6 common mistakes to avoid on the home ownership journey

The process of buying a home is a big undertaking that's not always the easiest to navigate especially for first-time homebuyers, but a little knowledge and preparation can set you up for success. Whether you're buying your first home to live in or considering purchasing a vacation or investment property, here are six common mistakes to avoid.

Mistake No. 1: Spending more than you can afford

Before you start shopping for a house, you should take a good look at your budget and determine what you can afford to pay each month. As a rule of thumb, we usually recommend that your monthly mortgage payment does not exceed a third of your net salary. If you can comfortably make this payment your experience as a property owner will be more pleasant. Make sure your estimates are based on your current income and not what you anticipate making a few years down the line.

Mistake No. 2: Focusing too much on the interest rate, rather than the overall mortgage solution

All too often, first-time homebuyers give more thought to interest rates than the mortgage solution itself. While rates are a valid consideration, the different types of mortgages, payment structures, terms and flexibility will have a much greater bearing on the overall cost of home ownership. Beware of financial institutions offering a temporary low interest rate which is only fixed for a year or two. It may be more beneficial in the long run to go with a slightly higher rate which will be applicable for a longer period.

Mistake No. 3: Being unprepared to have your finances examined

To help determine whether you qualify for a mortgage, your Relationship Manager evaluates your debt-to-income ratio, which is the relationship between how much money you owe and how much money you earn. You need to provide them with the necessary information such as pay slips, credit history, savings and financial account statements as early as possible in the mortgage process in order for this assessment to be done. Make sure you have recent documents ready.

Your CIBC FirstCaribbean Relationship Manager can provide you with a detailed list of all the documents required or click here for the CIBC FirstCaribbean Document Checklist.

Mistake No. 4: Not getting prequalified

When your Relationship Manager pre-qualifies you for a mortgage he or she provides an estimate of what the bank may lend you. A prequalification is a simple check which can give you an idea of what your price range should be when looking for a house. It's important to note that being prequalified doesn't guarantee you'll get a loan, but it can help the process and guide the discussion with your Real Estate Agent.

Mistake No. 5: Failing to account for closing costs

In addition to your deposit, buying a house involves closing costs beyond the down payment and these can be significant. These costs can include - legal fees, commitment/negotiation fee and appraisal report fee. Before you draw down funds, the property needs to be independently valued by an approved appraiser on our list. Home and creditor life insurance and stamp duty will be required where applicable. Your CIBC FirstCaribbean Relationship Manager will provide you with a detailed list of costs you can expect to incur. Note: you will have to provide evidence of your source of financing these costs.

Mistake No. 6: Overlooking additional expenses of home ownership

Once the keys are yours, you have additional expenses on top of your monthly mortgage payment to consider, these include property taxes, homeowner's insurance and regular maintenance of your property. Depending on where you live, you may also have to pay fees to a homeowners' association. Your CIBC FirstCaribbean Relationship Manager can provide lending solutions for financing many of these expenses. Ask about our EasyCover Revolving loan and other solutions to help you better manage these costs. In addition, when determining how much you can afford to pay each month for a home, build these expenses into your budget.

Banking that fits your life.®

CIBC FirstCaribbean International Bank