional reputation resulting in an excellent working relationship with agents across all brokerages
- Wide network of trusted resources just a call away: lawyers, trades people, inspectors, stagers, accountants etc.
- Active members of the following real estate associations: TREB, OREA, RECO, CREA
- Active members of Toronto Condo Network, a multi-brokerage association of condo-savvy agents
- State of the art on-line marketing includes being featured on their high ranking TorontoTransitions websites, Toronto Condo Network website, all three Royal LePage websites, full social media use, state of the art videos, photos, and quality feature brochures as well as the standard MLS listing, crafted to be noticed

**Two sets of experiences - Two sets of strengths  
providing you with dynamic and powerful representation**

[www.torontotransitions.com](http://www.torontotransitions.com)

# The Power of Royal LePage

## Our Corporate Office

- Strategic Yonge-Lawrence location with roots in the community dating back to the 1970s
- Subway access, parking and foot traffic exposure for our listings and services
- Elegant meeting rooms and reception provide quality representation and reflect our clientele
- On site mortgage and legal counsel
- Professional and experienced support staff provide 24 hour live phone service
- Longest office hours of operation in the business (M-F 9am-9pm, Sat 9am-5pm, Sun 11am-4pm)
- Long distance toll free phone number 1-877-487-4311 to service out of town inquiries

## Royal LePage Real Estate Services Ltd. - # 1 Brokerage in GTA

- Our office is one of 16 corporate offices strategically located across GTA & 905, all at our disposal
- Realtors and support staff are extensively screened and qualified as part of the corporate team
- Training and professional development is the best in the industry
- The latest trends in technology are used for property marketing and communication systems
- Client's properties are promoted throughout the Royal LePage network including the following websites:  
[www.rlponyonge.com](http://www.rlponyonge.com), [www.rlpqta.ca](http://www.rlpqta.ca), [www.royalpage.ca](http://www.royalpage.ca) ensuring maximum exposure
- [www.royalpage.ca](http://www.royalpage.ca) ranks in the top three most used real estate websites in Canada

## Royal LePage Canada – a national network of professionals

- Canada's oldest, largest, most recognized and respected real estate company
- Trusted public source of the latest and most extensive real estate market statistics and analysis
- Brand recognition, professional training and reputation as trustworthy second to none
- Network of over 13,500 agents provides maximum exposure for our buyer and seller client's needs
- Worldwide relocation service handle over 7,000 corporate and 20,000 government transfers a year

Helping **you** is what we do.™

# Before looking to buy

---

## Broker representation

**Seller's Agent** – A house listing establishes a Seller's agency. The Seller's agent acts in the best interest of the seller and must tell the seller anything known about a potential buyer. For instance, if a seller's agent knows a buyer is willing to offer more for the seller's property, that information must be shared with the seller. Conversely, the seller's agent must not disclose confidential information about their seller to a buyer.

**Buyer's Agent** – A written contract called a buyer agency agreement establishes a buyer agency. The Buyer's agent acts in the best interest of the buyer and will not disclose confidential information about the buyer to the seller. In the same way as you would want your own lawyer representing you in your closing, it is in your best interest to have your own real estate representative negotiate on your behalf as your exclusive agent.

**Multiple Agent** – If both the buyer and seller consent in writing, a real estate company can represent both parties. Under this arrangement, the company must do what is best for both the buyer and the seller, while keeping price and motivation confidential for each party.

## Finding a good lawyer

It is wise to line up a lawyer before you buy a home. If you do not know of a good real estate lawyer, we are happy to pass on several names of real estate lawyers recommended by our clients. Your Lawyer may want to look over an offer before it is presented to the seller. As well, it is advisable to go over your lawyers fees and the costs associated with the closing (see the closing section of this guide) prior to submitting any offers.

## Mortgage pre-approval

The bank will look at your debt-service ratio to determine the maximum amount of monthly mortgage payment you can support.

If you calculate 40% of your gross monthly income and subtract all monthly loan payments (car, personal loans, monthly credit card balances) the result will be the amount a bank will allow for mortgage and monthly property tax payments (and it should not exceed approximately 30% of your gross monthly income).

If you have less than 20% down payment when purchasing your house, you will need CMHC (Canada Mortgage & Housing) insurance. That insurance is available for properties under 1 million.

