



FSCO # 10530



toll free 1.888.955.9011

email info@kmortgage.ca

web www.kmortgage.ca

BUY OR SELL - WHAT SHOULD YOU DO FIRST?

This is a question often asked and there is going to be a different answer based on your own situation and of course the current market conditions in your area. There are some questions that I can answer, such as whether it is a buyer's market or a seller's market. It's important that the answers to these questions are based on the right demographic for your potential purchaser **and** also yourself as a seller. For example, the overall market in your area might be a buyer's market, however, if you are the only seller in the area that has a sought after property, you might be in a stronger position. Maybe there is a shortage of properties in a certain price bracket and that is what you own... then your case is going to be different to the overall market.

There are some options for you to way up because you will be asking yourself:

- **Buy First** - You have found and bought your dream home before you've sold your current home and you are faced with carrying two mortgages for a while – what will you do?
- **Sell First** - You have a fabulous purchaser and offer for your existing home before you've found your next home, and you may find yourself living with family, friends, or in a hotel. This might occur if you haven't found your new home or if convenient closing dates cannot be negotiated – is it worth it?

What's next...this is relatively easy to answer...let me do your home work for you. I'll research the market ahead of time and so that we have a good idea about the neighbourhood and type of home you're looking for. It is also important that we do an honest evaluation of you and your family's needs and budget. You must also be very honest with yourself and even a little conservative when you estimate the current value of your home. Speak to me first to discuss this decision in detail and I will give you a feel for the current market conditions and the best choice for you to make. It would be much better for you to make your purchase based upon an estimate of your sale price that is five thousand dollars less rather than ten thousand dollars more. Then, let's start your new home search immediately as this will give you some idea of what to expect with your purchase and some peace of mind.

SOLUTIONS - BUY FIRST

You have found and bought your dream home before you've sold your current home and you are faced with carrying two mortgages for a while – what will you do?

Conditional on the Sale of Your Existing Home

Depending upon the market conditions, if you have found a home to buy before you've sold your current one, sometimes you can use "sale of your current home" as a condition on your offer. If you don't sell your home within a fixed period of time, you can choose not to go through with your purchase. This, however, depending on the market conditions, might be a difficult condition for some sellers to agree upon. You might also find that you lose some of your negotiating power on the price but this could be worth it to get the home of your dreams PLUS some time to sell your existing home.

KATARINA KUPINA

Mortgage Agent License # M11001526

cell: 289.456.9149 email: kat@kmortgage.ca

MARK KUPINA

Mortgage Agent License # M11001703

cell: 905.730.4782 email: mark@kmortgage.ca



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Long Closing

If you are worried about not selling your home in time, then another option is to request a longer closing date. If you purchase a home today with a closing that is 90 days or even a little longer, then you have more time to sell your home for the price you want. Again, the downside is that you might lose some of your negotiating power on price. There is also the flexibility in some cases to change the possession date once you have sold your home and have some firm dates.

Review Financing Options:

- **Access Equity for Down Payment:** I recommend that you talk to a Mortgage Agent or your own bank, who will review your financial situation so see if you could qualify and afford to carry and own both homes. If the down payment for your new home is tied up in the equity in your existing home, then there are options to get access to this now. One example is a line of credit that can be arranged to access your equity in the home for the down payment. A line of credit is the best way of doing this as you can pay it off in full with no penalty plus the minimum payment on it is interest only so at least while you own two homes at once, the payments are low. Once you have sold your existing home you can then of course pay off the line of credit you used for the down payment in full plus any money that is left over you can then use your pre-payment privileges and make extra payments on the new homes mortgage.
- **Rent:** Another option would be to ask if you could you rent out your existing home, if it has not sold, on a month to month lease. That way, while it is still on the market for sale, you could be receiving an income to assist with the mortgage payments.
- **Refinance or Re-Do Mortgage:** if the payments are going to be too much to have two mortgages, you can also look at re-writing your existing mortgage to something with a lower payment. Similarly you can ensure that the mortgage payments for your new home start off very low. There are mortgages available with special "low teaser" rates for a few months until you get settled in or even a longer amortization to lower the payment. It doesn't mean your mortgage is kept at the lower payment forever, as adjustments can be made as soon as your existing home is sold.
- **Bridge Financing:** So your existing home has sold but there is say a two or three week period when you own both homes. You can take possession of your new home while you still own your existing home and your mortgage agent or bank can organise bridge financing. This is where you have your proposed mortgage on your new home, and the lender that provides this mortgage for you will also advance the balance of the down payment ahead of your sale completing. The cost is usually around \$250-\$300 for set-up and administration and then you pay a daily interest rate based on prime plus 4% so 6.25%. On say \$50,000 that would be approximately \$8.50 per day.

SOLUTIONS – SELL FIRST

You have a fabulous purchaser and offer for your existing home before you've found your next home, and you may find yourself living with family, friends, in a hotel. This might occur if you haven't found your new home or if convenient closing dates cannot be negotiated – is it worth it?

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Conditional on the Purchase of Your New Home

So in this case you have a fabulous purchaser and you have not found your next home so this is a similar scenario but reversed as above. You could insert a condition when you sign back the agreement, which states that it is conditional upon the "purchase of a new home". Again, it will only be for a certain period of time and a date would have to be inserted, but again it gives you some time. Even if you have not found your next home by the time the deal closes, you may still wish to proceed with the offer.

Long Closing

Just as above, if you have already sold and not found your next home, then request a longer closing date. If you sell your home today with a closing that is 90 days or even a little longer, then you have more time to find your next home. Again, the downside is that you might lose some of your negotiating power on price.

Temporary Accommodation

There are some instances when the purchaser of your home might not need to move in the exact day that you are planning to close the purchase. In this particular case you might be able to buy some time by simple "renting" from the new owners. This is especially useful if you have found your dream home but you are not moving in for a few days or weeks. Alternatively, of course there are some great all service hotels and furnished accommodation that might be suitable for a short stay rather than imposing on family and friends.

Review Financing Options:

- **Bridge Financing:** Just as above, you did find a new home after you had already sold your property and the closing dates don't match. You have a two or three week gap and again bridge financing can step in. This is where you have your proposed mortgage on your new home, and the lender that provides this mortgage for you will also advance the balance of the down payment ahead of your sale completing. The cost is usually around \$250-\$300 for set-up and administration and then you pay a daily interest rate based on prime plus 4% so 6.25%. On say \$50,000 that would be approximately \$8.50 per day.

CONCLUSION

You can see from above, there are a number of different options and your own personal situation will determine which option works best for yourself. I'd be happy to discuss these with you and also recommend you talk to your Mortgage Agent or existing lender to confirm all your options

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