PhysicianFinancing

Buying a home during residency.

How lenders see a resident, what a purchase really costs, and the steps from pre-approval to keys. With a sample purchase budget at $750,000, $1,000,000 and $1,250,000.

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Lenders use your projected income.

Physician programs at some Canadian lenders qualify you on the income you will earn as staff, not your resident salary. The figure depends on where you are in training.

PGY-1 and PGY-2 The same figure for every specialty.	$185,000
PGY-3 and later The same figure for every specialty until your final year.	$225,000
Final year, or within 36 months of finishing Set by specialty, from Family Medicine to Ophthalmology.	$225,000 to $379,000

For a home you live in, one or two units. Standard debt ratio limits apply, and each lender sets its own rules on which stages of training it accepts.

Your line of credit counts against you.

Student loans and your professional line of credit count in your debt ratios, even in deferral or interest-only. Lenders turn the balance into a monthly payment at the 5.25% minimum qualifying rate over 15 years.

$100,000 owing Counted as $801 a month. At $225,000 projected income it does not lower what you can buy.	$0
$200,000 owing Counted as $1,602 a month.	−$97,000
$250,000 owing Counted as $2,002 a month.	−$156,000

Buying power lost compared with no debt, at $225,000 projected income, 4.49% and 10% down. Paying the balance down before you apply is often the fastest way to qualify for more.

A sample purchase budget.

Three homes bought in Ontario, outside Toronto, by a first-time buyer with 10% down on a physician program.

	$750,000 Townhouse	$1,000,000 House	$1,250,000 Larger house
Cash you need to close			
Down payment, 10%	$75,000	$100,000	$125,000
Land transfer tax, after the $4,000 refund	$7,475	$12,475	$17,475
Sales tax on the mortgage insurance premium, 8%	$1,674	$2,232	$2,790
Legal fees and title, estimate	$2,000	$2,000	$2,000
Cash to close	**$86,149**	**$116,707**	**$147,265**
The mortgage			
Borrowed	$675,000	$900,000	$1,125,000
Insurance premium, 3.10%, added on	$20,925	$27,900	$34,875
Total mortgage	**$695,925**	**$927,900**	**$1,159,875**
Every month			
Mortgage payment, 4.49% over 25 years	$3,848	$5,131	$6,413
Property tax at 0.75% a year, and heating, estimates	$569	$725	$881
Monthly cost	**$4,417**	**$5,856**	**$7,294**
Can you qualify, and can you carry it?			
Income needed to qualify, at 6.49%	$160,800	$213,374	$265,949
Qualifies on PGY-1 projected income, $185,000	Yes	No	No
Qualifies on PGY-3 projected income, $225,000	Yes	Yes	No
Qualifies on most final-year specialties, $300,000	Yes	Yes	Yes
Share of PGY-3 gross pay, Ontario	62%	82%	102%
On resident pay	House-poor	Approved, not affordable	More than you earn

Illustration only, not an approval. Uses the standard 3.10% insurance premium for 10% down, the 6.49% stress test rate (4.49% plus 2%), 39% and 44% debt ratio limits, no other debts and no condo fees. PGY-3 gross pay is $85,564 on the Ontario grid. Your numbers depend on your income, debts, credit, the property and lender pricing.

How buying works, step by step.

1 **Check your numbers**

See what projected income lets you buy and what your line of credit costs you.

2 **Get pre-approved**

A lender reviews your income, debts and credit and holds a rate, usually for 60 to 130 days depending on the lender.

3 **Budget for closing costs**

Plan for 1.5% to 4% of the price on top of your down payment.

4 **Make an offer with a financing condition**

The condition gives you time to get final approval before the deal is firm.

5 **Final approval**

The lender confirms your documents and the property, sometimes with an appraisal.

6 **Closing**

A lawyer, or a notary in Quebec, transfers the title and pays the seller with your down payment and mortgage funds.

What you need to apply.

- [ ] Enrollment letter confirming your specialty and year, or a completion letter with the date
- [ ] Provincial college registration, such as the CPSO in Ontario
- [ ] Signed staff offer, if you have one
- [ ] Bank statements showing your own down payment funds
- [ ] Signed gift letter for any gifted amount
- [ ] Current balances on student loans and your line of credit

First-year residents whose college listing is not live before closing have an exception path.

Where the down payment comes from.

Savings

At least 10% down on a physician program, with at least 5% from your own money. The other 5% can be borrowed or gifted.

A family gift

Any part of the down payment, with a signed gift letter confirming it does not have to be repaid.

Your line of credit, in part

On a 10% down purchase, up to 5% can come from borrowed funds such as your line of credit.

RRSP Home Buyers' Plan and FHSA

Up to $60,000 from your RRSP, repaid over 15 years, and up to $40,000 from a First Home Savings Account, for a first home.

If you move for fellowship or practice.

Take your mortgage with you

Many mortgages can be ported, which moves your rate and terms to the new home. Your lender decides if it qualifies.

Sell and break the mortgage

The penalty is usually the higher of three months' interest or the interest rate differential.

Keep it and rent it out

Physician programs are for a home you live in, so talk to your lender before you rent it out.

Renew on your real income

You buy on projected income. By renewal, lenders look at what you actually earn.

Talk it through with us.

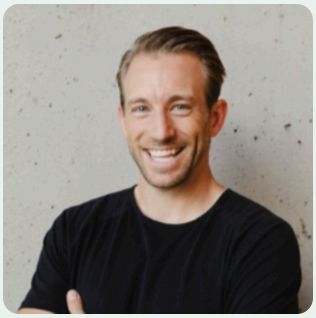
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