



Module 1

Homeownership



TO THE AGENT AND PROSPECTIVE HOMEOWNER

This module has been developed to allow for you to expand your knowledge and information about the responsibilities of homeownership. The format in the first two segments of this workbook is based on rating your knowledge of homeownership and then answering some true or false questions. You are not rated on your answers, they act only as a guide for the agent. Try to answer as many questions as possible as this will provide a good point for discussion.

HOMEOWNERSHIP WORKBOOK
MODULE 1: HOMEOWNERSHIP

Purposes of the Module are for you the client, to determine your knowledge or understanding of the following:

1. The responsibilities of homeownership.
2. The legal implications of holding a mortgage.
3. The requirements for suitable land.

WORKSHEET: Things I Need To Know

Instructions: Using the scale below, place an "X" at the point that you feel best describes what you presently know.

- Code:
- a. I don't know much about that
 - b. I know a little bit about that
 - c. I know a lot about that

	a	b	c
1. My responsibilities as a homeowner.			
2. What's involved in becoming a homeowner.			
3. Role of Active Party.			
4. Role of the Agent.			
5. Owning vs Renting.			
6. Legal implications of a mortgage.			
7. Dealing with professional people.			
- lawyers			
- contractors			
- bankers			
- insurance agents			
8. _____			
9. _____			

WORKSHEET: Benefits of Homeownership

Instructions: Read the sentences below and choose only one answer which best describes your reason for wanting to own a home.

The best thing about owning my own home is:

- ___ a home is a good long term investment.
- ___ my family will have the space and privacy it needs.
- ___ I am not dependent on a landlord or have to worry about sudden rent increases.
- ___ I won't have to worry about moving.
- ___ to get away from our present living situation.
- ___ Other reason which is _____

WORKSHEET: Who's Responsible?

Instructions: For each statement there are 3 possible answers, check the one answer for each statement which seems right to you.

1. The monthly payment on your mortgage is paid by
 - a. you, the homeowner
 - b. the Agent in your area
 - c. the Active Party
2. The fire insurance on your home is paid by
 - a. you, the homeowner
 - b. the Agent in your area
 - c. the Active Party
3. When your water pipes freeze, the person who gets it fixed is
 - a. you, the homeowner
 - b. the Agent in your area
 - c. the Active Party
4. When you get your first heating oil bill and it's twice as much as you expected, the bill will be paid by
 - a. you, the homeowner
 - b. the Agent in your area
 - c. the Active Party
5. If you have a change in the amount of money that comes into your home, who first reports the change.
 - a. you, the homeowner
 - b. the Agent in your area
 - c. the Active Party
6. When your sewage system isn't working properly, the person who will get it fixed is
 - a. you, the homeowner
 - b. the Agent in your area
 - c. the Active Party

THEORY SHEET: 'WHO'S RESPONSIBLE?'

Responsibilities as a Homeowner

- You must have a clear credit report with no collections or judgements against you.
- You must contact the lawyer to sign mortgage documentation.
- You must pay for fire insurance coverage prior to occupancy equal to the replacement value of the house and renew this insurance annually. Content insurance should also be obtained.
- You are required to make monthly mortgage payments as set out in the Mortgage Agreement.
- You must inform the Active Party of any and all difficulties you have with payments immediately. You must remember that the Active Party will not allow you to miss your monthly payment.
- You must pay the heating and utility costs of your home.
- You are responsible for the furniture needed to establish yourself in your new home.
- You must maintain and make repairs on your house, this does not include structural deficiencies covered by the Provincial Warranty Program.
- You must document and have verified any decrease in income to the Active Party so as to allow for payment adjustments.

Responsibilities of the Agent

- They are to provide counselling to help clients understand all the responsibilities of homeownership.
- They are to assist clients in working out a financial plan to see if they can afford a mortgage.
- They are to submit the information on client application forms to the Active Party for final approval.
- They inform clients of the various guidelines (tests, inspections) that influence the buying of an existing unit or the building of a new one.