Before you get too involved in inspecting houses, it is important to talk with your financial institution to get pre-approved for a mortgage. It's free and you will then be guaranteed (usually 90 days) your rate in case the interest rates increase before you buy. Be prepared to negotiate your mortgage rate, possibly between 1/2-1% off the posted rates with your lender.

You will save the most money if you opt for an accelerated Bi-weekly payment plan, or if you double up one payment per year. This will shorten your amortization periods by over 6 years!

If you have not gone through this process before and need some guidance, we can provide several names of excellent financial brokers to talk to.



## What to expect when viewing homes

- We will meet to go over the steps of the buying process, discuss the role of a realtor, agency relationships & the advantage of Buyer Agency and make sure your legal rights are covered.
- We will together complete a detailed and comprehensive buyer profile form. This will be used to develop an action plan to find your new home.
- As our client, you will be placed on a personalized e-mail program which keeps you up-to-date on any property meeting your criteria as soon as it comes on the MLS market.
- You are also placed on an exclusive tracking program that will allow us to review on a regular basis, the properties we've inspected and to help with the evaluation process.
- You never know when you may find that perfect home you want to buy. To be prepared, you will need to have the deposit money accessible. You may want to arrange for an unsecured line of credit, prior to commencing the house buying process.
- Feel free to check out the MLS (Multiple Listing Service) web site open to the public. It includes resale homes (not new developments) and is a good way to get a sense of different homes in different parts of Toronto. Most homes do not give the actual address so if you e-mail us the MLS number, we can access all the information on the property. Please note that it takes a couple of days for homes that have sold to come off the public website. We will be monitoring the agent MLS website ongoing during the home buying process.
- While we are not together and you see an open house being held for a property you are interested in, you are of course welcome to take a look. Simply tell the agent holding the open house that you have buyer agents representing your interests. The agent will supply you with a feature sheet and answer any questions you might have, but you are not obliged to leave your name to be contacted after you leave the house. Let us know the property you saw and we will be happy to follow up for you.

### **A few tips on property showings:**

- Many home-owners request you to remove your shoes at the door. So try to wear socks and loafers or shoes that are easy to take on and off.
- Appointments are booked for 1/2 hour periods. Most homes request some notice prior to showing.
- There may be other purchasers, with their agents, viewing the house at the same time as us. If this happens, we may wait to give them privacy by looking around the back yard, or inspect another area of the house.
- The owners or listing realtor may also be there. It is a good policy to be friendly and polite but refrain from giving them any reaction (positive or negative) to the property. It is easy enough to let something slip that may not be to your advantage if you were to submit an offer. If you have questions about the property, you are best to let us know, and we'll ask the realtor directly.
- We will need to be able to reach you by phone directly or by text or email, in order to leave a message confirming appointments made and/or cancelled.

- Try and avoid bringing young children, if possible! Most kids don't enjoy the process, and this allows you to focus on the properties.
- The general rule is to leave the house as we find it so we'll lock any doors or windows we open, turn off the lights etc.

## **Home Insurance Concerns**

A number of insurance concerns have developed in the real estate industry that affects how insurance companies view certain properties. As this could have a financial impact on you on closing, we will be checking for the following:

### **1. Knob-and-Tube and Aluminum wiring**

Knob-and-tube wiring, the oldest form of residential wiring used until approximately the 1950s, is ungrounded and can be a potential fire hazard. As such, many insurance companies will insist that the home be rewired before they will insure it. Most wiring is copper although since the mid-1960s some aluminum wiring was used. Particularly when aluminum has been mixed with copper, there is a potential fire hazard and therefore may make a home uninsurable. The cost of rewiring a home could easily exceed \$5,000.

### **2. Hydro Service**

Insurance companies are refusing to insure properties with 60 amp service and homes with fuse panels instead of breakers. Hydro service may have to be increased to at least 100 amp service before insurance can be obtained.

### **3. Oil Tanks**

Homes with oil tanks need to be certified by a Technical Standards and Safety Association (TSSA) technician to be eligible for home insurance. This is particularly true for oil tanks that are older than 25 years. Oil companies will no longer provide fuel oil to homes with tanks that have not been certified. Replacing an oil tank can be as high as \$2,000. Underground fuel tanks are a serious concern, whether in use or abandoned.

