

Canadian Buyer Survival Guide

Navigating the Southwest Florida Real Estate Jungle

Presented by Pinnacle Property Group

So you wanna buy a house in Southwest Florida but don't know how to get started? Well don't worry because Pinnacle Property Group will be your tour guide to survive the real estate jungle. We've created this guide for two reasons. First, we want to help you understand the process of buying a Florida home in the simplest way possible. Second, we know if you're reading this you are serious about purchasing a home and it helps us spend the most amount of quality time with you, our friend to the north.

We will begin this guide by answering some of the most common questions our Canadian friends have when they call us. From there you will see the 12 step process of actually buying once we have found your dream vacation getaway. Ok so enough of this already...let's get straight to the point. The first question we usually answer is.....

How long can I visit or “winter” in Florida?

The usual response you will here is 6 months, but you can get up to a year. Most Canadians come to America as temporary visitors (tourists). There are two types of tourist visas and they are relatively easy to get. Immigration inspectors will allow visitors up to six months per trip. Under NAFTA, certain Canadians can get B-1 visas for a full year per trip. So do I have to go back to Canada for 6 months before America will welcome me back? To that I say absolutely not! Currently there is no immigration policy that prohibits you from coming back right away. But that's not to say you can keep turning around and coming right back without staying in Canada. As a Canadian you cannot intend to reside in the U.S. without a green card...and immigration will at some point assume you have permanent intent. Either way, the 6 month rule is not a set in stone timeline for our Canadian friends. And anyway, I hear the summers can be quite nice in Canada. If you have not spent a Summer in Florida I can tell you one thing...you will be awfully hot and awfully sweaty! The best time to visit Southwest Florida will be from October through May.

So what if I want to get financing on a Florida property?

Have no fear...RBC is here! That's right, RBC has a local branch here in Southwest Florida and they are the most common mortgage lender for Canadians. Now that's not to say other lenders do not have financing for foreign nationals, but most Canadians tend to stick with RBC. Now keep in mind if you finance the lenders will charge you more for a mortgage than you might be used to. I guess the lenders are worried you might fly the coup back to Canada. Can you blame them? Most Canadians do not have any type of income, assets, or even a Social Security number here in the U.S of A so there is that potential risk if they cut a check for a couple hundred

thousand for a nice waterfront property. Now if you're not thrilled about the terms for financing in the U.S., you do have another option. You could finance the home in Canada and pay cash for the property in Florida. There is some upside to this option. If the Canadian dollar happens to drop below the U.S. dollar, you would still have your payment in U.S. funds. And this would pose a problem causing you to need more Canadian money to make payment. This would not happen if your loan and payment were in Canadian dollars, so you could reduce some risk. Now the flip side is if the U.S. dollar drops and you are earning Canadian dollars then you stand to make some cash. I would encourage you to speak to an accountant about the best possible scenario for you, whether financing or paying cash.

So are there any restrictions for Canadian buyers purchasing homes in Florida?

There are no restrictions that I am aware of for Canadians buying U.S. property. If you have the cash, we have the house!

I don't have the time to fly down for closing. Do I need to be there or can I close from my home in Canada?

You can absolutely close from Canada! When we are ready to close on the property, the title company will simply email or Fedex the required documentation to be completed. With cash transactions you typically can sign and fax the documents to the title company. If financing, the title company will Fedex you the closing package and provide their account number for you to return the signed documents.

Ok, so I have the money to buy. How much are the closing costs and fees going to be?

