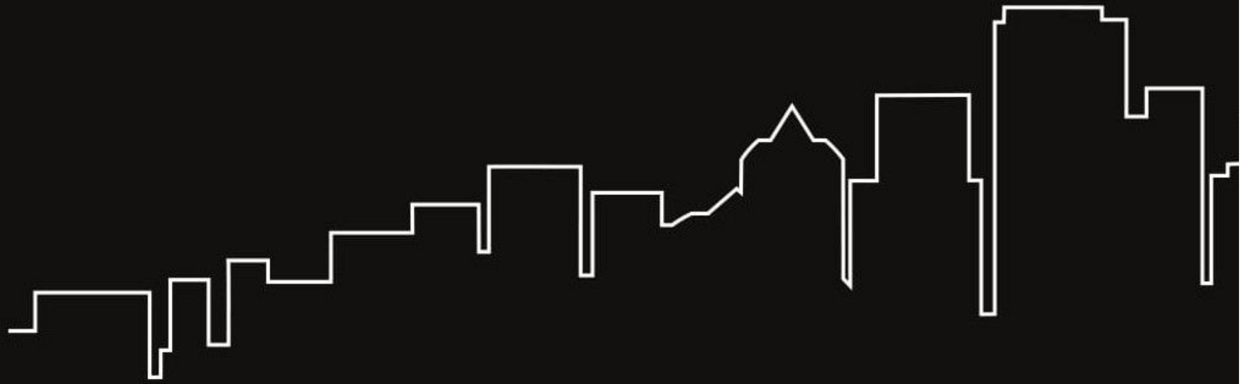

THE ULTIMATE MORTGAGE GUIDE

JOHN LEE
Mortgage Professional

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THE ULTIMATE MORTGAGE GUIDE

JOHN LEE

MORTGAGE PROFESSIONAL

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WHAT PEOPLE ARE SAYING...

"John is a hard-working professional who is very knowledgeable, both academically and practically. He is able to apply his knowledge to his social skills, which results in him being a pleasure to work with. He is able to find common ground in any issue and I would strongly recommend him as your mortgage advisor."

Sergey K

"John Lee has been helping me out with my mortgage. He has provided me with a lot of guidance and made the entire process very easy. He also responds quickly and diligently. Therefore, I would recommend him to my friends and family."

Jason L

"I have known John for many years. He is a very honest and hard-working professional. I have been referring my clients to John for mortgage advice/options and all my clients have been very impressed with his professionalism and work ethic. There are many mortgage brokers out there providing the same products and rates, but if you are looking for the best service, John is the one you need to talk to. Thank you for looking after my clients. "

Eric F

"It was a pleasure working with John. He will be all over your file till he gets it done. Very professional and he makes the impossible, easy and possible. Thank you, John."

Mahtab M

"John Lee is very professional, knowledgeable and personable mortgage agent. He handled my complicated case well and provided the best options for me. If you need a reliable, local agent who actually cares about your circumstances, John Lee is the one. I highly recommend him for your future purchasing."

Kevin K

"As a Realtor, a fast, reliable and accurate mortgage broker is key. John fits all those areas and has helped many of my clients with their purchases. From pre-approvals to completion date, John is efficient at what he does and makes my work a lot easier knowing that I can trust him."

Jimmy L

A LITTLE ABOUT ME

I received my Business Degree from Simon Fraser University (SFU) with a concentration in Finance and Economics. I have worked in different major Canadian financial institutions for many years, helping clients fulfill their financial goals.

My role as a Mortgage Professional allows me to share my knowledge about the real estate market and advise people as they go through one of the largest investments of their lives. My approach is to strategize and execute a plan to help clients get the most out of lenders and government incentive programs.

When I'm not in the office, I'm a proud supporter of Compassion Canada - a non-profit organization that helps release children from poverty. I love volunteering at my local church and spending quality time with my wife and young daughter.

I specialize in first time home buyers and alternative and private mortgage lending.

AWARDS AND DESIGNATIONS:

- Recognized as one of the Top Rookies in Canada at TMG The Mortgage Group during my first two years as a Mortgage Professional.
- Recipient of the Rising Star Award at TMG The Mortgage Group in recognition of significant contribution and achievement
- Recipient of the Top Producers' Award at TMG The Mortgage Group based on the number of mortgage transactions and volume.
- Joint Major Bachelors of Business Degree in Finance and Economics from SFU.

FUN FACT:

- My favorite hobbies are playing soccer, working out, and hiking.
- I used to represent British Columbia and Canada in table tennis.
- I love travelling to Hong Kong. I've been there more than 10 times.
- I volunteered as a Scout leader and mentored kids for over 10 years.
- Growing up, I wanted to be an aircraft pilot.
- I look up to Bruce Lee as my role model
- I was born in Vancouver, BC at St. Paul's Hospital.
- I have a pet turtle ever since I was seven-years-old and he's still alive and well today!
- My first job was when I was in grade 10 and I worked as a waiter at a Vietnamese Restaurant.

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TMG THE MORTGAGE GROUP

TMG has assisted hundreds of thousands of Canadians get the best financing solutions and mortgage rates.

In 1990 a dream was born in the minds of two people, Grant and Debbie Thomas. This dream was the creation of a strong brokerage with a key objective – to educate consumers with the idea that if they want the best products, the best rates and the best advice, then mortgage brokers are their best bet.

Throughout TMG's existence, TMG has maintained the philosophy that gave rise to its birth. In the beginning, Grant and Debbie assured consumers that TMG The Mortgage Group would not become a big, faceless company and the company has stayed true to its roots. Grant and Debbie aspired to create a company with old-fashioned family values that would remain relevant and strongly competitive in the mortgage marketplace, and they succeeded!

More than a quarter century later, TMG has grown into a national full-service mortgage brokerage; has an enviable reputation in the mortgage industry, and has achieved a high level of respect among agents, brokers, lenders and industry partners. TMG has, over the years, built a strong reputation for integrity and professionalism.

Today, TMG has over 800 brokers and agents nationwide. The company continues to grow and is able to attract first-rate professionals by treating them with respect, providing a supportive environment and continually responding to their needs. Over the years, TMG has experienced impressive and continuous growth.

The company's contribution to the industry has not gone unrecognized:

- **2018:** *Co-Founder Debbie Thomas was honoured with the Lifetime Achievement Award at the Mortgage Awards of Excellence.*
- **2017:** *Saskatchewan's Regional Vice-President Bud Jorgenson wins Mortgage Professionals Canada's Mentor of the Year.*
- **2016:** *TMG's President, Mark Kerzner, becomes Chair of Canada's mortgage association, Mortgage Professionals Canada. (MPC)*
- **2016:** *TMG broker wins Mortgage Professionals Canada's Innovation Award.*
- **2015:** *Three TMG brokers were recognized for their contribution to the industry by winning Mortgage Professionals Canada Excellence Awards.*
- **2014:** *Four TMG brokers were recognized for their contribution to the industry by winning Mortgage Professionals Canada Excellence Awards.*
- **2013:** *TMG won Employer of Choice at the Canadian Mortgage Awards.*
- **2013:** *Co-founders Grant and Debbie Thomas were inducted into Mortgage Professionals Canada 's Mortgage Hall of Fame.*
- **2012:** *TMG was recognized as one of the Best Companies to Work for in B.C.; the company was further awarded Mortgage Professionals Canada 's Partners in Excellence Award.*
- **2012:** *Co-founders Grant and Debbie Thomas received the MBABC's Pioneer Award for Lifetime Achievement.*
- **2011:** *TMG was honoured with the Canadian Mortgage Award's top award for Mortgage Network of the Year.*

TMG's company philosophy

TMG's mortgage brokers help clients get the best mortgage products, options and pricing. We will take a client by the hand and lead them to the right lenders, the right realtors, and other related professionals, for their real estate and financial needs. We will negotiate the best options on behalf of clients and offer the most current and useful advice available. Deciding to work with a TMG mortgage broker may easily turn out to be the best decision you will make in getting the perfect mortgage. With us, you are sure to find the best financial solutions. Unlike banks, we have an array of mortgage options tailored to your specific needs. We review the best options together, help make key decisions and support you through the application and closing process.

We become your guiding partner through the entire process and for the life of your mortgage. Our services are fast, reliable and efficient. And in the majority of cases, we are paid by the lending institutions, so there's no cost to you, and no surprises.

A Canadian mortgage company legacy

Our Regional Management team provides front-line leadership across the country supporting and coaching our mortgage professionals.

As an award-winning leader in mortgage innovation and technology, TMG has developed proprietary tools and software to quickly and efficiently source and manage financing solutions. From Global TV appearances and up-to-the-minute industry news to informative introductory videos, TMG is widely considered a mortgage education resource. TMG The Mortgage Group has helped more than a quarter million Canadians just like you and has earned the respect of both lenders and clients. TMG is an award-winning company with leading-edge award-winning mortgage experts.

MORTGAGES

What is a mortgage?

The term "mortgage" can be confusing at times. A mortgage, basically, is a loan given by a bank or other financial institution designed for the purchase or refinance of a property. A mortgage is a secured loan, which means it's secured by the property. The person getting the mortgage is called the mortgagor. The bank/ lender is the mortgagee. The lender has a security interest in the property and can impose conditions on the borrower and property. For example, in the unfortunate event that a mortgagor should fail in their obligations under the mortgage agreement, the lender may decide, to seize/foreclose on the property to protect their investment.

However, very few people can afford to buy a property with cash and most homeowners today require, and in some cases choose to, take out a mortgage to purchase a property.

Mortgages are often used to solve many financial challenges and to achieve goals. For example, a mortgagor or buyer may decide to take out a mortgage to buy a single-family dwelling as their principal residence or, may decide to purchase an investment property. A homeowner may need to refinance a current mortgage to lower their rate or to renovate; or tap into their equity for investments or purchase a vacation property. A mortgage can be a loan with set principal and interest payments, or can operate as a line of credit, or both.

Interest rates on mortgages also differ, depending on the particular arrangement entered into by the parties to the mortgage. Charges and fees paid on mortgage transactions equally vary. These details are not set in stone and may vary drastically between two separate mortgage products. This is due to a number of variables, including but not limited to the value of the property, the lender and intended use. We will cover these areas throughout this book to help educate you about the mortgage process.

In today's economy, the cost of real property is high and most people are simply unable to buy a home without a mortgage. A mortgage allows people to get the home they want and still meet their other financial needs. As mortgage brokers, we can access over 100 different structures and options.

Types of mortgages

New Rules

Insured, Insurable and Un-insurable

The usual high-ratio mortgage vs conventional mortgage has now morphed into insured, insurable and un-insurable mortgages.

Let's review:

High-ratio mortgages have a loan-to-value ratio (LTV) above 80%. Because the risk associated with these loans is higher due to the lower amount of down payment, lenders require the mortgage be insured by one of the three mortgage default insurance companies in Canada. This also allows the borrower to get a mortgage for up to 95% of the value of the property. This substantially reduces the down payment amount required and helps many families and first-time buyers buy homes. There may still be programs where you can borrow your down payment.