### **4. Other Issues**

Since the September 11th, 2001 aftermath of the US terrorist attacks, insurance companies have been attempting to shed risky policies. In some parts of the country the age and type of structure have become an issue. In Ontario, for instance, galvanized steel plumbing is becoming an insurance concern. Properties owned by absentee owners/landlords may also pose a problem.

As we view properties together, we will be pointing out any areas of concerns specific to each property. We have excellent referrals to call on when needed to provide specific professional advice and of course a home inspection before making a firm offer is highly recommended. We discuss this in the next section.



# Putting in an offer

---

## Offer of Purchase and Sale

We encourage you to read over the “Agreement of Purchase and Sale - Explained” ([www.torontohomes-for-sale.com/real-estate-buyer-forms-explained-in-plain-English.html](http://www.torontohomes-for-sale.com/real-estate-buyer-forms-explained-in-plain-English.html)).

The standard clauses are explained in red, to clarify their intent, for your review. Please note any questions you have so that we can address them immediately. That way, when you want to place an offer on a property, you will be familiar with the form and we can therefore focus on the terms and conditions specifically to the home you are interested in.

## Steps involved:

1. We will supply current market sales & information and together we will discuss your offer strategies with respect to each of the following
  - Price
  - Deposit
  - Terms & Conditions
  - Inclusions/Exclusions
  - Closing or Possession Date
2. We will write up the Agreement of Purchase & Sale with all legal clauses etc. as per your instructions.
3. Either Marisha or Ellen will present the offer to the seller & listing realtor on your behalf. You are not usually present for this, but we may need you nearby for consultation.

You have our years of successful experience and strong negotiation skills, to make sure you get the best price & conditions possible. We have a very high success rate in helping our clients acquire the Toronto house they want in tight competition.

## Deposit

At the time of presenting an Offer of Purchase you will need to submit a deposit cheque which will be held in trust by the listing broker if the offer is accepted. The deposit is usually between 5%-10% of the sales price or more depending on the circumstances and the closing date. The higher the deposit, the more assurance the seller has that the buyer is serious and committed.

Your deposit cheque will need to be certified (money order or bank draft acceptable) and deposited the day after your offer has been accepted. Occasionally the deposit funds are wired by electronic transmission.

## Home inspection

A home inspection can be arranged before you submit an offer or your offer can be conditional on obtaining a home inspection to your satisfaction. Costs range from at least \$400-\$600, depending on the size of the property, and it takes about 2-3 hours while the inspector walks you through the house and around the property. You will receive a full written report on the property with an outline of the estimated costs of any repairs that are necessary.

A home inspection is highly recommended especially when buying an older home. If you do not know of an inspector, we can supply you with the name of several reputable companies. We can certainly make the necessary arrangements for you and we'll be there with you during the inspection.

## Multiple offer situations

When two or more buyers submit offers on the same property and the offers are considered by the owner at the same time, this is referred to as a multiple offer situation. This can result from a strong seller's market, a unique property and/or a property that is priced under its market value.

Of course only one of the offers will be accepted. While there is really no benefit in competing for the buyer, we have specific strategies to handle multiple offers that can be most effective in maximizing your position. We will go over this in more detail as the need arises.

## Closing date

The end of the month always seems to be a tidy time to choose to close a home transaction but there are a number of reasons why you might want to avoid end-of-month closings. Because most people choose the end of the month, lawyers are overwhelmed, moving companies are booked and you therefore may find you don't get the keys to your home until very late in the day. It is not always possible to pick the closing day that is best for you if a specific date is important to your seller. There are ways to make any date work, such as bridge financing and we can go over this in more detail as the need arises.

# Closing costs

---

## Survey

If the seller does not provide you with an up-to-date survey in the Agreement of Purchase and Sale (showing the existing location of fences, buildings and structures), it may be necessary to have a new one prepared by an Ontario Land Surveyor, as mortgage lenders may require it. Solicitors will not give an unqualified opinion of title without an up-to-date survey. Typically a survey will cost \$800-\$1,000. If you have no interest in renovating or building on your property, instead of obtaining a survey, your lawyer may accept Title Insurance.

