

## PURCHASE PLUS IMPROVEMENTS

This special program is designed for people who wish to purchase a home that may require some immediate upgrades... a new electrical service, a new roof, central air, a new furnace, new siding, eaves, soffits, fascia, doors, windows, new kitchen, carpeting... or any other renovation that would increase the value of the home.

The way it works is like this... Let's assume that you are a first time buyer and have 5% down payment. Before the mortgage financing is arranged, written quotes are obtained from licensed contractors for the repairs and or the improvements to be done to the home. When the application for mortgage financing is made, the request is made for 95% of the purchase price PLUS 95% of the cost to complete the improvements. Note: The lender will "holdback" on closing the "improvement" portion of the mortgage until the work has been completed, normally within 30-60 days of closing. Once the work has been completed, the lender will advance the balance of the funds and the contractor can be paid.

What does this mean? Let me give you an example....

Purchase price:	$\$100,000 \times 95\% = \$95,000$
Cost of improvements:	$\$10,000 \times 95\% = 9,500$
Total mortgage	$\$110,000 \times 95\% = 104,500$

Therefore, an application is made for a mortgage in the amount of \$104,500 which represents 95% of the purchase price plus 95% of the improvements. On closing this is what happens... The mortgage advanced to complete the purchase is \$95,000 plus the original 5% from the purchase's down payment is sufficient funds to complete the purchase of \$100,000.

After closing the contractor completes the improvements (normally within 30-60 days) the lender advances the hold-back of \$95,000, the purchaser pays the additional 5% of the cost of the improvements (\$500) and the \$10,000 owed to the contractor can be paid as per the original quote for the work.

### **Everyone's a winner!!!**

The purchaser is happy because they got \$10k of improvements done to the home with a cash outlay of only \$500 (the balance was financed with their mortgage)

The lender is happy because they now have a mortgage on an improved home

**Karen Peterke, AMP**

Mortgage Consultant

Cell: 647-895-2736

[karen.peterke@premieremortgage.ca](mailto:karen.peterke@premieremortgage.ca)

[www.premieremortgage.ca/karenpeterke](http://www.premieremortgage.ca/karenpeterke)