Anytime you purchase a property the biggest cost is going to be the amount the lender charges. This will vary depending on the terms your lender is offering. If you have the means, paying in cash will certainly save you in the thousands. Most of our Canadian friends pay cash because your dollar has been so strong. In addition to the lenders fee, you will have a list of other costs to close. These could include:

1. Home Inspection
2. Termite Inspection
3. Appraisal
4. Title Insurance
5. Recording fee for deed
6. HOA (Homeowners Association) or Condo fee
7. Homeowners Insurance
8. Property Taxes

9. Title Company fee

If you purchase in a gated community you could have a CDD (Community Development District Tax) or special assessments. These are basically fees each homeowner in the community might pay to offset initial infrastructure (roads, utilities etc) costs. Not all communities have these so make sure to ask your Pinnacle Property agent for clarification. We can let you know if there are any additional costs above and beyond you may not know about.

And how much did you say my property taxes were going to be in Southwest Florida?

Well I didn't yet. But glad you asked! Each county in Florida will vary and even cities within counties can vary. Depending on which are you are interested in, your Pinnacle Agent can give you an estimate for how much your taxes may be. In addition, many of the property appraiser websites will have tax estimators based on current rates. Nevertheless, the taxes are relatively low in most parts.

I decided to buy a property in a gated community. How much will my HOA fees be and is there a CDD or Special Assessments?

The great part about doing Real Estate here in Florida, and the U.S., is we have access to just about all the information we could ever need for a property. That being said, the HOA and CDD/Assessment fees will vary from community to community. For the most part, it will depend on how many services the community provides to you the homeowner. Some communities will be loaded with amenities such as a clubhouse, pools, tennis courts and so on. These all need to be taken care of so the homeowners split the cost. Also, some communities will include cable, internet, water and so on when you purchase a home. The more offered, the higher the fee. Not all communities have a CDD or Assessments. These are typically paid on an annual basis and will come lumped together with your tax bill. Again, your Pinnacle Agent will inform you of all the fees associated with your property prior to offering.

So what if I want to rent my property and I'm Canadian? Do I need to pay tax on rental income generated from my Florida property?

I wish the answer was no...but there is no dodging the IRS on this one! You will be taxed on income earned on your property. Now I'm no accountant or attorney so don't take this as free legal advice. Speak to a professional in that field for complete verification. Canadian homeowners who rent out their homes will have a withholding tax of 30% which will apply towards the gross rent collected. One way to avoid this would be to file a U.S. tax return and pay the tax on net rental income collected. Then you can be refunded for the withheld tax amount. Again, you should contact your tax representative or attorney to get clarification.

I've decided to sell my Southwest Florida property. Do Canadian homeowners need to pay capital gains tax when they sell their Florida property?

Yes, foreign nationals are subject to U.S. capital gains taxes on real estate sales. So what does this mean? Well first, 10% of the gross sales price of the sale of real estate by a non-resident of the U.S. must be withheld by the closing agent on behalf of the buyer and remitted to the Internal Revenue Service. This is because it's a little tough for the IRS to come hunt you down back home. This falls under FIRPTA (the **Foreign Investment in Real Property Tax Act** of 1980). Now this is not a tax by the way... it is simply a withholding whereby the IRS will apply it against the tax payable on the capital gain. There are two exceptions to the 10% requirement:

1. where the gross sales price is less than \$300,000 and the buyer signs a special affidavit attesting to the fact that he/she intends to use the subject property over the next two years for personal use at least 50% of the time that it is in use
2. where the Canadian obtains a withholding certificate from the IRS on the basis that the expected U.S. tax liability will be less than 10% of the sales price

So what's the tax rate then? If you hold title in an individual name for more than 12 months, you benefit from the IRS capital gain tax rate of approximately 15% on the net gain. If you sell the home and you have not owned it for more than 12 months then ordinary income tax rates may apply which could be substantially more. Talk to your tax accountant or attorney if you do not think you will own the property very long, or if you intend to flip the home.