## Title Insurance

Title Insurance provides broad protection of title and can facilitate the closing. Obtaining title insurance often eliminates the need for many title and off-title searches (saves on disbursement costs) and may eliminate the need for an up-to-date survey.

There are a variety of insurers that provide this product. Your lawyer will go over in detail this option. The cost of title insurance is based on a sliding scale depending on the value of the property. Typically, costs can run from \$300-\$500.

Title insurance will compensate you as a result of the negative impact resulting from defects on title. It should be noted, though, that this insurance will not correct title problems.

## Land Transfer Tax

The Ontario Land Transfer Tax is a tax charged by the province when ownership of property is changed. It is normally paid by the purchaser when property is bought. It applies everywhere in the province and it's based on a percentage of property value as follows:

- 0.5% - on the first \$55,000 of property value
- 1.0% - on the portion between \$55,000 - \$250,000
- 1.5% - on the portion between \$250,000 - \$400,000
- 2.0% - on anything over \$400,000

Thanks to the Toronto City Council, anyone buying a house, condo or loft in the city of Toronto has a 2nd land transfer tax to pay. This new land transfer tax is as follows:

- 0.5% - on the first \$55,000 of property value
- 1.0% - on the portion between \$55,000 - \$400,000
- 2.0% - on anything over \$400,000

**Note:** *First time buyers are exempt on the first \$400,000*

## Legal fees

You will require the services of an Ontario lawyer to act on your behalf to close your house purchase. We are happy to supply you with several names of lawyers recommended by our clients, should you not already have a real estate lawyer.

Your lawyer will charge you for his services, including searching the title and for his expenses (disbursements).

Before retaining a lawyer, you should ask him for a complete breakdown of his/her fees, disbursements, and mortgage work. Most legal work for home purchases exceeds \$1,500.00 and can be much higher under certain circumstances. Be sure to ask first.

## Disbursements

There will be other costs which the lawyer will have to pay on your behalf, such as photocopies, tax certificates, zoning clearance and work orders, couriers, registering of the deed and mortgages, searching executions, mortgage schedules, status certificates (for condominiums) and other incidentals. These disbursements will be at least in the range of \$600-\$800.

## Statement of Adjustments

**Balance due on closing** – Basically the balance due on closing is the difference between the sale price and the amount of your deposit which was presented with the offer. However, there are certain other items which will be adjusted at the time of closing.

**Taxes** – If the seller has paid taxes for the full year, the Buyer will be responsible for his portion from time to closing until the end of the year.

**Fuel** – If the property is heated by oil, then the tank will be filled by the seller on closing, and the buyer will be charged on the adjustment with a full tank of oil (usually 200 gallons).

**Utilities** – All utilities and gas which are metered will be read on closing and the seller will be responsible for them up to the date of closing.

These are the normal adjustments. When buying new construction, especially condominiums, particular attention should be paid to additional adjustments, such as the Ontario New Home Warranty Fee, could amount to \$3,000 or more.

## Home insurance

Because we will have been pro-active about the possible insurance issues discussed above, securing insurance for the closing should be straightforward. Home insurance costs can vary greatly. You will need to call for quotes and a good place to start is with an insurance company you have previously dealt with (for your car insurance, for example) and who knows you as a customer.

For your reference, your first mortgagee must be noted on your home insurance policy.

## Moving costs

Moving costs vary from around \$200.00 per hour and up, depending on the company and the number of movers. It will also depend on the size of the vehicle and the time of the month and year you are moving.

## First Mortgage costs

**Interest Adjustment** – If you are arranging a new First Mortgage, your lawyer will receive the mortgage money from the Mortgage Company on the morning of the closing date. However, most Mortgage Companies use the 1st or the 15th day of the month as a payment date. For example, if your closing date is Sept 10th, the Mortgage Company will deduct from the mortgage money, interest from the date of closing (10th) to the 1st of the following month (October 1st) – Interest Adjustment Date – and your first payment would then commence the 1st day of the following month and continue on a monthly basis thereafter.

For example: on a \$100,000 mortgage at 5.5% interest from the 10th to the 1st of the following month, interest would amount to approximately \$316 and instead of getting \$100,000 from the mortgage company on closing, you will receive only \$99,684.

