

First-Time Buyer Guide

Ontario and Alberta. Every figure here is either a published government rule or a typical range from current Pekoe deal flow, with the source named. Nothing here is a rate, and nothing here is a quote.

Prepared by Pekoe Mortgages. FSRA Licence 13321 in Ontario. RECA licensed in Alberta. Current as at 21 October 2026.

1. What you actually need to buy

Three things, in this order: a down payment, income a lender will count, and a credit history. Most people worry about the first and get caught by the second.

- The federal minimum down payment is 5 percent on the first 500,000 dollars of purchase price, 10 percent on the portion between 500,000 and 1,500,000 dollars, and 20 percent at 1,500,000 dollars or more.
- At 1,500,000 dollars and above, default insurance is unavailable, so 20 percent is a hard floor.
- Under 20 percent down makes the mortgage high ratio, which means it must carry default insurance.

On a 500,000 dollar purchase the minimum is 25,000 dollars. On a 700,000 dollar purchase it is 45,000 dollars, being 25,000 on the first 500,000 plus 10 percent of the remaining 200,000.

Source: federal down payment minimums. The arithmetic above is worked from them.

2. You have to pass the stress test

You are approved on a payment you are not actually making. The qualifying rate is the greater of your contract rate plus 2 percent, or a floor of 5.25 percent. On an insured mortgage the minimum qualifying rate is set by the default insurer. On an uninsured mortgage it is set by OSFI under Guideline B-20.

This is the single most common reason a buyer's budget is smaller than they expected, and it applies in both provinces identically.

3. The two ratios a lender uses

- GDS, gross debt service: about 39 percent of gross income for the mortgage payment plus property taxes plus heat.
- TDS, total debt service: about 44 percent of gross income for all of that plus every other debt payment.

Car payments, student loans, credit card minimums and lines of credit all count against TDS. Paying down a card before you apply can move your budget more than saving another few thousand.

4. The two tax-sheltered accounts, and using both

The First Home Savings Account and the RRSP Home Buyers' Plan are separate programmes and you can use both on the same purchase. Most first-time buyers only hear about one.

- ☐ Open an FHSA even if you can only put a little in, because the contribution room starts when the account is opened

- ☐ Check your Home Buyers' Plan eligibility and your RRSP balance
- ☐ If you have a partner, both of you may qualify separately

Current FHSA and HBP contribution and withdrawal limits change, so check them at canada.ca before you rely on a number.

5. What it costs to close, Ontario

Beyond the down payment, budget for these.

- Land transfer tax, calculated bracket by bracket: 0.5 percent up to 55,000 dollars, 1.0 percent to 250,000, 1.5 percent to 400,000, 2.0 percent above that, and 2.5 percent above 2,000,000 dollars where the land has one or two single family residences.
- A first-time buyer refund of up to 4,000 dollars.
- Toronto adds a municipal land transfer tax. Waterloo Region does not.
- If your mortgage is insured, 8 percent provincial sales tax on the insurance premium. This CANNOT be added to the loan. It is cash on closing day.
- Legal fees, typically 1,200 to 2,000 dollars on a purchase.
- Title insurance, typically under 500 dollars, which lenders generally require.
- Appraisal, typically 300 to 600 dollars, though on an insured purchase it is often waived.

Sources: Ontario, Calculating Land Transfer Tax. CMHC on the premium sales tax. Dan Johannis, principal broker, for the legal, title and appraisal ranges.

6. What it costs to close, Alberta

- No provincial land transfer tax at all.
- Land Titles registration fees of 5 dollars per 5,000 dollars of value plus a 50 dollar base fee, on BOTH the transfer of land and the mortgage registration.
- No provincial sales tax on the insurance premium.
- Legal fees, typically 1,200 to 2,000 dollars, similar to Ontario.
- Title insurance, optional rather than automatic and often lower, with a policy near 220 dollars realistic. A lender will still normally require it.
- Appraisal, typically 300 to 600 dollars, similar to Ontario.

Legal fees are comparable between the provinces. Total closing costs are not, because Alberta charges no land transfer tax.

Source: alberta.ca fee schedule, for submissions received on or after 20 October 2024.

7. Default insurance, if you are under 20 percent down

The premium is a percentage of the mortgage amount and rises as the down payment shrinks. Owner occupied, one to four units: 0.60 percent up to 65 percent loan to value, 1.70 percent to 75, 2.40 percent to 80, 2.80 percent to 85, 3.10 percent to 90, and 4.00 percent in the 90.01 to 95 percent band. A non-traditional down payment in the top band is 4.50 percent.

Extending past a 25-year amortisation adds a 0.20 percent surcharge. The premium itself is normally added to the mortgage.

Source: CMHC, premium information for homeowner and small rental loans. The three insurers are CMHC, Sagen and Canada Guaranty.

8. The order to do things in

- ☐ Pull your own credit report from both bureaus and fix anything wrong
- ☐ Work out your real down payment, including the closing costs above
- ☐ Get a pre-approval, which also gives you a rate hold
- ☐ Then start looking, not before

A standard rate hold usually runs 180 days. Getting one early costs nothing.

9. Pre-approval is not approval

A pre-approval tells you what you can likely borrow and holds a rate. It is not a commitment to lend. The lender still has to approve the actual property, the appraisal and your final documents.

This matters most on an offer. A financing condition protects you. Waiving it does not make the lender more likely to approve the file, it just removes your way out.

10. Documents to have ready

- ☐ Government photo identification
- ☐ Two recent pay stubs and a dated letter of employment
- ☐ Two years of T4s and Notices of Assessment
- ☐ Ninety days of statements for every account holding your down payment
- ☐ A written explanation and paper trail for any large non-payroll deposit
- ☐ A signed gift letter, if any of the down payment is gifted
- ☐ For self-employment, two years of T1 Generals, Notices of Assessment and business financials

The most common delay is not a missing document. It is an unexplained deposit.

What this guide does not do

It does not quote a mortgage rate, and no figure here is one. Live rates are at pekoe.ca/rates, where you can also get a pre-approval certificate in seconds. Ranges are typical, not promises, and your file can land outside any of them.

Talk it through

Pekoe Mortgages is a digital brokerage working your file remotely anywhere in Ontario or Alberta, with access to 45+ lenders. On most standard residential mortgages our work costs you nothing, because the lender pays us.

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