Conventional mortgages are mortgages with a loan-to-value ratio (LTV) of 80% or less. In other words, the mortgage amount is 80% or less than the appraised value of the property. So, when you have at least 20% for your down payment or equity in your home, the lender in most cases will not require you to purchase mortgage default insurance on your loan. (We will discuss mortgage default insurance later in this book.)

The term of the mortgage is essentially the contract period. It is the length of time you and the lender have agreed to. Often in Canada, the term is five years. Your mortgage broker will discuss other terms and the reasons you may choose something other than five years.

For the term you will know your specific interest rate or how the rate will be determined if a variable rate mortgage, the terms of payment, the pre-payment privileges and pre-payment penalties.

The amortization is the time it will take for you to completely pay off the mortgage. On a mortgage amortized over 25 years, if you do not make any pre-payments, the mortgage will be paid off in 25 years. Other amortization periods are available.

The balance on an amortized mortgage reduces as you make payments. A portion of each payment goes towards the principal and a portion towards interest. If your mortgage is structured in whole, or in part, as a "line of credit" mortgage, the minimum payment is interest only, and you may make principal payments as and when you wish.

That was then, this is now.

The new rules have changed how these mortgage products are insured. The usual high-ratio mortgage vs conventional mortgage have now morphed into insured, insurable and un-insurable mortgages.

Insured Mortgages: This is a mortgage transaction where the default insurance premium is paid by the client, as is typical in a high-ratio mortgage.

Insurable: This type of mortgage can now be considered the new "insured mortgage". These mortgages are still eligible for default insurance but are either "portfolio-insured" at the lender's expense or high-ratio insured at the client's expense. Your broker will let you know the options, which are often dependent on the property type and property use. There are tougher rules as well – the maximum amortization is 25 years, applicants must qualify at the Benchmark rate, the property must be valued at less than $1M and must be owner-occupied. Insurable mortgage interest rates are typically slightly higher than insured mortgage interest rates and are always lower than "un-insurable mortgage" interest rates.

Un-Insurable: These mortgages are not eligible for default insurance and apply to refinances, rental properties, stated income, and on purchases greater than $1M. Un-insurable mortgages must qualify using a stress-test that is based on the greater of the actual interest rate plus a percentage set by the government, or the Benchmark rate set by the government.

Why an interest rate difference?: Lender risk. Insured and insurable mortgages carry less risk because they are secured through one of the three insurers, which means in case of a mortgage default and subsequent foreclosure, the lender is covered. Therefore, the interest rate tends to be lower.

Which mortgage is best for me? That depends. Every situation is unique. There are pros and cons for each of the three types of mortgages, depending on your financial goals. For example, sometimes the spread between the insurable and un-insurable rate is significantly large enough to justify the borrower paying high-ratio mortgage insurance to obtain the lower rate.

As a mortgage professional, I can explain the differences and give the best advice and get you the best rate.

Collateral mortgages

Some lenders offer collateral mortgages, which is a mortgage that is registered in a way that allows you the option, at the banks/ lenders discretion, to borrow more money from that lender without incurring additional legal fees.

Collateral mortgages can be advantageous for some very specific personal situations; however, collateral mortgages have certain drawbacks which you should be aware of before jumping in. Since each situation is unique, it's best to discuss collteral charges with your mortgage broker.

Home Equity Line of Credit – HELOC

A home equity line of credit, or HELOC, is a loan in which the lender agrees to lend a maximum amount, usually capped at 65% of the value of the home, within an agreed term, where the collateral is the borrower's equity in his/her house.

In a conventional mortgage the borrower is advanced the entire sum of the mortgage upfront. With a HELOC the borrower uses a line of credit to borrow sums that total no more than the credit limit approved by the lender. In most cases, HELOC's are interest- only payments, which means your minimum monthly payment requirement will be the

interest on the advanced amount; however, the borrower may make a repayment of any amount higher than the minimum required payment.

The interest rate for a HELOC is typically a variable rate. This means that the interest rate can fluctuate with changes to the bank's Prime rate over time. Not all lenders put the same premium or discount on HELOCs, which is the difference between prime rate and the interest rate the borrower will pay. In most cases it will be quoted as Prime + 1%, as an example.

The security for the HELOC is your home, and in most cases the lender will register it as a collateral mortgage as discussed previously. Therefore, failure to repay the loan may result in foreclosure. Lenders protect themselves by requiring you to maintain a certain level of equity in the home.

Mortgage Default Insurance providers

There are three Mortgage Default Insurers in Canada. The borrower usually pays the insurance premium; the insurance protects the lender.

Genworth Canada:

Genworth Canada is committed to helping home buyers realize their dream of homeownership. Through its commitment to financial literacy and education programs, Genworth helps ensure that home buyers are purchasing homes they can afford today and throughout the lifetime of the mortgage.

Genworth provides a veriety of tailored mortgage insurance products such as:

- New to Canada Program
- Secondary Home Program
- Family Plan Program
- And many more that can help you achieve the dream of home ownership

You can find a full list of their products at:
http://homeownership.ca/products/

Canada Mortgage Housing Corporation (CMHC):

As part of their core business, CMHC's mortgage default loan insurance products facilitate access to a range of housing options for Canadians that promote and contribute to the stability of the financial system. They also offer insurance for commercial loans for apartment buildings.

Canada Guaranty:

Committed to improving Canadian mortgage insurance, Canada Guaranty aims to be "100% Canadian. 110% Committed." Their vision is to improve mortgage insurance through a commitment to service excellence and financial strength.

Fundamentally, the three insurers all provide the same utility to the borrower and all charge the same insurance premiums. There are some subtle differences in some of their programs; your mortgage broker will let you know when that is the case. Unless your application requires a specific insurer due to these subtle program differences it is generally the lender that chooses which insurer to use on an application-by-application basis.

MORTGAGE BROKERS

We are mortgage industry professionals who work as intermediaries connecting lenders and borrowers (that's you). In most cases we are paid a commission from the lenders for securing a borrower. In other words, in most cases, it doesn't cost you anything. We are not attached to any lender. Although we have contacts with all of the lenders, we work with you to find the best solutions for your specific needs.

With access to numerous mortgage lenders, we are poised to help you filter through a large number of loans and products till we get the one that fits your needs.

Mortgage brokers are paid, more or less equally, by all lenders so that your best interest remains at the forefront.

Our consultative processes include getting to know you and understanding your financial goals, calculating what you can afford, discussing interest rate options, finding the best mortgage product for your needs, then preparing and sending your application to the appropriate lender.

Our principal goals lie in educating you about the mortgage process and protecting you against errors that could cost you thousands of dollars in the long term

Many satisfied clients acknowledge that their mortgage broker was able to source and get better rates than if they were to go to the lender directly, including the Big Banks. Clients have equally admitted that mortgage brokers helped them get approved even though they had less than stellar credit.

To help you get the best deal, there are four key elements we will first discuss with you:

Rate: This is the interest rate on the mortgage and is either fixed or variable. A fixed rate means that you are guaranteed to pay the same interest rate and payment throughout the duration of your mortgage term, while a variable rate means your interest rate, and in some cases payment, fluctuates with changes in the Prime rate.

Most people believe that the product with the lowest rate is the best mortgage to have. This is not always true, as the lowest rate may cost you a lot more over the long term, depending on your specific needs and situations. This is why it's critical that we take the time to get to know you, your needs and your situation first.

Pre-payment flexibility: This defines the ability to repay additional amounts, without penalty, thereby reducing your outstanding principal throughout the term of the mortgage. It could either be ongoing with regular payments or lump sum bonus payments. Based on your situation, there are advantages and concerns you should be aware of that we will discuss with you.

Term: The contracted length of time you will pay a specific fixed rate, or a set calculation for a variable rate (Prime plus or minus x%), on the mortgage.

Term Type: This specifies the conditions associated with paying out the mortgage. It could either be open or closed. Open means you can pay it out anytime, and closed means you may or may not be able to pay it out at any time, and if you do, you may be subject to pre-payment penalties.

As basic as the above elements seem, they will directly impact your long term goals and needs. It is critical we take the time to discuss the impact they will have on your future goals.

Seven reasons why you should use a mortgage broker

1. More options

With a network of major lenders and products to choose from, we can source your ideal mortgage options from banks, monoline lenders, non-traditional lenders and more. Taking the time to find the best option for your unique needs is basic to our role as a mortgage broker.

2. Fast and efficient

From the initial assessment of your unique situation right through the closing process, transactions move quickly when working with us. We do the research and shopping for you so there's no need for you to waste time organizing appointments with competing mortgage lenders, when you could be house-hunting!

3. Negotiating on your behalf

Negotiating can be stressful. We act in your best interest and do all the negotiating to secure competitive rates and terms that make sense for you. We have the negotiating power because we fund billions of dollars

in mortgages and lenders compete for our business. To you that means more negotiating power to get you the best rates and terms for your individual needs.

4. Ongoing support

Even after your successful mortgage transaction, we are a great resource for advice, queries or future needs. Our focus is to build a life-time partnership with you and your family.

5. No cost to you

We are paid by lending institutions in the vast majority of cases – this means there's no cost to you, and no surprises. Essentially you get to use all our knowledge, expertise and connections within the industry to secure the best mortgage for your needs, at no cost.

6. Expertise

We are specialists providing expert advice and guidance on mortgage products, interest rates and current housing market conditions. We help choose the right mortgage product for you and assist you by creating a strategy for your specific situation and needs.

7. Regulated

The mortgage industry is highly-regulated through federal and provincial regulators to protect you, your family, and your future.

Why not go to a bank for a mortgage inquiry?

A customer service representative or your account manager at a bank is limited to the products of that particular institution.

Brokers have direct access to most banks offering mortgages and with a few exceptions all of the mortgage products those banks

offer. Further we have access to many non-bank lenders. This number is increasing over time. The non-bank, or "monoline" lenders operate almost exclusively through brokers and do not have retail presence in the marketplace.

Three critical tips for selecting a mortgage broker who is right for you

1. Make sure you feel comfortable with the mortgage professional you are going to do business with. Can this person answer your questions to your satisfaction? Does he/she act in an ethical and professional manner?
2. Beware of high-pressure sales tactics. You should never accept a mortgage that you do not understand. Walk away from anyone who pressures you or makes you feel uncomfortable. You are not obligated to proceed at any time in the process.
3. The mortgage broker should help you decide on whether getting the "best available rate" is more important than understanding your unique needs and situation, and how that will impact the mortgage you receive.

Take the time to sit and talk to us and let us answer all your questions and concerns. We do all your mortgage legwork at no costs, so take advantage of that offer.

Four questions to ask your mortgage broker

Ask the following four questions to get the most out of your first meeting:

1. How much can I afford?

Usually people pick their homes before they organize their financing, but it should be the other way around. Determine what monthly payment you would be comfortable with and what money you have available for a down payment before delving into your house hunting.

Your total debt load, including your home costs and other debts such as credit cards and car loans, shouldn't exceed 42-44% as an average benchmark. We can look at your current sources of income and credit report to help you determine the maximum purchase price you can afford and are comfortable with.