The Twelve Steps to Buying Your Home In Southwest Florida

Ok, so that should at least answer the most common questions we receive from our Canadian neighbors. So what are the steps to actually purchasing my home? Well, for starters you need to:

1. Find out how much you can borrow

The first step before beginning your home search starts with finding out how much you can borrow as well as afford. There are two ways to do this: you can either call your lender (i.e. RBC etc) or call a mortgage broker. He or she will be able to search the market for the best available deal and to help you maximize your borrowing power. Our agents can assist you in finding local lenders or brokers as well, just ask! You will need to get a pre-qualification letter from your bank or broker stating how much you qualify for. If you are a cash buyer, you will

simply need a bank statement or proof of funds letter from your lending institution showing you have the available funds to close.

Pinnacle Hint If financing, get qualified with at least 2 lenders. You can compare all their estimated costs to close and save some money. Most lenders will compete for your business as well. Tell them what the other is offering and they almost always will match or beat the costs to you.

2. Find the right home

Our agents at Pinnacle Property Group have the experience and tools to help you find your dream home. We will provide online search tools for those of you who like to view homes at your own leisure, on your own computer. In addition, we will scour the MLS to find homes matching your criteria and provide those to you as well. Once we have a list of homes you would like to see, your Pinnacle Property Group agent will set a day and time with you to view them when you visit. We will set up all the appointments and get any additional information you will need before we begin.

Pinnacle Hint Make a list of the top 5 homes you want to see. It sounds really simple but many buyers will start looking before they know what they want. The result is you end up seeing too many homes and they start to all look the same. Also, feedback is our key to success. Be VERY vocal and tell your Pinnacle Agent exactly what you like or don't like about a home...the more we know the better we can service you!

3. Prepare the Offer

You finally did it. You've found your dream home. At this point is when the expert advice of your Pinnacle Agent will really pay off so that you make the best possible offer. You and your agent will consider a multitude of factors beyond price when making the actual offer. Some examples of these other factors are:

1. Closing Date – Generally 30-45 days from the date the offer is accepted, unless it is a cash offer (about 14 days). If it is a short sale property the closing will take place after the lender has approved the offer which could be up to 6 months.
2. Earnest Money Deposit – How much money will you deposit to open escrow?
3. Allowances – Are you requesting the carpet be changed or other repairs be made?
4. Seller Concessions – Will the seller pay a percentage of your closing costs or other incentives such as a home warranty?
5. What's Included? – Which appliances, fixtures, décor etc stay with the house?
6. Unique Requests – Every offer is different. Is there something specific you require making sure this property is right for you?

Pinnacle Hint Be realistic about your offer price! Lowball offers in theory sounds great on paper, but rarely do those offers get accepted in the current market. A reasonable starting point is generally within 10% of the selling price. Now this can vary depending on whether the home is priced over or under market value...but don't worry! We will let you know how much of a discount we can get and if you are getting a good deal.

4. The Purchase Agreement

The purchase agreement is the contract that your Pinnacle Agent will prepare when you are ready to offer. It will contain the offer price and all of the provisions that you and your agent decided upon including any specific requests. Once all parties have agreed to the terms and both the buyer and seller have signed the purchase agreement and any amendments you now have a valid purchase contract.

Pinnacle Hint Be open to any seller counteroffers. As with any contract negotiation, if you are willing to give a little, you are likely to get a lot more.

5. Placing the Escrow Deposit

First, it is important to understand what escrow is. Escrow is an account held by a third party on behalf of two parties in a transaction, generally the title company which will hold the closing.

At this point, an earnest money deposit will be required. This deposit is a small percentage of the purchase price (usually between \$1,000 and \$10,000 depending on the price of the home) that can later be applied towards the down payment. The amount of the deposit will be agreed upon in the purchase contract. You can wire the deposit directly to the title company or provide a check as well.

Pinnacle Hint Don't be afraid to put down a sizeable escrow deposit with your initial offer. This will show the seller that you are a serious, qualified and legitimate buyer who is ready to play ball. They will treat your offer more seriously as a result.

