PEKOE
MORTGAGES

The First-Time Buyer Guide

The three numbers that decide what you can buy, and the costs that sit outside the down payment.

The three numbers that decide what you can buy

Not the rate. The down payment minimum, the insurance premium that follows from it, and the debt service ratios. Everything else is detail on top of those three.

1. The minimum down payment is tiered, not a flat percentage

Portion of the purchase price	Minimum down
The first $500,000	5%
The portion from $500,000 to $1,500,000	10%
$1,500,000 or more	20%, and default insurance is unavailable

So a $600,000 home needs **$35,000**, which is 5% of the first $500,000 plus 10% of the next $100,000. It is not 5% of $600,000, and it is not 10% of $600,000.

> **The $1,500,000 line is a cliff, not a slope.** At $1,499,999 you can buy with a tiered minimum and insurance. At $1,500,000 you need 20% and no insurer will cover it.

2. Under 20% down means default insurance, and the premium has bands

The premium is a percentage of the loan, set by the loan-to-value, and it is normally added to the mortgage rather than paid at closing.

Loan-to-value	Premium
Up to 65%	0.60%
65.01% to 75%	1.70%
75.01% to 80%	2.40%
80.01% to 85%	2.80%
85.01% to 90%	3.10%
90.01% to 95%	4.00%
90.01% to 95%, non-traditional down payment	4.50%

Amortising beyond 25 years adds a **0.20%** surcharge. The bands are why going from 5% to 10% down is worth more than it looks: it moves you a whole band, not a fraction of one.

3. Debt service ratios, and the stress test

GDS, about 39% of gross income for the mortgage payment, property taxes and heat.

TDS, about 44% including every other debt payment.

The stress test: you qualify at the greater of your contract rate plus 2%, or a **5.25%** floor.

Two details that catch people. An unsecured line of credit or credit card counts at **no less than 3% of the outstanding balance** monthly, whatever you actually pay. And **50%** of condominium fees are included in both ratios.

Where the down payment is allowed to come from

Traditional: savings, the sale of a property, or a non-repayable financial gift from a relative.

Non-traditional: unsecured personal loans or unsecured lines of credit. Available only on one or two unit properties, only between 90.01% and 95% loan-to-value, only with a strong credit management history, and at the higher 4.50% premium.

Not eligible for non-traditional: non-permanent residents.

Closing costs, which are separate from the down payment

Item	Typical	Note
Legal, purchase	$1,200 to $2,000	More where the local going rate is higher
Appraisal	$300 to $600	Often waived on an insured purchase
Title insurance	Under $500	Lenders generally require it in Ontario
Ontario land transfer tax	Marginal, 0.5% to 2.5%	Toronto adds a municipal tax on top
Alberta land titles	$50 plus $5 per $5,000, twice	No provincial land transfer tax at all

Ontario offers a first-time buyer land transfer tax refund of **up to $4,000**. Land transfer tax cannot be added to the mortgage; it is cash at closing.

Ontario land transfer tax, bracket by bracket

Portion of the price	Rate
Up to $55,000	0.5%
$55,000 to $250,000	1.0%
$250,000 to $400,000	1.5%
Over $400,000	2.0%
Over $2,000,000, one or two single family residences only	2.5%

Your first four steps

- [ ] Work out your tiered minimum from the price you are actually shopping, not a round number.
- [ ] Add closing costs on top of the down payment, as separate cash.
- [ ] Pull your credit report and read it before anyone else does.
- [ ] Get a rate hold. A standard hold usually runs **180 days**, which protects you while you shop.

No mortgage rate appears in this guide. Current rates are at pekoe.ca/rates.