2. What type of mortgage should I consider?

Are you someone who likes a predictable payment or are you comfortable taking some risk to get a lower rate? A fixed interest rate is set when you sign for the mortgage; it won't change for the entire term. A variable rate, however, will change according to market interest rates, which may cause concern for some.

While market fluctuations are hard to predict, we can give you historical data and economic information to help you make this decision. We will also determine your tolerance for risk and advise you on the best option based on your financial situation and needs.

3. How much do I need for a down payment?

Many homebuyers assume they need to make a large down payment in order to get the best mortgage rate, but that's not always the case. Mortgage insurance products allow buyers to put as little as 5% down and still get the same competitive mortgage rates, if not better, than those who put down 20% or more. Having mortgage default insurance lowers the lender's risk and cost.

We can help you decide how much of a down payment you'll need to get the home you want while still staying within your budget. The down payment amount is based on your individual situation and needs.

4. What should I take into account for the future?

According to research conducted by Genworth Canada, roughly 70% of Canadians would be concerned about paying their mortgage if interest rates were to rise, or if they or their partner lost their job.

Everyone is excited about buying a beautiful home, but not everyone is thinking about what that means in the long term.

What you can afford today might not be the most practical choice in years to come. Will you still be able to make payments when you factor in the costs of parental leave and daycare? What if your job situation changes or interest rates rise?

We will take all these factors into account when negotiating your mortgage rate and options with lenders.

In 2017 and 2018 the government imposed the Benchmark Rate and Stress Test rate on all mortgages funded by federally-regulated institutions. Many provincially-regulated institutions, i.e.: credit unions and trusts, have adopted the same practices.

These new qualifying rules are intended to make sure that borrowers can handle higher rates when they come and that your investment in housing remains sound.

Summary

We have access to many lenders who compensate us for the work we do on their behalf for you. In most cases, the primary lenders offer the lowest interest rates, best terms and conditions. They also have the most stringent qualifying criteria.

We also have access to numerous "alternative" lenders. With alternative lenders, there can be lender fees and, at times, broker fees. In most cases, the lender compensates us. Alternative lenders consider files with less stringent criteria than the primary lenders for qualification. They can also charge marginally higher interest rates and require higher down payments or equity positions.

In addition, we have access to several pools of private mortgage money and to individuals who invest directly in mortgages. In certain circumstances we do a combination "alternative + private" mortgage to satisfy a mortgage need, or we just use private money. Private money is more expensive; there are also lender and broker fees involved. Private

money lending is focused mostly, but not exclusively, on the property being mortgaged. Private money can be more expensive, but it can be a viable solution for your specific needs.

We realize that every individual has their unique situation. We will sit with you and go through all your possible options and outcomes in order to make an informed decision.

DOWN PAYMENT

A mortgage down payment is the amount of money you pay upfront when purchasing a home. A typical down payment is expressed as a percentage that is calculated as the dollar value of the down payment divided by the home price.

A deposit put down on a purchase is different from a down payment but is acknowledged as part or all of your down payment.

Minimum down payment required in Canada

The minimum down payment in Canada, on homes up to $500k, is 5%. According to a recent TD Canada Trust Home Buyers Report, 30% of homebuyers plan to or have at least a 20% down payment.

Homes priced between $500k and $1M now require a 5% down payment on the first $500k and 10% on anything after that up to $999,999.

Home Purchase Price: $750,000		
$500,000	5%	$25,000
$250,000	10%	$25,000
Total downpayment required:		**$50,000**

If you purchase a high-value home priced over $1M, but with some lenders over $750,000, your down payment will be calculated based on a sliding scale, generally requiring more than 20% down payment.

Sliding scales for mortgages, not down payments, are determined by lender, location and size of the population. For example, Vancouver and Toronto would allow for a larger mortgage amount than a smaller town in Manitoba, based on the sliding scale.

As a conservative rule, many lenders in metropolitan areas will allow for up to 80% of the first $1,000,000 in value and 50% of the balance. This can climb as high as 80% of the first $1.5 million and 50% of the balance for some lenders in major metropolitan areas such as Vancouver and Toronto.

Each lender has their own sliding scale policies. Based on your unique situation, we can guide you through all your options.

The size of your down payment influences three things:

1. Your down payment influences the home price you can afford.

Because the minimum down payment in Canada is 5% for the first $500k and 10% on the difference up to $999,999, this benchmark is used as a first test to determine your maximum affordability.

2. Your down payment shapes the size of your mortgage and monthly payment.

A larger down payment reduces the size of your mortgage, as well as the monthly payment and interest paid over the life of your mortgage, plus it potentially eliminates your need for mortgage default insurance. It is critical we discuss the advantages and disadvantages of this strategy based on your personal situation.

3. Your down payment determines the amount of mortgage insurance you pay:

Your default mortgage insurance premium is calculated as a percentage of your mortgage amount. The percentage gets smaller as your down payment increases to 10% and 15%. Most often there is no requirement for mortgage default insurance if your down payment is 20% or higher.

Your mortgage default insurance premium is usually added to the mortgage amount and your regular payments will cover both. By doing so, you will see that adding the premium to your mortgage has very minimal impact on your payments.

Down payment requirements can vary based on many things such as lenders, your individual situation, the property type, and location.

We look forward to meeting with you to discuss your needs, goals and objectives. During this process, we will recommend the best options suited to your short-term and long-term objectives, as well as devise a plan that will meet those goals and your budget.

Some key things to keep in mind:

- With 20% down payment mortgage default insurance is usually not required. At times, based on your personal situation, the property or the location, lenders may insist that the mortgage be insured. As your down payment increases, the percentage to calculate the premium decreases. We will assess possible lenders and their requirement for you.

- There are cases where paying mortgage default insurance, even with 20% down, could result in a lower interest rate. An analysis over the full term of the mortgage would help you understand the net benefits or costs -- we will do that together.

- Historically, the largest reduction in the mortgage insurance premium occurs when you have 10% down payment. If your available funds are approaching the equivalent of 10% down payment, then we can look at options and outcomes based on reaching 10% down payment.
- All three insurers: CMHC, Genworth and Canada Guaranty, charge the same premium amount for the same situation. Those amounts, however, do change from time to time. We will provide the current premium tables for your review.
- Different, higher premiums may be charged for specialty programs such as stated income, extended amortizations, and refinance top-ups.
- If you are moving, or “porting” your mortgage from one property to another, there are times when you can also “port” some of your previously paid mortgage insurance premium and save on premiums for your new property.
- That said, if porting some of the prior mortgage insurance, you cannot increase the remaining amortization. Based on what is comfortable for a mortgage payment, or what is required to meet the debt servicing, or affordability standards, you may need to lengthen your remaining amortization and revert to paying a full default mortgage insurance premium.

We will sit with you to go through all the possible options and outcomes. Again, we work on your behalf with the lenders and the insurers, to optimize your situation.

The following are acceptable sources of funds for down payments:

- **Sale of existing property**: Sometimes funds for the down payment on a home may be sourced from the equity in a property being sold.
- **Funds in savings:** This comprises money that has been deposited in a depository institution or other investment company for a

minimum period of 90 days. Funds on deposit are subject to verification through bank statements for the past three months.

- **Gifts from family members:** Monetary gifts from family members for the down payment and/or closing costs are acceptable in most cases as long as there is no requirement for repayment. The lender will need a gift letter as proof.
- **Borrowed:** In some cases, a borrowed down payment is accepted.
- **Stocks, bonds, mutual funds, TFSA, etc.:** These cash equivalent investments are acceptable for a down payment. They must be validated through statements and show a three-month history.
- **RRSP:** One of the most popular sources for a down payment is the RRSP because other than at retirement, it is one of two times you can take money out of your RRSP as a first-time homebuyer without penalty. The other is the Life Long Learning Plan.

More about RRSPs: If you are not a “First Time Homebuyer” you can still use RRSP funds but lenders will need to see the withdrawal, and will account for the tax withheld against your income tax implications from cashing in.

There are many subtle points to the definition of “First Time Homebuyer” to pay attention to. If you owned a home, sold it more than approximately five years ago and are buying again, then you re-qualify as a First Time Homebuyer. If you’ve lived with someone who owned a home, and now you are buying in your name, you are not a First Time Homebuyer. Your mortgage broker can walk through all these possibilities with you.

There is also a modest income tax benefit in the year you become a home owner. Best to check with your accountant or income tax preparer on this point.

Closing costs:

Mortgage insurers also require proof of closing costs to the tune of approx. 1.5% of the property value. This will include the Land Transfer costs, which vary from province to province.

The closing costs a lender takes into account are one-time fees for your lawyer's professional fees and disbursements, Land Title registration fees, and Title Insurance costs. You will also likely incur costs for a home inspection and, if applicable, condo document review by a condo document advisory service.

Other immediate costs you need to consider include moving costs, insurance costs, renovation costs, household extras such as window treatments, locksmith and security costs, appliances, furnishings, installation fees for telephone, cable and Internet access, etc.

Closing costs may be as high as 3% of the value of the property, though there is significant room for variation depending on a number of variables including: the property being purchased, the age of the home, taxes, insurance fees, services required, closing dates affecting interest adjustments, and the balances of any prepaid expenses such as taking over a prepaid security or alarm contract.

.TYPES OF BUYERS

First-time homebuyers

One of the biggest financial and lifestyle decisions you will ever make is buying a home. That's why you must exercise the greatest due diligence when purchasing your first home. It is essential that you properly understand the whole buying process, starting from the moment you decide to buy a home, to when you finally move into the house.

Factors first-time homebuyers should consider when buying a home:

- Mortgage options as opposed to rate. Make sure you select the right mortgage for your current situation and future goals, especially if you plan on selling and moving up. Don't only focus on the rate.

- Know what documentation you need to provide to get a mortgage approval.
- Have adequate information about what costs exist over and above your down payment.
- Ensure you fully understand the mortgage products available in the marketplace and what product would be best suited to your family's financial circumstances. Getting the wrong mortgage can be detrimental to your long-term finances.

Important points to note:

- Know what you can afford before house hunting.
- Be aware of the amortization period.
- Know the appropriate mortgage term.
- Ensure all credit approval documentation is in place sooner rather than later.
- Take note of the frequency of payment.
- Identify the applicable mortgage type (insured, insurable, uninsurable).
- Have a detailed breakdown of costs and fees.

First-Time Homebuyer's Tax Credit

The Canadian federal government, through the Economic Action Plan, has introduced the First-Time Home Buyer's Tax Credit (HBTC). It aims to assist citizens with the purchase of a first home.

The HBTC helps people purchasing their first homes with the costs incurred during the purchase, including disbursements, land transfer taxes and legal fees. This assistance greatly eases the burden on first-time homebuyers who are saving for a down payment.

For an application to be successful under this program, there are special rules that must be followed. For a home to qualify under this program, it should be a housing unit located in Canada that the applicant or the applicant's spouse or common-law partner wants to stay in as their main place of residence.

A person qualifies as a first-time homebuyer if neither the person nor his or her spouse or common-law partner had previously owned and lived in another home in the year of the home purchase, or in any of the four years prior to the present home purchase.

Any unused part of a person's HBTC may be claimed by a person's spouse or common-law partner. When two or more eligible persons combine to buy a home, the credit may be shared, but the total credit amount claimed cannot exceed $5,000.