6. Get a Home Inspection Done

A home inspection will check the condition and operability of the home. It is important to find a qualified and experienced inspector who will not only inspect the property for current problems but will also advise you of potential future hazards. Your Pinnacle agent can help you find a reputable home inspector locally. A home inspection will generally cost between \$300 and \$500, depending on the property type and size. If the inspection report shows items which need

to be repaired you can ask the seller to make repairs, or you can choose to proceed and fix after closing. If there are major issues you can cancel the purchase agreement and walk away from the home usually without any penalties.

If you are purchasing a home “as/is” the inspection will provide a basis for what you will need to take care of after closing.

Pinnacle Hint Be present for the inspection if you are here during the buying process! You can follow the inspector and ask any questions regarding the condition of the home while he is performing the analysis.

7. Have the Property Appraised

An appraisal determines the market value of a home. In order to obtain this value, a certified and licensed appraiser will visit the home to take many measurements, photos etc. and view firsthand the various features of the property, as well as explore recent sales of comparable homes. The comparable homes that have recently sold form your basis for the property’s market value and will make sure the home is worth the price being paid. Your Pinnacle Agent can recommend appraisal companies to utilize. If financing your purchase an appraisal is required. For cash transactions, it will be up to the discretion of the buyer. Your Pinnacle Agent will provide a comparable market analysis as well and provide you with an opinion of value. The cost of an appraisal is generally \$350-450 and will vary depending on property type.

Pinnacle Hint Getting a professional opinion can be worth its weight in gold! Even if you are paying cash an appraisal will give you the value a bank would be willing to lend if you decide to finance the property after closing.

8. Do a Title Search and Obtain Title Insurance

A title search and title insurance provide peace of mind and a legal safeguard so that when you buy a property, no one else can try to claim it as theirs later. This will be done by the title company closing the home. They will perform a title search to make sure there are no clouds on the title (a claim to a property that could call into question or invalidate your ownership of it). If there are, these problems will need to be resolved before the property becomes yours.

Pinnacle Hint Many times the seller will pay for the buyer’s title insurance if you agree to close with their recommended title company

9. Get Homeowners Insurance

Homeowner's insurance will be required to complete the sale if financing. Lenders need to guarantee their interest in the property is protected. You also want to be sure you are protected in case of a fire, accident or other unforeseen event. Your Pinnacle agent can recommend local reputable companies.

Pinnacle Hint Shop around with several different insurance companies to ensure you are getting the best rates and coverage.

10. Final Walkthrough

One of the last steps before you sign your closing papers should be to walk through the property one last time. You want to make sure no damage has occurred and nothing has been removed that is included in the purchase. Your Pinnacle Agent will schedule this even if you are not able to attend.

Pinnacle Hint Bring an extra set of eyes with you to ensure nothing is overlooked.

11. The Closing

Once you have completed the previous steps and the loan has been approved, your loan documents will be ready to sign. An estimated closing statement will be sent to you ahead of time for your review. The closing statement will itemize the purchase price, the loan amount, the earnest money deposit, all of the fees and any other items related to the funds involved in the transaction. The closing statement will also show the final amount of cash required from the buyer to complete the transaction, which can be wired to the escrow company or paid the same day with a cashier's check.

Pinnacle Hint Rest your signing hand the night before as there will be a multitude of pages to sign!

12. Funding, Recording and Picking up the Keys

After you have signed all the loan documents they will be sent back to the lender. Assuming there are no missed signatures, dates etc. the loan will be funded. Once the loan funds, the new deed will usually record at the county the next day. Congratulations!! The home is officially yours. You can now make arrangements to pick up the keys from your Pinnacle agent and take ownership.

A Referral is the Greatest Compliment You Can Give Us

An overwhelming majority of our Canadian clients have stated they would use Pinnacle Property again for their next home purchase. Your greatest compliment would be to refer to us a family member, friend, neighbor or loved ones. Tell them about the experience you had with us. We know they will be happy you did.

Visit us on the web at www.PinnaclePropertyGrp.com