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Put reno costs onto your mortgage; Borrow up to 10% of the purchase price

Savvy house shoppers know sprucing up the new abode can transform a fixer-upper into a valuable asset.

And a "purchase-plus-improvement" mortgage allows a qualified purchaser to borrow additional money from the mortgage lender to pay for those renovations.

The lender takes into account the improvements made by the new owner and gives credit based on the increased value of the property, up to 10% of the purchase price, says **Rob Regan-Pollock**, a Vancouver-based independent **Invis** mortgage broker.

"If they like the location and the property has good bones, they can take the 10 percent additional value that the purchase-plus-improvement plans allows, so they can put in cosmetic renovations," he says.

That means paint, new carpeting, new bathroom fixtures or kitchen cabinetry rather than a major job that entails structural changes.

"Basically, spruce it up so they feel like they're getting a customized living arrangement, without having to find a new home."

However, the mortgage lenders don't provide money up front.

"They'll basically refund it to the client after the renos are done."

For buyers with limited financial resources of their own, that can be a challenge -- and could mean asking home-improvement retailers or contractors if they'd be willing to extend credit and provide time for the homeowners to pay for materials or work supplied by them.

"Those actually fit quite nicely within the program," Regan-Pollock says.

As long as the contractors or the retailers do the work quickly and efficiently, **"we can then get the inspector in at the end to verify the work was done, as outlined, and the bank will then release the money to the consumer who can then pay off Home Depot, or Rona, or the contractor, or their parents."**

With the purchase-plus improvement mortgage, the lender recognizes that the home's resale value can be increased by making a few well-chosen renovations.

"That's the nice thing. They're willing to do dollar-for-dollar on the improvement that you're planning to put into the property," Regan-Pollock says.

However, when buyers take on a heavier debt load, there may be repercussions, in terms of fees and the amount lenders will provide.

Regan-Pollock suggests getting a pre-approved mortgage before putting an offer on a house, so buyers know what they can afford before they start looking.