RRSP First-Time Home Buyers' Plan

A Registered Retirement Savings Plan (RRSP) provides a wonderful option for financing your mortgage down payment. First-time homebuyers under the Canadian Government's Home Buyer's Plan (HBP) can borrow up to $25,000 for a tax-free down payment. If you are purchasing in partnership with someone who is also a first-time homebuyer, you can both get $25,000 each from your RRSP, giving you a combined total of $50,000. However, the HBP is a loan and it must be repaid into your RRSP in equal installments over 15 years.

In order to qualify as a first-time homebuyer under RRSP Plan, you must satisfy the following conditions:

- You must be a resident of Canada.
- You must not have owned a home in the four preceding years before your application.
- You must have agreed in writing to buy or build a qualifying home.
- If you intend to buy the home in conjunction with a spouse (or common-law partner) who is not a first-time homebuyer, they must not have lived in a house they owned for a period of four years prior to the current purchase.

- The funds you borrow must be in your account for at least 90 days before you can withdraw it.
- You must show that you intend to live in the home as your primary place of residence within one year after purchase.
- You must withdraw from your RRSP within 30 days of acquiring the title to the home.

If you withdraw from your RRSP, but do not meet the first-time homebuyer eligibility requirements, your withdrawal will be taxed and you will have to include it in your income tax statement as taxable income.

We can walk you through your situation and help you determine if you qualify for the Home Buyers' Plan. We will also guide you so that you can better meet the criteria to qualify for the RRSP Home Buyers' Plan.

Again, we will "sweat" the details so you don't have to.

Mortgages for the self-employed

Self-employed home seekers can have a harder time getting mortgages mainly because of the documentation that is required to verify income and the fact that businesses/accountants minimize taxes and income reported to CRA, but there are options for you.

According to a 2017 Angus Reild survey, nearly half of Canada's workforce will consist of freelancers, independent contract and on-demand workers by 2020.

We are very familiar with all the mortgage programs available for those who are self-employed. Working with us, you will be able to access the Stated Income program – an ideal product for those with less documentation or lower reported incomes.

Being self-employed does not mean you will not qualify for a mortgage; it means there are different rules and different products available to you. We are well-equipped to help you navigate this difficult landscape.

Self-employed – under 20% down payment

Recently, lending criteria for self-employed individuals has become more stringent, making it even more challenging for self- employed individuals with less than 20% down to get mortgages. However, more lenders are now offering special programs for these clients.

Even with an excellent credit score, most lenders will ask for financials and your Notice of Assessments or T1 Generals for up to three years. With businesses less than two years old, more documentation may be required to qualify, but talk to us; we have options for almost every situation.

We are certainly here to help you. After your pre-approval meeting with us, we will start the process of finding the right lender and the right product for your situation.

Reverse Mortgages

A reverse mortgage is a loan secured against the value of your home. However, unlike a traditional first mortgage, a Home Equity Line of Credit (HELOC) or a second mortgage, you are not required to make monthly mortgage payments for as long as you live in your home. And, you will maintain ownership and control of your home.

The money you receive can be used in a variety of different ways, including:

- *Eliminating debt repayments*
- *Increasing your monthly cash flow*
- *Helping a child or grandchild*
- *Early inheritance*
- *Unexpected health care costs*
- *Accessibility improvements*
- *Home repairs and improvements*
- *A dream vacation*

You can borrow up to 55% of the value of your home. The maximum is based on the borrower's ages, location, and style of home. All borrowers must be at least 55 years of age. Property must be owner-occupied. Qualification is based on the home's value and the homeowner's ability to cover property taxes and condo fees, if applicable.

Interest rates are approximately the current market rate plus 2% - 2.5%. The loan gets paid out when the last person on title leaves the home.

If the clients have a principal residence and other property (rental, 2nd home) – they can do a reverse mortgage on maximum three properties provided that they do a reverse mortgage on the principal residence first.

The value of the 2nd and 3rd properties is automatically reduced by 25% before the age/location LTV limits are applied.

There are no income requirements. A credit check is required but there are no minimum credit standards. There are guidelines and criteria that have to be met and it may not be the solution for everyone but it is an option for consideration.

Purchase Plus Improvements

This type of mortgage loan combines a home improvement loan with your mortgage. You can use the loan to upgrade, renovate and retrofit your home before you move in or soon after you move in, including flooring upgrades, kitchen renovation, bath renovation, new windows & doors, finish the basement, roof replacement, family room makeover and energy-efficient upgrades.

Here's an example of how it works:

You find a home in a neighbourhood you love at a great price – $400,000 – but it needs some work. All your savings are going toward the down payment and closing costs. The Purchase Plus mortgage

allows you to fund improvements upfront. You can qualify with a down payment of as little as 5% of the home's purchase price ($400,000) plus renovation costs ($30,000). In this case, that would be a down payment of $21,500. Your renovation costs are disbursed once the work is complete, and repayment is included in your monthly mortgage payments.

There are some important logistical steps and some overall rules to follow. Your mortgage broker will advise.

Construction Mortgages

This mortgage covers the cost of the construction of your home. There are two types of mortgages that you can get when you are building a home – a completion mortgage and draw mortgage.

Completion mortgage

The mortgage loan isn't registered until construction is completed or when you take possession of the home. You will still need a down payment, although it can be paid in installments. Most lenders who do these types of mortgages want the build to be completed within 120 days.

Draw mortgage

This lets you "draw" money during different phases on construction. Basically, the loan is dispersed in increments. An inspection is required throughout the process.

A construction mortgage is secured by the land as well as the improved value of the project.

Some lenders have limitations with regard to the timelines. You will also need an estimate of construction costs.

APPLYING FOR A MORTGAGE AFTER BANKRUPTCY

Sometimes bad financial situations happen to good people and bankruptcy is the only way out. But there is hope. There are a number of strategies for putting your credit back on track and getting approved for a mortgage, even after bankruptcy. We have worked with many people to do just that.

Here are nine points to consider:

Find the right mortgage lender

Some lenders will not approve a mortgage if a bankruptcy shows up on a credit report. However, some banks will consider a mortgage after two years, and there are even alternative lenders, sometimes called "B" lenders, who may consider doing so earlier, provided you can demonstrate that you have the income to support the payments and you are now a good credit risk.

We can identify alternative lenders for you and personally work with them to ensure that you get back on your feet.

Length of time since your bankruptcy discharge

Different lenders have different criteria regarding the length of time since discharging a bankruptcy before they will grant a mortgage. Some require you to be discharged from bankruptcy for at least two years or longer, along with proof of strong, re-established credit. Other lenders may consider applicants with a more recent bankruptcy, depending on the strength of your application.

We are experienced in working with post-bankruptcy mortgage applicants and with specific lenders to find the best solutions for you.

Reasons for bankruptcy

If a bankruptcy was due to factors beyond your control, this is more acceptable to the lender than if the bankruptcy was the result of poor money management and excessive debt, which can affect the terms of an applicant's mortgage approval.

Size of down payment

With a past bankruptcy or consumer proposal, most mainstream lenders like to see a minimum 10%, or more as a down payment. The money must come from your own funds. In most cases the down payment cannot be borrowed or gifted.

Credit report

It is extremely important that there are no negative items showing on your credit report since you filed that bankruptcy. We can help you clean up your credit report and improve your credit score to qualify for a post-bankruptcy mortgage.

Credit score

Some lenders have minimum credit score requirements for those with a discharged bankruptcy. We have to get your score as high as possible. We have some great advice and tools to help you do that. We are here to help.

Mortgage rate considerations after bankruptcy

Most lenders charge a higher interest rate and, in some cases, extra fees to those with a discharged bankruptcy. A lender may grant a better rate if certain lending criteria have been met. These include: a discharged bankruptcy of two years or more; good re-established credit; a saved down payment; good debt servicing ratios, and a long-term history of job stability and income.

With our strong negotiation skills and lender relationships, we will make sure you are getting the best rate possible for your situation. In certain circumstances we can find you a short-term mortgage loan while we wait for your credit to improve then move you into an "A" product.

Re-established credit

Re-established credit shows the lender that a prospective borrower has new credit and has managed it well since bankruptcy. Typically, re-established credit should involve a recent record of on-time payments on major bank credit cards. Again, if you are re- building your credit, you need to be aware that a missed payment at this stage could be mentioned on your credit report for the next six years and could be grounds for some lenders to decline a mortgage application. Set up automatic payments for all your bills, and overdraft protection on your accounts, to ensure that this will not happen.

Do not do it alone

Finally, you definitely need to consider asking for help. We are always available to help you in this regard. For those with bad credit and/or bankruptcy, we can coach you on how to improve your credit score over time. We can help you attain a secure credit card to help re-establish your credit. While you work on bettering your score, we can advise you on how to get a mortgage despite bruised credit, and provide valuable expertise before, during, and after the mortgage financing process.

ALTERNATIVE LENDING

What do you do when your bank says no or your personal situation seems to not fit within the rules the government has set for a traditional mortgage?

We have access to a variety of alternative lenders outside of the traditional channels, which help individuals with more complicated situations find solutions to their needs. In most cases, alternative lenders have more options than a bank or other lending institutions.

We have access to alternative lenders who are creative, compassionate and who understand that not every mortgage is straightforward and fits within previously set guidelines. We conduct a specialized assessment of your mortgage needs to find cost-effective financing.

Alternative lending in Canada has grown over the past decade; this is partially in response to the tighter regulations in the mortgage industry. What was traditionally a bank deal at one time, in some cases, may now be an alternative mortgage deal.

We can work directly with you to exhaust all options in finding you a traditional lender, and if a more customized solution is required, our alternative lenders are equipped to handle even the most complex of transactions.

Private lending

Private lending is reputed to be the oldest form of alternative mortgage lending. The relationship between the lender and borrower is more direct than in other mortgage transactions.

Private lending operates in a non-bank environment, where individual investors provide the capital required for specific loans. In its simplest form, there may be one investor providing the capital for one borrower, and there is an opportunity for the investor and the borrower

to interact one-on-one. However, in a number of instances, these private lenders are extremely sophisticated mortgage companies known as syndicators or Mortgage Investment Corporations, and their sole business is providing attractive, customizable mortgage solutions to Canadians who don't fit within the traditional lender policies.

COMMERCIAL LENDING

A commercial mortgage is a mortgage loan guaranteed by a commercial property, for example shopping centres, industrial warehouses, office buildings or purpose-built apartments. The funds derived from a commercial mortgage are usually used to purchase, refinance, develop or redevelop a property of a commercial nature.

Commercial mortgages are generally subject to extensive underwriting and due diligence prior to closing. The lender's underwriting process will include a financial review of the property's income producing activities and the property owner's personal financial situation, as well as commission and reviewing of various third-party reports, such as environmental assessments, engineer reports and appraisals.

Commercial lenders have different mortgage criteria and evaluate each potential borrower on a case-by-case basis.

Things you should know when applying for a commercial mortgage

Commercial loans repayment plans

Commercial lenders look strongly at both the borrower and the subject property. For the subject property – a lender will look at the property's cash flow, the age and condition of the property, its location with respect to distance from environmental hazards, the type of commercial property, and what business operates on the property.

