

HOW TO FINANCE A NEW HOME

Kelowna, BC

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In this guide we will go over three different approaches to acquiring a new home and what considerations there are surrounding the financing of a new home.

Considerations

Your Existing home

Land Acquisition

Applicable Taxes

3 different ways to acquire a new home

Hire a Qualified-Builder

Homeowner builder

Move in ready homes

Resources to obtain financing

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Considerations

Your Existing Home

Some homeowners opt to sell the house they are living in and move into a rental property while they are building their new home. Others want to remain where they are and sell after the new house is ready. Whether this second option is possible depends on your debt-to-income ratio. Your lender will look at your debts and your gross monthly income and determine whether you are able to carry the total amount of debt for two mortgages.

Land Acquisition

Depending on its location and condition, the land might be incredibly affordable or surprisingly pricey. When finding the right lot for your new home you'll want to consider price as well as amenities like a walkout basement, private backyard, lake views, location to shopping, schools, nearby activities and many other factors. To view a list of new communities in kelowna [CLICK HERE](#)

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Applicable Taxes

GST

The GST on new or pre sale homes in BC is a 5% Federal Tax, that is paid at the time of purchase. This GST on Real Estate is on the sale of brand new properties in BC not on the resale of residential properties. When buying a new home, make sure to verify if the GST is included in the listing price or if it will be added on top of the listing price.

Property Transfer Tax

The property transfer tax rate is:

- *1% on the first \$200,000,
- *2% on the portion of the fair market value greater than \$200,000 and up to and including \$2,000,000,
- *3% on the portion of the fair market value greater than \$2,000,000, and

If the property is residential, a further 2% on the portion of the fair market value greater than \$3,000,000 (effective February 21, 2018).

Potential Exemptions for newly built homes

<https://www2.gov.bc.ca/gov/content/taxes/property-taxes/property-transfer-tax/exemptions/newly-built-home-exemption>

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3 different ways to acquire a new home

Below are three different approaches to acquiring a new home

When hiring a Qualified- Builder or acting as an Owner builder the construction loan will typically fall under the standard construction loan process which consists of a series of 4-5 draws which are paid out at certain percentages of completion.

The percentage is confirmed by the financial institutions appraiser and then the funds are released. Once the home is complete the construction loan will typically turn into a conventional mortgage.

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1. Hiring a Qualified-Builder

Choosing to buy a new home from a builder can be a great option when you want to customize your home, but don't want the responsibility and pressure of acting as your own general contractor. While buying from a builder may not be as involved as building your own home, it still requires some sound financial planning.



BC HOUSING
LICENCED BUILDER

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2. Homeowner builder homes

An owner builder is an individual authorized by BC Housing to build a new home for personal use.

Owner builders are exempt from having to become licensed and arrange for third-party home warranty insurance on their home. As an owner builder, you must build or directly manage the construction of your new home yourself. You will also be personally liable for any construction defects in the new home for 10 years.

Before you decide if this is the right path for you, please review BC housings [Information for Owner Builders](#) regulatory bulletin. This covers all the eligibility criteria you must meet to get an Owner Builder Authorization and your statutory obligations under the [Homeowner Protection Act](#).

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3. Move in ready homes

If you are purchasing a new move-in ready home or a home that is already in the process of being built and is already financed by a professional home builder, the process of securing a mortgage is almost identical to the process of buying any existing home. Your mortgage payments will start when the builder is paid upon completion of the project, and the lender will have the security of a finished home.



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There's plenty of thought and leg-work that needs to happen before you break ground on your new home, and much of it begins with looking at your finances. A professional mortgage broker will be able to help you decide if it's possible and desirable to stay in your existing home while you build. They will walk you through the concepts of construction mortgages, and can give you information that will help you decide whether managing your own build, having a professional builder manage it, or buying a new home already under construction is the best option for your specific situation.

Remember, there's no need to feel overwhelmed by the unfamiliar concepts. There are many satisfied owners of new homes who have navigated the borrowing process. You can, too!

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Resources to obtain financing

Here is a list of links to the 5 top banks of Canada New Construction Information.

It also may be a good idea to see a mortgage broker who will have access to all the bank rates as well as credit unions and in some cases - private lending.

When deciding on a lender be sure to find one that has lots of experience in construction lending.

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Royal Bank

<https://www.rbcroyalbank.com/mortgages/building-your-own-house.html>



TD Canada

<https://www.td.com/us/en/personal-banking/mortgage/build-a-home/>



Scotia Bank

<https://ky.scotiabank.com/personal/borrowing/home-builder-loans.html>



CIBC

<https://www.cibc.com/en/personal-banking/mortgages.html>



BMO

<https://www.bmo.com/home/commercial/banking/specialized-banking/franchises/resources/financial-solutions>



Google Search of Mortgage Brokers in the Kelowna Area

<https://www.google.com/search?sxsrf=ALeKko>



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