Interest adjustment costs will not affect every mortgage as some will have payment commencing one month after closing.

**Loan Processing of Bank Appraisal Fee** – High ratio mortgages will demand a higher processing fee, but it is usually around \$300.00. A high ratio mortgage is where the buyer is seeking financing in excess of 75% (they have less than 25% to put down on the property) of the purchase price or in some cases the approved value of the property.

## Second Mortgage costs

Most second mortgages require the payment of additional legal fees, appraisal and brokerage fees. These fees vary dramatically, depending on the transaction and the risk as perceived by the lender.

## HST

**Re-Sale** – Most used residential resale property is exempt from HST but almost all services involved with the transaction will be subject to HST. For Example, HST will need to be paid on real estate commissions, Lawyer's fees, appraisals, processing fees, home inspections, insurance, moving cost, etc.

**Substantially renovated houses** – are subject to HST if purchased from the Builder/Renovator.

**Commercial Properties** – are subject to HST. This is a complex area and individuals should seek advice from a specialist, e.g. accountant, tax lawyer.

**New Housing** – is subject to HST. It is also a complex topic. Often the HST will be included in the purchase price. There are also F.S.T. rebates available in a number of instances.

**Vacant Land** – This is a very complex HST area. Vacant land attracts HST in most but not all cases. As a cautionary note assume that it does until the nature of the land, its use, its ownership can be clarified by a specialist.

## **The week before closing date**

There are a number of steps involved on the closing date. It will be necessary for your lawyer to obtain the money from the mortgage company and arrange for an appointment to close the deal with the other lawyer through the registry office.

Lawyers often have many deals closing on any one day, and so it is often difficult for them to arrange a closing time until later in the day. **Please be sure to discuss this with your lawyer before you line up your moving day.**

Your lawyer should be in touch with you within the week prior to closing to arrange an appointment to sign and finalize the necessary paperwork. At this time you would normally be requested to supply the remaining down payment funds.



**We are with you throughout the entire process**

**Please always remember that we are looking after you and your best interests while searching for the right property, negotiating your purchase and through to the successful closing of your transaction, each step of the way.**



# Home buying expenses work sheet

## The Down Payment

20% of purchase price or more: you may qualify for a conventional mortgage loan, which does not require mortgage loan insurance.

5% - 20% of purchase price of home: lender will require insurance against default (at least 5% is required for a high-ratio mortgage).

## The Mortgage

A mortgage is security for a loan on the property you own. It is repaid in regular mortgage payments, which are blended payments. This means that the payment includes the principal (amount borrowed) plus the interest (the charge for borrowing money). The payment may also include a portion of the property taxes.

<b>Estimate Buying Costs:</b>	
Mortgage application fee (from \$100)	\$
High-ratio mortgage: CMHC insurance (0.5% - 2.5% of total mortgage)	\$
Service charges (i.e. hook-up utilities)	\$
Land Transfer Tax : 1% - 4% purchase price	\$
Adjustments / disbursements (from \$700)	\$
Appraisal fee if no Title Insurance (\$150 - \$250)	\$
Property insurance	\$
Property taxes	\$
New House HST 13% (rebate on homes less than \$450,000)	\$
Lawyer's fees (from \$1,500)	\$
Status Certificate for condo (corp's financial / legal statements, approx. \$100)	\$
Condo monthly fees (common area maintenance fee)	\$
Home inspection (2 hr inspection with engineer plus report, \$400 - \$600)	\$
Moving costs (professional mover approx. \$200/hour)	\$
Maintenance / renovation costs	\$
Other	\$
<b>Approximate Total Buying Costs</b>	<b>\$</b>

This work sheet has been prepared to assist you in computing your costs. The above fees and charges are estimates only; actual amounts will vary and list may not be complete. Estimates are not guaranteed by Royal LePage Real Estate Services Ltd.

## On-going costs of living in your home:

<b>Estimate on-going home costs:</b>	
Electricity (hydro)	\$
Gas	\$
Water	\$
Mortgage payments	\$
Home and fire insurance	\$
Monthly condo fee	\$
Property taxes	\$
Telephone	\$
TV	\$
Internet	\$
Maintenance / renovation costs	\$
Cleaning	\$
Window washing	\$
Eavestrough cleaning	\$
Other	\$
<b>Approximate Total Monthly Home Costs</b>	<b>\$</b>

# Glossary

---

If you're buying a home for the very first time, the process may seem a little daunting. It helps to take the mystery out of the many terms, phrases and clauses you will encounter by learning the language of real estate.

