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## Interest rates, closing delays among buyers' top concerns

Seminar audience picks panelists' brains on diverse issues

*GST often included in purchase price, but buyer ultimately pays*

What kinds of questions are today's buyers of new homes asking? What are the burning issues?

Earlier this month, a group of some 250 would-be homebuyers attended a seminar sponsored by the Greater Toronto Home Builders' Association, the Toronto Star, TitlePLUS, and others. After each of the speakers made a brief presentation, members of the audience had a chance to weigh in with questions about issues that concerned them most.

Joining me on the panel were Bob Finnigan, senior vice-president of Heathwood Homes, Paul Bimm, manager of new home construction with Royal Bank, Carole Bennett, warranty vice-president with the Ontario New Home Warranty Program (ONHWP), and Andrew Brethour, president of PMA Brethour, a large realtor specializing in sales of new homes.

Here are some of the more interesting questions thrown at us by the audience, and my own notes of the answers by the panel members.

**Q** What does the future hold for interest rates? Is it better to go for a short- or long-term mortgage?

**A** Ask any three experts on mortgages and you'll likely get four answers to these questions.

There may not be any correct answer, but if your mortgage is short-term or variable rate, watch the financial pages daily and be prepared to lock in if the rates start to climb.

**Q** Who pays for ONHWP registration? Are you still covered if the builder isn't registered?

**A** Virtually every builder adds the cost of the ONHWP enrolment fee onto the purchase price of the house as an "adjustment" payable by the purchaser in addition to the price.

If the builder or the house isn't registered, the house or condo is still covered by the warranty, although the builder may be in deep trouble for failing to register.

**Q** What kinds of builder delays are possible?

**A** In the case of a freehold home, the closing date in the purchase agreement can be extended on notice by up to 120 days.

The buyer then has a 10-day option to back out, after which the builder can extend for a further 120 days. The clock stops running during construction strikes.

There are also shorter, last-minute delays possible without notice at the time of closing. Check <http://www.newhome.on.ca> for full details.

For condominiums, the small print in the agreement of purchase and sale often allows the builder to extend occupancy by as much as 30 months, and final closing for a year or more after that.

**Q** What happens after the extension periods run out?

**A** The builder has the right to cancel the deal, but ONHWP has, in the past, stepped in to "encourage" the builder to finish the house and honour the agreement.

**Q** Does the warranty program protect subsequent buyers during the warranty period?

**A** Yes. ONHWP protection is not affected by a change in ownership.

**Q** Is there still a cap on house prices which are eligible for CMHC high-ratio mortgages?

**A** No the cap has been lifted, but purchasers must still have the income to qualify for the higher loans. There is also no maximum purchase price on the "nothing down" mortgages referred to in last week's Title Page column (see <http://www.thestar.com>, or <http://www.aaron.ca>)

**Q** How can I make the interest on my home mortgage tax-deductible?

**A** If a portion of the house is used to generate taxable income, part of the mortgage interest may be deductible. This issue is complicated, so professional advice is a must.

**Q** Who pays the GST on a house purchase?

**A** Virtually all builders include GST in the purchase price of homes up to \$350,000, but the purchaser winds up paying it in any event.

The GST rebate is invisible to the purchaser the builder credits it to the buyer and the buyer signs over all rights to the rebate to the builder.

If the buyer is not eligible for the rebate because the home is being resold, rented, or for any other reason, the rebate is added to the purchase price.

If the home is going to be rented out, the purchaser pays the GST rebate amount to the builder and can apply to the government for a refund after closing.

For homes priced between \$350,000 and \$450,000, the rebate gradually disappears and the buyer will be paying an increasing amount of tax up to the full seven per cent.

A big caution here: on homes priced over \$450,000, some builders add the full 7 per cent on top of the purchase price. Read the offer carefully.

**Q** If you borrow down payment money up to \$20,000 from your RRSP (to be repaid over 15 years), do the payments count against the buyer in calculating debt service ratios the amount of interest payments you can afford based on your income?

**A** The simple answer here is no. Only interest payments count towards debt-service ratios and there is no interest on this type of loan.

**Q** How do you find a lawyer who knows real estate or condominium law if you live outside greater Toronto?

**A** Same way as you would if you live in Toronto: Ask friends, colleagues, co-workers, real estate agents or family for recommendations.

Check with the local bar association or call the Law Society's lawyer referral service (there is a charge for this.) But above all, remember that real estate is a very complex area and avoid hiring a lawyer who only dabbles in the field.

**FORWARD YOUR QUESTIONS:** Do you have any questions of general interest you would like answered in this column? Please send them along by fax or e-mail (see below), or mail to 10 King St. E., Suite 1400, Toronto M5C 1C3. The most interesting ones will appear in print.

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