

# Dreaming of a Cottage?

## 1. Type A or Type B. Which Type are You?

As with buying your permanent home or condo, the search for a cottage should start with a pre-approved mortgage, so you know how much you can afford.

For mortgage purposes, lenders divide cottages in Canada into Type A and Type B.

**Type A:** This is a structure you can use year-round. It has drinkable running water, a permanent source of heating and is built on a permanent foundation below the frost line.

The minimum down payment required will be 5%.

**Type B:** Type B cottage is a more rustic property that is not winterized for all-season access. These properties usually lack a year-round source of heating, but they must still have indoor plumbing.



They lack a permanent foundation and are usually constructed on a floating foundation, such as concrete pilings.

For many buyers looking for a simple summer property, this is all they need. Or it may be the only kind of property within their budget.

The minimum down payment required will be 10%.

Dan Faubert, a veteran Ottawa mortgage broker with Ottawa-Carleton Mortgage, says with either type of structure, most lenders will require

mortgage insurance, even if you have a down payment of 20% or more. With that insurance in place, you can usually receive the same interest rates you would get on your permanent home in the city, he says.

To read more about financing cottages and advice from Dan Faubert, read our article [HERE](#).

## 2. Short on your down payment? Many buyers use equity from their principal homes

Many people who buy a summer cottage have substantial equity in their existing city properties.

Depending how much equity you have, many lenders will allow you to borrow up to 80% of the value of your principal residence to finance a cottage.

Your financial adviser can look at your situation and your other debts to see if this solution could work in your circumstances.

### **3. Make a List: Your Must-Haves and Your Nice-to-Haves**

Just as when you are looking to buy a principal home, your Realtor will be able to help you better in your search if you are specific about what you must have and what would be nice to have but is not essential.

For example, does your cottage absolutely have to be right on the water, with a dock for a boat or swimming? Or would you be OK with a cottage that is not on the water but perhaps has a beach or swimming area within a short drive or hike?

The difference in sale prices between the two can be significant.

Is a reliable internet connection a must, in case you want to do some office work? Or are you going to the cottage to escape work pressures, and you're happy to do without internet?

Spending some time thinking about what your must-haves are will save time in your property search and help your Realtor know which properties to show you.



### **4. Insurance costs**

Your insurance rates can be affected by how often you will be visiting the property and if you will perhaps not be there for months at a time.

Also, are you hoping to earn rental income by renting out the property when you are not there? This will affect your insurance rates, and it's something you need to inform your insurer about.

If you have not informed the insurance company you are renting the property, you could see your claim denied in the event of an incident caused by a renter.

Talk to your insurance company to get an idea of how the rates vary and ways you can reduce the insurance costs. Some cottage owners hire a local agency or maintenance person to check on the cottage throughout the year, for example.

### **5. Ask about the hydro bills**

Hydro bills can be more costly in the country than in the city because of the difference in population density, and the delivery costs can be pricey with locations that are remote.

Your Realtor can help you by getting that information from the seller. You don't want to be in for a shock with that first bill.

### **6. Narrow down the Areas You will Consider**

If you've been renting cottages for a few years or perhaps visiting the cottages of friends and family, it's possible you already have a good idea of the general area where you'd like to buy a cottage.

If not, decide how far you'd be willing to drive every time you visit. This can help narrow down the regions in which to search.

In the Ottawa area, we're fortunate that there are many cottage destinations within an hour or two from the city.

### **7. Ask about the water, septic systems and garbage**

With a cottage, you sometimes need to think about basic systems that we don't always think about in our comfortable city homes.

Even if a basic cottage has running water, for example, that water may not be drinkable, and you may have to bring in your own supplies.

If it comes from a well, you will need to do inspections and maintenance. If it has a septic system, what is involved in the maintenance you need to do? Can you handle this yourself or do you want to hire a local expert to help with that?

When you are disposing of household garbage, you may have to bring it to a landfill site yourself. Where is the site?

### **8. How good are the Access Roads?**

If your cottage is fully winterized and you hope to visit it or rent it year-round, ask your Realtor about how well the roads to that cottage are maintained and cleared of snow in the winter.

That long, winding road you have to drive from the highway is fine in the summer, but if winter maintenance is limited, you might want to re-think a property and find something closer to a main highway.

### **9. Local Amenities**

If there is a cottage you love, get a good tour of the local area with your Realtor to see if the nearby town or city has what you need or what potential renters might want.

Where is the nearest big grocery store? Where is the closest hospital? Does the nearby community offer other amenities, such as restaurants, galleries or interesting shops to visit in the event of a rainy day?

### **10. Your Local Realtor offers invaluable and free expertise. Take advantage of it.**

When you have a Realtor working on your behalf, someone with extensive experience buying and selling cottages in the area that interests you, you have a goldmine of information and support.

A good local Realtor can tell you about the local area, fill you in on the basics of cottage maintenance and tell you about rental rates in the area if you are considering renting the property.

They can also refer you to professionals in the area with expertise in cottage properties, from tradespeople and maintenance workers to property lawyers.

All your buyer agent's expertise comes at no cost to you, as the commission they receive comes from the seller.

With all that knowledge at your disposal, feel free to start asking those questions as you work together to find that dream summer escape.