The following glossary provides definitions of some of the most common real estate terms you are likely to come across. This is an excerpt from the Ontario Real Estate Association's publication.

**Amortization:** The number of years it takes to repay the entire amount of a mortgage.

**Appraisal:** An estimate of a property's market value, used by lenders in determining the amount of the mortgage.

**Appreciation:** The increase of a property's value over time.

**Assessment:** The value of a property set by the local municipality, for the purposes of calculating property tax.

**Assumable Mortgage:** A mortgage held on a property by the seller that can be taken over by the buyer, who then accepts responsibility for making the mortgage payments.

**Blended Mortgage:** A combination of two mortgages, one with a higher interest rate than the other, to create a new mortgage with an interest rate somewhere between the two original rates.

**Blended Mortgage Payments:** Equal or regular mortgage payments, consisting of both a principal and an interest component. With each successive payment, the amount applied to interest decreases and the amount applied to the principal increases, although the total payment doesn't change. (Exception - see variable rate mortgages.)

**Bridge Financing:** Money borrowed against a homeowner's equity in a property, usually for a short term, to help finance the purchase of another property or make improvements to a property being sold.

**Buy-down:** When the seller reduces the interest rate on a mortgage by paying the difference between the reduced rate and market rate directly to the lender or to the purchaser, in one lump sum or monthly installments.

**Closing:** The real estate transaction's completion, when the parties involved agree that all legal and financial obligations have been met, and the deed to the property is transferred from the seller to the buyer.

**Conventional Mortgage:** A first mortgage issued for up to 80 per cent of the property's appraised value or purchase price, whichever is lower.

**Counteroffer:** One party's written response to the other party's offer during purchase negotiations between buyer and seller.

**Debt Service Ratio:** The percentage of a borrower's gross income that can be used for housing costs, including mortgage payment and taxes (and condominium fees, when applicable).

**Deed:** A legal document that conveys (transfers) ownership of a property to the buyer.

**Easement:** A legal right to use or cross (right-of-way) another person's land for limited purposes. A common example is a utility company's right to run wires or lay pipe across a property.

**Encroachment:** An intrusion onto an adjoining property -- such as a neighbor's fence, storage shed or overhanging roof line that partially (or even fully) intrudes onto your property.

**Equity:** The difference between the price for which a property can be sold and the mortgage(s) on the property. Equity is the owner's "stake" in a property.

**Foreclosure:** A legal process by which the lender takes possession and ownership of a property when the borrower defaults on the mortgage obligations.

**High-Ratio Mortgage:** A mortgage for more than 80 per cent of a property's appraised value or purchase price.

**Land Transfer Tax:** Payment to the provincial government for transferring property from the seller to the buyer.

**Lien:** Any legal claim against a property, filed to ensure payment of a debt.

**Mortgagee:** The lender.

**Mortgage Insurance:** Government-backed or private-backed insurance protecting the lender against the borrower's default on high-ratio (and other types) of mortgages.

**Mortgagor:** The borrower.

**Multiple Listing Service (MLS):** A system for relaying information to REALTORS® about properties for sale.

**Prepayment Privilege:** A mortgage feature that allows the borrower to prepay a portion or all of the principal balance with or without penalty. This privilege is frequently restricted to specific amounts and times.

**Principal:** The mortgage amount initially borrowed, or the portion still owing on the mortgage. Interest is calculated on the principal amount.

**Status Certificate:** A written statement of a condominium unit's current financial and legal status.

**Variable-Rate Mortgage:** A mortgage for which payments are fixed, but whose interest rate changes in relationship to fluctuating market interest rates. If market rates go up, a larger portion of the payment goes to interest. If rates go down, a larger portion of the payment is applied to the principal.

**Vendor-Take-Back Mortgage:** When sellers use their equity in a property to provide some or all of the mortgage financing in order to sell the property.

**Zoning Regulations:** Strict guidelines set by municipal governments regulating how a property may or may not be used.