Responsibilities of Active Party

- They approve the client's application
- They must recommend a lot or an existing unit based on their own inspection criteria.
- They must approve any changes to the unit under construction.
- They deal with and have final authority with the Contractor throughout construction.
- They administer the monthly mortgage payments.
- They review the payment schedule of the client annually or when financial situations change and the payments will be adjusted according to the Payment-to-Income scale.
- They may provide the funding for the mortgages, depending on cost-sharing arrangements.
- They choose the lawyer to transact the mortgage and transfer the deed.
- They provide house designs.

WORKSHEET: WHAT IS THE LAWYER DOING?

Instructions: Number the following steps involved in obtaining a mortgage according to the one you think comes first, second and so on.

- ☐ Search and certify title to the land.
- ☐ Transfers title of land to applicant from Active Party.
- ☐ Secures title of land to Active Party.
- ☐ Examines the contract signed by the applicant in which the applicant agrees to purchase a house from the Active Party.
- ☐ Applicant signs mortgage agreement with Active Party.

FACT SHEET: What's My Lawyer Doing?

The process of becoming a homeowner through the Rural and Native Housing Program is, in most cases, a very new and frightening experience for the applicants. In order to become acquainted with the process, let's look at it with regard to what your lawyer is doing.

When someone purchases a house through the Rural and Native Housing Program, the Active Party contacts a lawyer for you who knows the program. In STAGE 2 of the process, you are asked to sign an agreement which states your willingness to buy the house the Active Party will have built or will buy for you. After you sign this agreement, a title search is done to guarantee that the land can be yours. At this point since the land and completed house are in the Active Party's name, the lawyer transfers the title to the client.

The lawyer hired enters into an agreement to carry out various responsibilities for the active party. Should an RNH client wish to use their own lawyer, it would be at their expense.

For a period of time, while the house is being purchased or built, the lawyer has no involvement with the process. In the SECOND STAGE of the process, when the house is ready for occupancy the lawyer will transfer the land title back to you the homeowner, from the Active Party. The lawyer will also check for any judgements against the homeowner in preparation for signing the offer to purchase and the mortgage agreement.

How Will Your Mortgage Work?

Your mortgage document will include the interest rate and the mortgage payment for full recovery (Principal - amount of money borrowed; Interest - the charge for use of the money, and tax - the money the village or township charges all property owners in order to cover costs to the municipality) or what your payment would be if you had to pay back the full loan. This is the same document as all other homeowners sign. A mortgage is a conveyance of the property for an obligation. When someone speaks of a mortgage, they may refer to the principal, the amount of money borrowed, etc., as above. Attached to the Mortgage Document will be an amending agreement that says you will not have to pay back the full payment but that the Federal Government and the Provincial Government will help you make the payment - this is called a Subsidy.

Terms the Agent, Active Party or lawyer may use:

Verification of Income:

Your income must be verified yearly for the Active Party and your payment will be adjusted according to your income at that time. If you should run into financial difficulties due to your income decreasing, please contact the Active Party.

Mortgage:

Promise to pay back the money loaned with interest to you by the Active Party to buy your house.

Mortgagor:

You, the person who borrowed the money.

Mortgagee:

The Active Party, the persons who lend the money to you.

Deed:

Paper stating what property is involved (title description) and who owns it. The Active Party may hold the deed until the loan is paid back, but your name is on the deed.

Survey:

Legal description of your land; it is to show you your property lines.

Default:

You break your promise to make prompt mortgage payments as per your mortgage agreement.

Foreclosure:

The Active Party calls back the mortgage and takes back your house because you defaulted, or broke your promise.

Amortization:

Spreading the payment of a loan over so many years. With a Rural and Native Housing Program mortgage, the amortization is over a 25 year period.

Term:

The interest on a mortgage is set at a percentage which can be changed at the end of a specified time period (in this case, it is a 5-year term). This means that every 5 years, the Active Party will notify you that your term is up, what your new interest rate will be and probably ask you to sign a new agreement which will include the new interest rate. However you will still make your monthly payment based on a percentage of your income.

Active Party:

Either CMHC or the province may be the delivery group in your province depending on the federal-provincial cost-sharing arrangements.

Right of First Refusal:

The right granted in an agreement to purchase a property from a borrower at the same price as offered to the borrower by a third party.

Quit Claim:

A deed of conveyance operating as a release. It is intended to pass any title, claim or interest in the property from the grantor (homeowner) to the grantee (Active Party).