With regard to the borrower, a lender reviews net worth statements, credit history, down payment amount, and experience as it relates to managing commercial properties.

As opposed to residential, where a large percentage of home owners select five-year terms, most commercial property owners have a longer-term outlook and select terms that are at least five years, with a number of businesses selecting 7 and 10-year terms. Amortization schedules also vary, to accommodate the age of the building and the financial needs of the property owner, but typically range between 15 and 25-year amortizations. Commercial lenders may also request yearly company income tax filings to ensure that the companies are running as planned.

Commercial loans borrowing limits

Commercial property owners need to approach the loan process with the intention of getting enough funds to meet the current needs of the property and their business. Because of the incredibly high cost of breaking a commercial mortgage early and the high cost of secondary financing, it is important that the borrower ensure the mortgage is sufficient for a period of 5-10 years.

Traditional banks often request a down payment of at least 20–35% for borrowers buying new property.

However, there a number of trust companies, life insurance companies and alternative lenders, we have access to, that may allow borrowers to make smaller down payments, increasing the loan-to-value (LTV) to 85 - 90%. These loans are usually not given by banks but could be accessed directly through commercial lenders or a collection of commercial investors. If you want to borrow the maximum amount possible, then the interest rate on the loan may be higher than traditional loans.

The Commercial underwriting process is a lot more involved and could take up to a few weeks before a borrower is given a verbal or written letter of intent from a lender, which states that the lender is inter-

ested and roughly the rate they would offer. Once accepted, you would then work to provide the lender with a clearer financial picture so they can provide a firm commitment letter, which would typically take a few weeks, possibly even months.

Even after the commitment letter, the bank's committee on credit can still review the terms and conditions of the loan and decide whether or not to proceed. If they were to veto the loan, the borrower would then have to re-initiate the whole process with another lender.

If it is necessary that you be pre-qualified quickly, we can evaluate your financial position, and give you a clear idea of what to expect with the process. Commercial lending is significantly more complex and time sensitive, so it is advantageous to employ our expertise and our access to lenders to ensure things run smoothly.

Documentation needed

Commercial lenders generally ask for three to five years of history, including income tax returns, financial statements, and other documentation.

This history usually includes:

- Leases
- Rent rolls
- Environmental reports
- Impact assessments
- Appraisals
- Asset statements
- Original corporate documents
- Personal financial records of the business owners

Some people do not have the level of income documentation traditional lenders require. We are here to guide you and manage the process

to satisfy the conditions of the lenders. This will save you numerous headaches from delays or rejected loan applications. The documentation required and the timelines for approval are related: the more information needed, the slower the loan approval and funding process.

Selling the property before its due date

In the near future, you may decide to pay off the loan early or even sell the property entirely before the loan is due. Before considering the options, you should note that commercial mortgages have different pre-payment penalties than residential loans.

However, some lenders will agree to allow the purchaser of the property to assume the mortgage by assuming the seller's mortgage payment obligations. This type of mortgage is known as an "assumable mortgage." If you intend on selling off your mortgage before its due date, you should confirm that the mortgage you are being given is assumable, to avoid costly pre-payment penalties.

Total or "hidden" costs of the loan

The interest rate stated on a mortgage is only one factor when comparing the total costs of the loan.

For example, assuming your interest rate is 6%, if your lender charges you two points or 2%, that means that if the mortgage were a one (1) year term, the real cost of the loan will be 8%. This is because that cost is amortized over the one (1) year term. If the term were longer, then the 2% lender fee would be amortized over the entire term, meaning the annual cost of the loan would be slightly less than 8%. That said, the 2% fee goes straight to the lender, and most importantly, it is deducted from the proceeds at closing. So, you will need to factor this fee into your closing cost calculation. We can do these calculations for you and ensure that you are 100% aware of all costs and fees associated with your loan.

Some other costs you should be aware of:

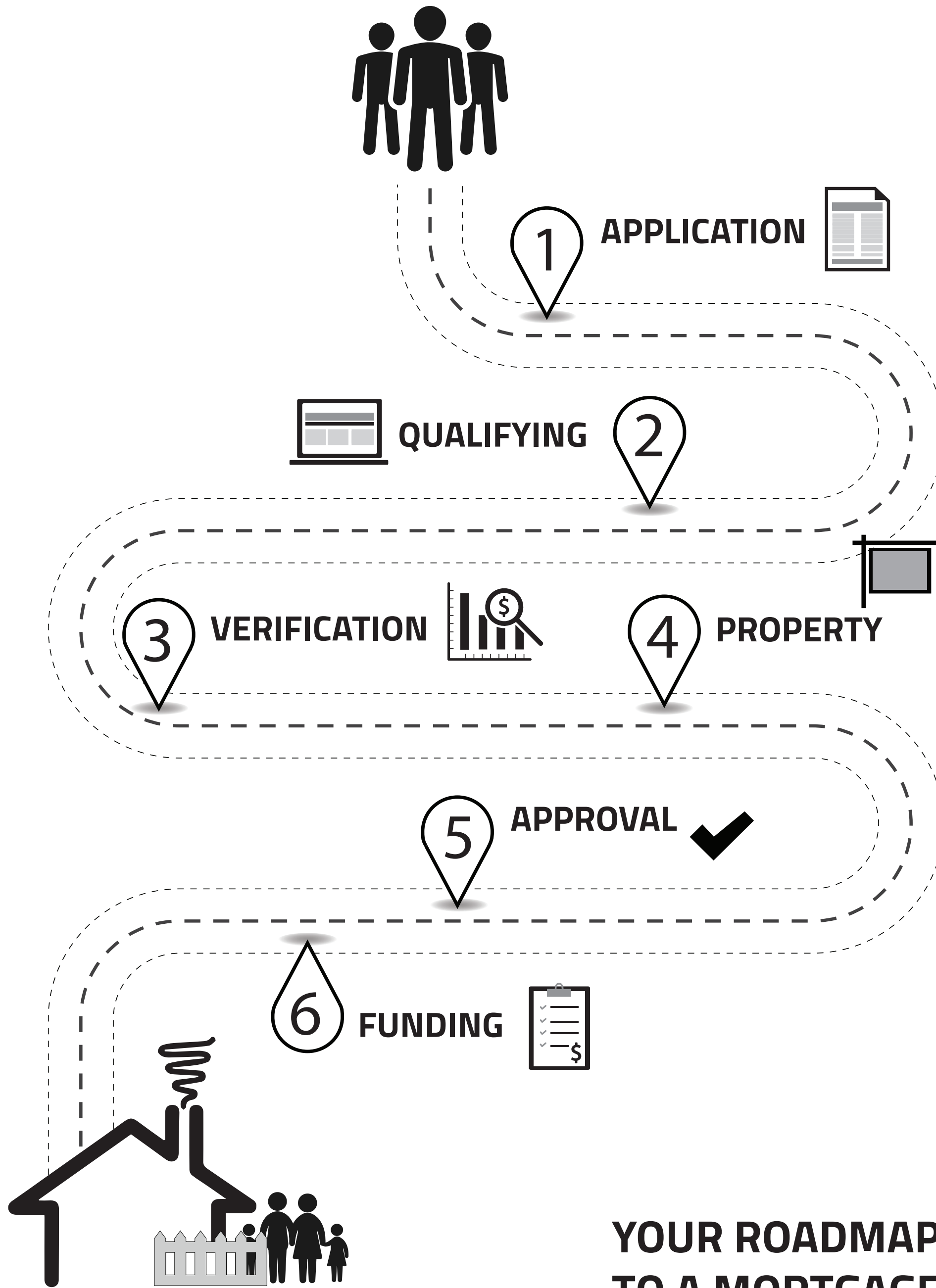
- Legal fees
- Survey charges
- Environmental report
- Loan application fees
- Broker Fees or commissions
- Appraisal charges
- Any items that are required to be paid off as a condition of your mortgage approval

For some loans, these charges can be tens of thousands of dollars. They often must be pre-paid before the loan will be advanced. That is why it's critical that you know whether you are likely to be approved and how much money will be required to close the mortgage before spending money just to qualify for a commercial loan.

All of the above details are important, and they can seem overwhelming at times. We can help you understand these details.The commercial loan industry is best accessed through brokers, where we can provide an evaluation of a borrower and then recommend the loan to a number of different commercial lenders.

We can facilitate the entire process and come up with innovative and unique ways to overcome obstacles you may encounter. We are well-positioned and have the lender relationships, knowledge and experience, as well as other resources to assist you in getting a loan with the most suitable commercial lender to meet your specific needs. It's important to remember that all commercial loans are fee-based, unlike commission-based residential transactions.

THE SIX STEP MORTGAGE APPLICATION PROCESS



YOUR ROADMAP TO A MORTGAGE

Stage 1 – The application

It is essential we collect the following information from you to start the mortgage process. This will allow us to determine what you qualify for and the best mortgage strategy/product you should adopt for a successful mortgage plan. All information provided to us by you is held strictly confidential.

General information

- Current address. If you are less than three years at your current residence, you must provide your previous address as well
- Birthdate
- Contact number
- Do you own or rent your current home?
- If rented, is the rent paid monthly? If not, specify term of rent
- If owned, is there a mortgage? If so, with whom, the value of your home, and mortgage payments
- Approximate value of assets -- identifiable assets like RRSPs, savings, investments, vehicles, other properties, etc.
- Approximate value of liabilities -- identifiable liabilities like car payments, line of credit, student loans, credit cards, etc.
- Any alimony or support payments

Employment data

- Employer (if less than three years, previous employer as well)
- Title
- Tenure
- Salary and other compensation
- Self- Employment information that includes historical taxable income, historical gross business income.

How to submit your application:

- We highly recommend meeting in person. We can book a time and place of your convenience.
- You may apply online.
- You may request to have an application form faxed to you.
- You may decide to print off an application from our website.
- You may apply over the telephone.

Through our years of experience, we have discovered that many customers believe that getting the best rate will save them money. However, they quickly realize, that this is not always the case. There are so many terms and conditions that in many cases the best rate up front might actually cost you in the long run.

Getting a mortgage based just on the lowest interest rate could lead to regret.

We advise you to take time to consider other factors, such as portability, pre-payment options and penalties, especially if you want to pay off the mortgage early or sell and move up. When you base your decision solely on price, you may be in for a not-too-pleasant surprise that could cost you thousands.

Therefore, the first step for us after receiving your application involves gathering some information about you and your specific mortgage needs. This step is critical because it allows us to make sure we customize the best package for your needs and wants. At this stage, we would ask for your permission to pull your credit history in order to recommend some options. Throughout the entire application process our goal is to help educate you on what you can expect and what your choices are.

Stage 2 – Qualifying

After the application stage, we then have to get you qualified for the loan. At this stage, we will package up your information and send it

to a lender for a rate hold, pre-approval or approval. Your information will be packaged in the best possible way to present your credit worthiness to the lender.

Our experience and access to all mortgage lenders guarantee that your interests are adequately protected at this stage. This information is presented in a manner that will often determine whether or not you are approved and at what interest rate.

