

# This is how to buy and renovate

Many homebuyers looking at older properties find themselves in a common predicament: you've found a property that suits you, in a great location, but it needs some costly and immediate upgrades.

*Good news: there's a mortgage that will help you with that!*

A Purchase Plus Improvements mortgage adds the cost of those immediate renovations (the "improvements") into your mortgage, so you don't have to save up, or worse, pay credit card interest rates on these updates to your new home.

The mortgage will cover the sale price of the home, plus any renovations that would increase the value of the property, with certain restrictions (e.g., appliances don't apply). This way you can spread your payments over the life of the mortgage and have a cost-effective way to get into your dream home. You can always use your pre-payment privileges to pay the renovation off faster.

All of this can be done with a down payment of as little as 5% of the "as improved" value.

An example: you purchase a home for \$275,000 and want to do \$27,500 in renovations. Canadian Mortgage and Housing Corporation will insure a mortgage based on 95% of the "as improved" value of at least \$302,500 after the \$27,500 worth of proposed renovations are completed. This will add only \$130 to your monthly cost. The insured loan is based on the lower of the purchase price plus the actual cost of the improvements or the "as improved" market value.

The process:

1. Tell your REALTOR® you plan to do this so they can negotiate a longer period for the financing condition.
2. Obtain cost estimates for the upgrades from a qualified contractor.
3. Your lender will add the estimated cost of the renovation into your mortgage. The committed amount of the mortgage will be advanced to your solicitor, who will be instructed to hold back the renovation funds until the work has been completed and inspected.
4. Complete your upgrades; funds are released upon completion.
5. There are options available for carrying your expenditures until the funds can be released.

\* The contractor must include the following:

1. A detailed description of the work
2. The type and quantities of materials being installed (e.g., 300 sq. ft. ceramic tile flooring)
3. The cost of all work, including applicable taxes
4. For additions (like a 2<sup>nd</sup> storey or a family room), a copy of the drawings

*Please note that some renovations are subject to condo approval.*

Anneke Cundasawmy, Real Estate Sales Representative with RE/MAX Hallmark Ottawa, can help you find that right fit home. Email her at [anneke@urbanique.ca](mailto:anneke@urbanique.ca) or call her directly at 613-263-8299 to get started.