

Yes, you can buy a home with no cash down

But you're best off working with realtors who know what to do and care enough to write the offers, or use a mortgage broker

Every week I receive at least three inquiries asking whether late-night TV courses work. They are referring of course to the "no-money-down, get-rich-quick" courses. Is it really that easy?

Of course, the answer is yes and no. Yes, they work sometimes, but no, it isn't easy. Particularly in a hot market (as in the Lower Mainland currently) the likelihood of interesting a seller in a "vendor take back," an "abatement," carrying a "deferred-no-interest" second mortgage, a "no-payment mortgage" or trading your motorcycle is very slim. Slim, but not impossible.

When I wrote about it here last December, I was admonished by a realtor who said the ideas expressed were too simple and, in any case, they don't work. Well, of course, this realtor worked on the west side of Vancouver where the average house price exceeds \$600,000. More importantly, he did not care to know any details. In this market he didn't have to have any innovative ideas. In fact, it was a lot easier to dismiss the idea out of hand than to see whether it could work.

Which brings me to the question of experts. It is clear that if you don't have the big cash needed to buy on the west side, or no cash at all, it's difficult for you to buy in that part of the city.

So, you need someone who is an expert in finding properties with unique situations and who both cares about you and is willing to take the time. You must also realize that it is not easy, takes a lot of work, needs the right situation, and that you have to do a lot of the legwork yourself.

Last week, one of my subscribers managed to buy a home with the seller carrying a deferred-payment second mortgage; a month ago, a friend of one of my subscribers bought two suites from an absentee owner with no cash down. He assumed the mortgages and has two years

Ozzie Jurock



to pay the rest.

They both worked with realtors who knew what to do and cared enough to write the offers.

Another great example right now is the question of mortgage brokers. I, more than anyone else, have urged buyers to use a broker to make sure you get the best deal. In fact, the use of mortgage brokers is sharply on the rise. Yet, last week at a function, the mortgage broker at my table did not know that in Vancouver today anyone can get a 100-per-cent mortgage. No fancy footwork, no secret misdeeds, and no special courses.

You can buy any house in Vancouver up to \$400,000 without any cash. It helps, of course, if you just haven't had your car repossessed and you are gainfully employed so you can make the mortgage payments. But yes, you can do it.

No-money-down mortgages range from \$75,000 to \$400,000 and can only be used to buy houses or townhouses. You must have good credit and have been employed for two years. (Examples: \$400,000 requires a payment of \$3,104 a month; \$200,000 requires \$1,552). You can even get a mortgage of \$500,000, but you must put down 20 per cent on the balance between \$400,000 and \$500,000 — you can buy a \$500,000 property with only

\$20,000 down.

Most importantly, with the myriad of mortgage products out there, you need a mortgage broker with the willingness to be creative and the know-how to put some numbers together.

Did you know it is cheaper to get a no-money-down mortgage at 7.05 per cent than a five-per-cent-down-payment mortgage at 5.5 per cent? But you need an expert.

I would venture to say that half of the mortgage brokers out there haven't done the math. I talked to Harvey McCallum of Strategic Mortgage Professionals who has worked out that in some cases getting a no-money-down mortgage can be cheaper at a higher interest rate than the five-per-cent-down-payment mortgage with a lower rate. Currently, in Vancouver, there are mortgage companies that offer a three-year term mortgage with no money down at 7.05 per cent. When you do the numbers, it may be cheaper to go that route rather than take out a five-per-cent-down-payment Canada Mortgage and Housing Corp. mortgage at 5.5 per cent. Both mortgages bear a fee. CMHC's fee is 3.75 per cent; the no-down-payment mortgage carries a four-per-cent fee. But with CMHC you are limited to a \$250,000 purchase (with GE capital the five-per-cent-down mortgage has just been made available on properties up to \$300,000 homes). Yet, because of the "no down payment," the higher interest rate mortgage can work out between \$800 and \$1,300 cheaper over three years than actually putting up five-per-cent cash!

So, there it is. No late night TV special, no worrying about strange clauses, no need to explore dark secrets. Just a regular mortgage at a slightly higher face rate that actually works out cheaper. But you need an expert who knows — and cares.

Ozzie Jurock is the publisher of Forget about Location, Location, Location and Jurock's real Estate Investor, an independent real estate advisory service. You can find out more about his services at www.jurock.com.