We send our information electronically and directly to the lender and can usually get a response within 24-72 hours.

If we do not get the desired results, then we negotiate on your behalf until we are satisfied we have the best possible conditions.

We can negotiate with several different lenders on your behalf in order to maximize the best possible discount offered on your interest rate.

Rate hold, pre-qualification or pre-approval

The terms rate hold, pre-qualification and pre-approval are often confused even within the industry.

Rate Hold: This means that the lender has not looked at your loan to see if it meets their criteria, it has simply accepted that it will review your application at a later date and guarantee their current interest rate providing the deal funds within the next 90-120 days.

Pre-qualification: This does not guarantee that you actually qualify for the loan. Your credit history will be reviewed, as will be your ability to manage the mortgage payments. Some basic documentation will be reviewed to determine if you are eligible for the mortgage.

Pre-approval: This is where the lender underwrites your complete application to confirm whether or not you fit the lender’s criteria. Getting pre-approved can give you peace of mind when house shopping – you’ll know your ideal price range. Note, very few lenders provide a

true, underwritten pre-approval. And if they do, the property itself must be factored into the final approval.

With any of these tools, if interest rates go up, you are protected. Your rate is locked in for up to 120 days with some lenders. Best of all, if interest rates go down, you could be automatically get re-approved at the new lower rate!

Even after getting pre-approved, we cannot guarantee a final approval until all documents are sent in to a lender along with the formal application for funding. By working closely with you, and getting all your documents upfront, we can ensure the process goes as smooth as possible.

Stage 3 – Verification

Naturally, your approval will be subject to verification of the information you provided to us. Verification will be done on items such as your income, with a job letter and recent pay slip, or showing a bank statement to prove you have enough savings for your down payment. Some lenders require your tax returns and NOAs. We will list out all the information needed and lead you through a straightforward verification process that will satisfy all the conditions of your approval.

Gross income

We need to verify your gross income and where it comes from. It can come from several sources, but it must be supported by historical documentation and there must be a high likelihood of continuation in the future.

The underwriter looks at the amount you earn to calculate the maximum mortgage you qualify for. They also look at your employment history to ensure that you are capable of making your mortgage payments for the full term of the mortgage.

The information below outlines the types of income that may qualify, as well as the documents needed to confirm them:

Salary: This includes income from any kind of salary, whether you're paid monthly or weekly. The lender is looking for stability, so your application is stronger the longer you are at your current employment. You will also be required to submit a Letter of Employment confirming your salary, start date and past the probation period, along with your most current pay stubs.

Commission and bonus: Commissions and bonuses may be used if they are ongoing and recurring. To verify commissions and bonuses, the underwriter will average the last two years of income as shown on your Notice of Assessment and tax returns and the year-to-date earnings on your pay stubs. The lender just wants to make sure that the same level of income is likely to continue.

Self-employment income: Generally, the underwriter will average the income earned through self-employment for the last two years. The underwriter will review your income tax returns, often by taking a look at NOAs and T1 Generals, and the year-to-date earnings from your company's financials.

Other income:

Income earned from rental properties, interest, dividends, and pensions may be used as long as it can be verified and is reasonably expected to continue.

Unemployment benefits or other types of insurance with a finite disbursement period are usually not considered. However, if you are on maternity or paternity leave, and can verify you will be returning to work, then in some cases your return to work income, may be considered.

There are also Child Tax credits, support payments, pensions, etc. that may be used to calculate income.

Funds for closing costs

The lender requires you to have enough money to cover the down payment, and in some cases prove that you can also cover the closing

costs that are calculated at approximately 1.5% of the price of the home. Some lenders may allow you to borrow the closing costs. In some provinces the 1.5% may be relaxed.

Stage 4 – Property

Once you have found your dream home your realtor will draw up a Purchase and Sale Agreement, which he or she will also send to us on your behalf. When writing your offer, we strongly recommend writing "subject to financing" to ensure you get approved before the deadline so you don't lose your deposit. Discuss with your mortgage broker an appropriate length of time, based on current market conditions. During this stage, the lender will request an independent appraisal to determine the real worth or value of the property.

If you do not have a realtor
we would be happy to connect you.

Stage 5 – Approval

During this stage the lender will verify everything including income, any documents and the property appraisal to ensure that all of the conditions are satisfied. After you're approved we will go over the conditions with you. At this stage, we may still be able to change the rate, term, payment amount or frequency, amortization, and more. Once you agree to the conditions, we will review the commitment letter in detail with you before you sign.

Stage 6 – Funding

The only thing left to do is to register the transaction legally. This will require a lawyer or notary. We recommend a real estate lawyer. If you have one you know and trust, let us know. If not, we will gladly refer you to a few.

The bank will then forward all the documentation directly to your lawyer, and the lawyer will contact you to arrange a meeting. During this meeting your lawyer will confirm the details of your transaction and

will request a bank draft or certified cheque to cover the amounts outstanding before the closing date, which includes the down payment, the lawyers fee, property transfer tax and any other disbursements not yet paid for, less any deposits already paid. The lawyer then receives the funds from your lender, disburses them and registers the title in your name – then you get the keys.

If you are closing on a condo that is a new construction, you will need to know whether your condo has been registered or not. If it has not, you can move into the condo and pay a monthly fee to the developer until the building is formally registered. It is important to note that your mortgage only takes effect once the condo has been registered, so you would not be paying your mortgage payments during the occupancy period, only an amount that is equivalent to "rent". You would need to contact your condo builder to find out about whether the building has been registered, and if not, how much the monthly fee is until the building is registered and you formally close.

CREDIT SCORE

What you should know

Your credit score is a statistics-based prediction of your credit risk at a specified point in time. A person starts with a score of 600. At the top end of the scale, the score can reach as high as 900. At the bottom end of the scale, the score can be in the 300s.

The lower your score, the riskier you appear to a mortgage lender, landlord, car dealer, credit card company, etc.

Popular misconceptions about credit scores include:

You must pay off credit cards in full. More important is having a few credit cards and managing them well. It helps to keep the amount of credit used less than 45% to 60% of your overall credit limit.

Frequent inquiries about your score will affect it negatively. It will impact your score if you are seeking credit from a number of sources in a short period of time. That being said, we only pull your credit once. The credit bureau will bulk some similar inquires together if they are made in a shorter period of time. If you approach banks individually, every bank will insist on pulling their own credit report, possibly impacting your score. Multiple inquiries for consumer credit/credit cards in a short period of time will definitely have an adverse impact on your credit score.

Closing a credit account will hurt your score. Closing one account will not have a significant effect unless you only have two credit accounts. However, closing a number of 'old' accounts will decrease your overall credit limit and your score may drop. Equally, paying out a loan immediately before applying for a mortgage can reduce your score. We have to strategize for that.

Clean up your credit

Your credit score is the first tool lenders use to analyze your credit performance. They rely on your credit score and the details of your credit performance when reviewing your mortgage application. The difference between a good or not-so-good credit score can affect your ability to get the lowest mortgage rates.

According to an investigation by CBC News, mistakes on credit reports resulting in false credit scores can cost you thousands of dollars in higher interest rates. A good number of consumers are unaware of negative information on their reports. This fact is not entirely surprising.

The two major credit reporting agencies — TransUnion Canada and Equifax — are bombarded daily with information regarding consumer accounts and payment histories. This information comes from, for the most part, companies such as phone service providers, credit card companies, car loan companies and banks. These companies pay a fee to the two agencies to conduct credit checks on clients.

We suggest that you check your credit report at least once a year to ensure that the report is accurate. It is possible to find mistakes on your report, so make sure that your information is correct and up-to-date.

We can provide you with the links in order for you to check your own credit score.

It is also wise to know what improves or damages your score. Your score is mainly influenced by how much credit you use, your payment history, the number of new credit accounts you take on or inquire about, debts, your balances on your credit products, the length of your credit history, and the mix of credit types in your name.

The 5 C's of credit when applying for a loan

Before you are approved for a loan, the lender has to evaluate your application in order to be convinced that it is a good decision to lend you money to buy your home. This evaluation is usually done through a method known as the Five Cs of Credit: Capacity, Capital, Collateral, Conditions and Character.

Capacity means your ability to repay the loan. Prospective lenders have to determine exactly how you are going to repay the loan. The lender will consider the cash flow from your business or employment, the timing of repayment, and the likelihood that you will fully pay off the loan. Lenders will also use your credit history to determine your future payment potential. For example, if your credit history shows that you do not pay back loans, then it becomes harder to get additional loans.

Capital is the amount of money that the borrower is putting into the transaction and how much extra cash or liquid investments they have available.

For residential loans, they look mainly at the loan to value ratio.

For commercial loans, lenders will generally consider the business's debt-to-equity ratio to determine how much money the lender

is being asked to lend (debt) in relation to how much you have already invested (equity).

A high debt-to-equity ratio further shows that the business is already heavily indebted, thus making it a higher financial risk.

Collateral serves as security for the lender. It ensures that if you default on the loan, your lender has something to fall back on to repay the principal loan and any interest that has accrued on it. With mortgages, the property involved is the collateral. The lender wants to make sure the collateral is worth more than the loan and all costs to foreclose and if they had to, it would be easy to sell at a good price.

Conditions refer to the intended purpose of the loan, for example to purchase a home. The loan size in relation to the specified use will assist the lender in weighing your loan application along with economic conditions and outside influences.

Character looks at you and how responsible you are about repaying your debts. Since there is no specific way to evaluate character, the lender subjectively has to decide this.

The lender will infer this trustworthiness by reviewing your credit history and considering your assets, whether you rent or own, your employment history and possibly the condition of the property in a refinance.

MORTGAGE RENEWAL

A mortgage payment is the biggest monthly expense for most Canadian families. Consider these four key mortgage renewal tips in order to plan ahead.

Consider a mortgage broker first

With the ever-changing mortgage-lending landscape, more and more Canadians are looking at using the services of mortgage brokers in a bid to better understand their options.

All you need to do to get started is submit a single application. We will pull your credit history once and navigate the market on your behalf, finding the best product for your needs.

Recent studies have confirmed that consumers who use a mortgage broker save on their rate. By having us do the research and negotiating on their behalf, these wise Canadians achieved an average rate decrease of 1.4% off the posted rate, compared to just 1% decrease accruing to renewers who did the legwork on their own.

To give you an idea of how that computes, on a $450,000 mortgage, saving even 0.4% on your mortgage rate can save you over $20,000 over your remaining 20-year amortization. By acting in your best interest, we can lock in a rate with various lenders for a no-cost mortgage transfer for as far as four months in advance of your renewal date. If the rates go up, you don't have to worry; your rate is guaranteed. However, if the rates go down, you may be able to receive the lower rate.

Avoid the bank mortgage roll-over trap

Mortgage holders are often more willing to pay hundreds of dollars in cancellation fees to switch cell phone, cable or even home security providers, than to explore options that could save them thousands of dollars on their mortgage renewal.

Renewing your mortgage with your current lender may seem easy, but it can be an expensive mistake. Lenders often wait until just 30 days before renewal before contacting you. This is a tactic used by lenders because they know that by leaving it to the last minute, chances are you will renew your mortgage with them – and not at the best rates and options for your needs.

Don't accept the bank's posted rate without speaking to your broker first

If you still go ahead and deal with your current lender, chances are they might quote an additional discount if you come prepared with information. It is now your turn to find out what other lenders are offering so you can be in a better position to negotiate. Remember, mortgage brokers have access to all this information.

However, do not just fixate on the interest rate only. There are some very important terms and conditions accompanying a mortgage that you need to look into, to ensure your interests are best protected. We have discussed mortgage-planning tips already in this book. We will also discuss the amortization period, fixed or variable rates and the flexibility of the payment schedule. If you decide to renew your mortgage early at the bank's quoted rate, you may lose the opportunity to renew a lower rate if it becomes available during the period leading up to your renewal.

Renovate or consolidate

Renewal time is a good time to review renovations or consolidations. Considering the fact that generally, home improvements cost less than relocating, the cost of making that dream kitchen happen can be rolled into a new mortgage without the added cost of breaking the current mortgage.

As well, if you are burdened with high-interest debt outside your mortgage, such as credit card debt, you may decide to consolidate that debt into your mortgage by refinancing.

You can also consider using your prepayment privileges to pay off your mortgage faster.

We are here to help you understand your many options at renewal time.

HOW TO PAY OFF YOUR MORTGAGE FASTER

- Make annual or periodic lump-sum payments of up to 15% or 20%, depending on the lender. It is the percentage of the original principal amount that is allowed each year; not on the declining balance.
- Increase your payment. You may also increase your current payment by up to 15%, 20%, or even 100% each year.
- Increase your payment from regular weekly, bi-weekly or semi-monthly to the accelerated version.
- If you have a variable mortgage, you may be able to set your payments at a higher amount (i.e., equal to the fixed mortgage rate) to accelerate the paying down of the principal.

We can walk you through all the different options, in detail.

BUDGETING FOR HOME OWNERSHIP

Buying your home is all about smart budgeting, saving enough for a down payment and crunching numbers to determine how much mortgage you can afford. But the costs don't just end there. Planning in advance ensures that financial surprises will not interfere with your homeownership plans. Be prepared for these additional costs.

In our experience, below are some of the major closing costs homebuyers should add to their budget. Closing costs are essentially one-time fees that must be paid upon the purchase transaction. Closing costs could vary based on a number of variables, but you should definitely be aware of the major ones mentioned below.

Home inspection

A home inspector looks for items that could affect the price and desirability of a home, such as outdated wiring, shabby roofing, an elderly furnace or cracks in the foundation.

Choosing a qualified inspector is an important step for new homeowners, but it is not as easy as you may think. There is no national accreditation or licensing for home inspectors, so relying on rave reviews from people you trust is your best bet.

When it comes to hiring a home inspector, personality counts. A patient and experienced professional can help you make an informed decision about buying your future home, so it's important to find someone you click with. Spend a few minutes interviewing an inspector over the phone to decide if this is the person you are comfortable working with.

Hire a home inspector who has errors-and-omissions insurance. This insurance is not mandatory for home inspectors in most provinces, and some qualified professionals may not carry it, largely because

home inspection insurance is difficult to get, unless you have experience in that field.

It is a major red flag if a home inspector does not invite you to observe the process. Educating people about their new home is a major part of what they do, so insist that you join the inspection and ask lots of questions about potential problems and what it would take to fix them.

Got a friend who's a contractor? He will probably do a stellar job on your renovations but he might not be the right person to hire for your home inspection. A home inspector has to have basic knowledge of virtually everything related to a home. A contractor might not have the right equipment to look for moisture or test the electrical.

If you would like us to refer a couple of home inspector names for your consideration, we would be happy to do so.

Legal Fees

Once you sign your Agreement of Purchase and Sale you will need to hire a real estate lawyer or notary. Your lawyer will conduct a title search, register your new home in your name, register the mortgage properly and make sure the down payment and land transfer tax go to the correct offices on time. (We will cover this in more detail further along in the book.)

Provincial and Municipal Land Transfer Tax

All provinces, with the exception of Alberta and Saskatchewan, charge a land transfer tax when a property is purchased. This is called a provincial land transfer tax. In Alberta and Saskatchewan, the provincial government charges a much smaller registration fee instead. Toronto charges homebuyers a municipal land transfer tax on top of the provincial land transfer tax.

Land transfer taxes are normally calculated as a percentage of the property value and are to be paid up front and can be quite significant, especially on higher priced properties.

The table on the following pages summarize governing rules of land transfer tax, registration fees and first-time home buyer benefits.

**Please note: These taxes and fees change from time to time, and are illustrative as of the Fall 2018.

	Land Transfer Tax (LTT) & Registration Fees (RF)	First Time Home Buyer Rebate
AB	**TITLE REGISTRATION FEE:** $50 + $1 for every $5K of property value **MORTGAGE REGISTRATION FEE:** $50 + $1 for every $5K of mortgage amount	N/A
BC	**PROPERTY TRANSFER TAX:** 1% on the first $200,000 2% on the portion of the fair market value greater than $200,000 and up to and including $2,000,000 3% on the portion of the fair market value greater than $2,000,000 If the property is residential, a further 2% on the portion of the fair market value greater than $3,000,000 (effective February 21, 2018). **Exemptions:** Exemptions and partial exemptions may apply. **Foreign Buyer's Tax:** If the property transfer is registered on or before February 20, 2018 and is within the Greater Vancouver Regional District, the tax amount is 15% of the fair market value of your proportionate share. If the property transfer is registered on or after February 21, 2018 and is within the following areas, the tax amount is 20% of the fair market value of your proportionate share:	$0 - $475K purchase price: full PTT rebate $475,001 - $499,999: partial PTT rebate More than $500K: no rebate
MB	**TITLE REGISTRATION FEE FLAT RATE:** $70 **LAND TRANSFER TAX:** 1. 0% on first $30K of purchase price 2. 0.5% on the next $60K 3. 1% on the next $60K 4. 1.5% on the next $50K ($150,001 to $200K) 5. 2% on amounts over $200K	N/A

	Land Transfer Tax (LTT) & Registration Fees (RF)	First Time Home Buyer Rebate
NB	**LAND TRANSFER TAX:** 1% of purchase price	N/A
NL	**TITLE REGISTRATION FEE FLAT RATE:** $100 **MORTGAGE REGISTRATION FEE:** $100 **LTT:** 0.4% of purchase price in excess of $500	N/A
NT	**MORTGAGE REGISTRATION FEE:** 0.1% of mortgage amount (min. $80) **LTT:** 0.15% of purchase price less than $1M (min. $100) and 0.10% of purchase price more than $1M	N/A
NS	**LTT:** Varies by municipality, not exceeding 1.5% of purchase price	N/A
NU	**MORTGAGE REGISTRATION FEE:** 0.1% of mortgage amount (min. $40) **LTT:** 0.15% of purchase price less than $1M (min. $100) and 0.10% of purchase price more than $1M	N/A
ON	**LTT:** 0.5% of total property value up to $55K 1.0% of total property value from $55Kto $250K 1.5% of total property value from $250K to $400K 2% of total property over $400K 2.5% from $2,000,000 up, where the land contains one or two single family residences **NON-RESIDENT SPECULATION TAX (NRST):** came into effect December 2017. The NRST is a 15% on the purchase or acquisition of an interest in residential property located in the Greater Golden Horseshoe Region (GGH) by individuals who are not citizens or permanent residents of Canada or by foreign corporations (foreign entities) and taxable trustees. The NRST applies in addition to the general LTT in Ontario. Note: There are additional taxes for properties in Toronto.	0.5% of first $55K of purchase price 1.0% of next $172.5K (Non-Toronto residents) up to a max of $2,000 1.0% of next $345K (Toronto Residents)
PE	**LTT:** 0% of purchase price if less than $30K 0.1% of purchase price if more than $30K	Full LTT rebate on maximum $200K purchase price, no rebate otherwise

	Land Transfer Tax (LTT) & Registration Fees (RF)	First Time Home Buyer Rebate
QC	**LTT:** 0.5% of first $50K of purchase price 1% of next $200K and 1.5% of remainder	N/A
SK	**REGISTRATION FEE:** $0 for purchase price of $1-$500; $25 for purchase price if $501-$8.4K, 0.3% of property value otherwise	N/A
YT	**MORTGAGE REGISTRATION FEE:** $4.5 for the first $5K of mortgage amount $7.5 for the next 5K $30 for the next $40K and $0.25 for each $1K for the remainder **LAND TRANSFER TAX:** $24 for the first $5K of purchase price $7.5 for the next $5K $11.25 for the next $15K 0.25 for each $1K of the remainder	N/A

House Expenditures

Be aware of these house-specific surprise costs:

Utility deposit: If you are a new customer, in most cases be prepared to pay a deposit of up to $300 per utility when you sign up for your services.

Moving costs: We at times can underestimate the cost of moving all our possessions from one location to another. It is critical you take the time to get an estimate of your moving cost.

House upgrades: When you least expect it, you might need to put in a new roof, pull out some old knob and tube wiring or rip off that Insulbrick, or update the plumbing. Make sure you have savings for potential repairs.

Mortgage Default Insurance: As mentioned previously, all high-ratio mortgages (where the borrower's down payment is less than 20% of

the home's purchase price) require mortgage default insurance from an insurer. Lenders add the insurance premium to the mortgage and the cost is passed on to the homebuyer.

Condo costs

Be prepared for these three potential costs of owning a condo:

Special assessments: Every so often, a major repair to the building dwarfs the condo's collective reserve fund (which a portion of your monthly condo fee pays in to). When this happens, you can be faced with a hefty extra charge. When purchasing a condo, some now have Depreciation or Deficiency Reports that we can help you decipher to better understand what may come up as a special assessment.

Rent: You may have to pay rent in certain circumstances. For instance, if you bought off of a blueprint, construction may be delayed, thus postponing your move-in date by several months. In the meantime, unless you plan to stay with friends or family, you will have to pay a landlord.

Occupancy fees: It can take months for a condo corporation to register a new building with the municipality. You can move in, but you are not technically the owner of your condo yet, so you will have to pay occupancy fees (also known as "phantom rent").

Adjustments

If the seller prepaid property taxes or utilities or condo fees, you will have to repay the prorated amount.

Home insurance

Home insurance, fire and in some cases earthquake insurance will be required and is essential to protect your new home and its contents, if need be.

ROLE OF A LAWYER IN THE MORTGAGE PROCESS

Today, the successful and timely closing of a real estate purchase or sale is dependent on the cooperation of a number of professionals, including the real estate agent, mortgage broker, land surveyor, home inspector, insurance agent and, of course, your lawyer or notary.

Experienced lawyers and legal assistants take pride in making these experiences as stress-free as possible for you by coordinating all aspects of the closing. They will keep you fully informed of every step in the process and do all that they can to ensure your real estate transaction closes on time and your costs are minimized.

If you are buying a home, your lawyer should:

- Check that there are no covenants, easements, liens, etc. registered against the property that will impede your use of it.
- Attend the closing and review all the papers you will be required to sign.
- Arrange title insurance protection to protect the lender and you from losses due to title defects.
- Help you understand the purchase contract, including how you will take title on the property.
- Clarify the terms of the mortgage and work with your lender.
- Prepare and register all the legal documents
- Ensure you receive a valid registered ownership subject only to the liabilities you have accepted.
- Scrutinize the adjustments, including taxes owing and utilities costs paid, prior to the transaction closing.

If you are selling a home, your lawyer should:

- Prepare the deed and power of attorney if necessary.
- Attend the closing and review all the papers you will be required to sign.
- Arrange for insurance certificates if needed.
- Deal with title issues as they arise and help correct them.
- Arrange for transfer of security deposits.

How much does this all cost? Typically, legal fees are higher when you buy than sell because the role of the buyer's lawyer is more extensive. Fees could range from $1,200 for a residential purchase to over $5,000 for a commercial mortgage.

Some lawyers charge a flat fee for specific services and others bill by the hour. If you are paying by the hour, make sure you understand what the final cost is likely to be and insist on regular accounting for charges. Usually, a lawyer can easily estimate costs related to a real estate transaction and his or her fees will only go higher if something goes wrong. Remember, even if your deal does not close, you will still owe your lawyer for his or her time.

If you don't have a lawyer, we can refer you to a few to choose from.

TITLE INSURANCE

Title insurance protects you and the lender from the possibility that your seller does not have free and clear ownership of the house and property and, therefore, cannot legally transfer full ownership to you. Though the chances of calling on the insurance for coverage are relatively low, the value on what you stand to lose, if you go without coverage, is high. In fact, you may end up losing the house itself.

For a title insurance policy, you have to pay a one-time fee known as a premium, which the lawyer collects, and you are provided protection from losses such as:

- Existing liens against the property's title (e.g., the previous owner had unpaid debts from utilities, mortgages, property taxes or condominium charges secured against the property)
- Encroachment issues (e.g., a structure on your property needs to be removed because it is on your neighbor's property)
- Hidden title defects (title issues that prevent you from getting unencumbered property ownership)
- Errors in surveys and public records
- Title fraud

What coverage does residential title insurance provide?

Residential title insurance can provide:

Gap coverage: It insures you for the "gap" between the time your property purchase is finalized (home closing) and the time your title is registered in the land registration system.

Comprehensive coverage: It provides comprehensive insurance coverage against losses related to the property's title. It may also provide coverage for your lawyer's negligence or errors relating to title risks that are covered by your policy.

Survey coverage: It may eliminate the need for a new up-to- date survey of your property. It is acceptable to most lenders as an alternative to a survey or Real Property Report (RPR).

Title insurance does not provide compensation for non-title-related issues. It is not a home warranty or home insurance policy, and will not provide compensation for:

- Damages due to flooding, fire or sewer backup;
- General wear and tear of your home (e.g., replacing old windows, a leaky roof, or an old furnace);
- Theft (e.g., a burglar breaks into your home and steals your television); and
- Other losses or damages due to non-title-related issues.

It's important to note that most lenders require title insurance, for the lender's protection and benefit, which is paid for by the borrower. Title insurance is likely mandatory but you should also consider getting a Homeowner's Policy.

MORTGAGE LIFE INSURANCE

Protection for your family, peace of mind for you

As exciting as it is to buy a new home or investment property, making sure your family and dependents are protected if anything happens to you is an important consideration - especially if you are the primary wage earner in your home.

Rest easy with TMG's mortgage insurance, knowing that in the event of an unfortunate injury, illness or death your mortgage can be covered.

It's as simple as one application and can be effective immediately, with affordable monthly premiums that never increase.

If you feel that this product is not the right fit for you, we will refer you to an insurance broker who will discuss other insurance products with you in greater detail to suit your unique needs.

COMMON MISTAKES TO AVOID WHEN PURCHASING A HOME

While owning a home is a fulfillment of a dream for a lot of people, it can also turn into a nightmare if you make a fatal error.

Here are five mistakes to watch out before taking the leap into homeownership:

1. Not budgeting enough: Before purchasing a home, you should consider all costs and charges involved and work with a budget that is essentially all-encompassing. Monthly mortgage payments, property taxes and utility bills should all fit into your budget. Furthermore, you may need to redecorate, buy new furniture, etc. Let your budget cover all these things.

2. Neglecting to run through a pre-qualification process or obtaining a formal pre-approval, if possible. It is virtually impossible to determine an affordable price range and the amount a lender may be willing to provide if you have not gone through a formal pre-qualification process; which usually results in a rate hold. As discussed earlier, going through the process is easy, free and necessary, and we are always at your service in this regard. Given our strong relationships with the underwriting staff at the lenders we can often review files with them informally in advance of a purchase if your circumstances require some clarification or special understanding; even if the lender will not provide a formal, fully underwritten pre-approval.

3. Skipping home inspection: If you miss this step, you might later be faced with a lot of repair work to do, especially if you purchased an older home. You should consider employing an inspector to help you carry out this task. An inspector will assess the foundation and overall structural features of the house, the plumbing system, determine the presence or otherwise of mold, and pest infestations, check the heating and air conditioning, as well as the electrical system.

4. Not considering the closing costs: You are about to close the deal and your lawyer calls you to come and execute the papers and, yes, come with a certified cheque or bank draft for a considerable amount of dollars. This money is used to pay up fees and disbursements including the land transfer fee, the title fee, the lawyer's fee, etc. Always have this at the back of your mind when planning out your mortgage and if you are selling your previous home to purchase a new one, ensure you factor in the costs of that and the mortgage prepayment penalties into your calculations.

5. Focusing too much on interest rates: It's not all about interest rates. Rushing into the market because rates are low or vigorously chasing after low rates may turn out to be a grave mistake. Instead, it is best to focus on the mortgage loan and term that works for you and your financial circumstances.

REALTORS

Why you should use a realtor

Just as important as relying on expert advice from us as your mortgage professional in shopping the market through a number of different lenders and best assessing your personal needs and preferences, it is equally important to seek and rely on the professional advice of a licensed realtor when you need to shop for a new house or wish to sell your existing home.

A realtor should be used because they:

Are trained and experienced: A real estate professional understands the processes, opportunities and issues associated with buying and selling homes.

Understand the market: They have expert knowledge of the local market. They can provide you guidelines and detailed analysis about a specific neighborhood.

Have expert knowledge about advertising your property: A real estate professional knows when, where and how to best advertise your property. When a property is marketed with the help of a professional realtor, you do not have to worry about strangers coming into your home. Your realtor will pre-screen and/or escort qualified prospects around your property.

Assist you in negotiating: The purchase agreement usually specifies a timeframe for you to conduct sufficient inspections of the property before you complete the purchase. Your agent does not only help you negotiate the price; they can get you the best terms and conditions that will best protect your interest. This could involve advice on home inspections, information about home insurance, and almost every stage involved in buying or selling a home.

Market your property to the public and other real estate agents: More than half of real estate sales are done through cooperative sales; that is, a different real estate agent brings in the buyer. Your agent coordinates marketing, disperses information about your property to other real estate agents through a Multiple Listing Service or other cooperative marketing networks, conducts open houses for agents, etc.

Don't forget to interview realtors and pick one who suits you.

CONCLUSION

Property owners have several avenues for getting mortgages. They may decide to go to a big bank, a credit union, a community bank, a private lender or a mortgage broker.

However, there is a lot involved in getting a good mortgage that suits your unique needs. You may find these hurdles intimidating or frustrating. Add to that, the reality that the lending landscape and mortgage rules change frequently – your best option is a mortgage broker.

We act as an intermediary between you and the lenders. While it's not too difficult approaching a lender yourself, it certainly makes more sense to leverage our guidance and clout with our network of lenders. We can help you by providing an array of mortgage options from different lenders, saving you time and, money.

Whether you are a first-time homebuyer or a repeat buyer or a savvy property mogul, we will evaluate and explain to you all available mortgage options and programs that make financial sense.

Best of all, most of the time we are paid by lending institutions, so there's no cost to you.

Let us "manage" the details as we move through the entire mortgage process.

GLOSSARY

A

Adjustable Rate Mortgage (ARM): A type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan. The interest rate resets based on the lender's Prime rate plus or minus a variance. With most ARM mortgages, different from VRM mortgages (variable rate mortgages) the mortgage payment adjusts automatically with each change in interest rate.

Adjustment Date: A date used by the borrower and lender to move payment dates to a schedule that suits the borrower. Between the funding date and the Adjustment date, the borrower typically pays interest only vs. principal and interest.

Alternative Lending: A broad term used to describe the wide range of loan options available to consumers and business owners outside of a traditional bank loan.

Amortization period: The number of years over which you have to repay a loan.

Appraisal: A procedure used to estimate the market value of a property.

Arrears: An overdue payment.

Assumable Mortgage: An existing mortgage that can be taken over (assumed) by the buyer of the property when that property is sold. Most lenders demand that the new buyer qualify in the same manner as the original mortgage.

B

Bank: A financial institution licensed to receive deposits and make loans. Banks may also provide financial services, such as wealth management, currency exchange and safe deposit boxes.

Benchmark Rate: A rate set by the government and can be adjusted at any time. All insured and insurable mortgages must meet the standard affordability tests (Gross Debt Service and Total Debt Service) "as if" the interest rate is the Benchmark Rate. Also referred to as a "stress test". Designed to ensure that borrowers and the housing market can sustain higher interest rates.

Bona Fide Sales Clause: Some banks have rate incentives that specify that the only way to get out of the mortgage is by way of a bona fide sales clause. Simply put, you can't refinance to another bank for a better deal.

Borrower: An individual who requests a loan from a lender.

Bridge Financing: (Also referred to as Interim Financing) A loan against a property being sold allowing the owner to use their equity to purchase a new property and take possession of the new property before the Closing Date of the sale. There must be a firm sale of the property being sold.

Broker Channel: Monoline lenders only work through brokers. Banks typically offer retail services at the branch level and have a dedicated mortgage sales staff (mortgage specialists, mobile mortgage reps, etc.) They also have special departments to receive deals through mortgage brokers. This is the "Broker Channel". It should be remembered that the branch and dedicated mortgage salespeople are only able to offer the products by their employers and that their first loyalty is to their employer.

C

Canada Guaranty: A private residential mortgage insurer in Canada. The company provides mortgage default insurance to Canadian residential mortgage lenders.
Canada Mortgage and Housing Corporation (CMHC): A government-backed provider of mortgage default insurance. CMHC is also tasked with giving housing information and assisting consumers.

Closed mortgage: A mortgage whose term cannot be altered until maturity, unless the lender agrees and the borrower agrees to pay a fee called a pre-payment penalty.

Closing costs: These are expenses accompanying buying of a property, which are over and above the purchase price. Closing costs include transfer fees, legal fees, and disbursements and are payable on the day the mortgage closes.

Closing date: The date at which the sale of a property becomes final and the new owner is now responsible for the home. Possession may occur on this date or a later scheduled date outlined in the purchase agreement.

Co-Signer: A person who is obligated to pay back the loan just as you, the borrower, are obligated to pay. A co-signer could be your spouse, a parent, or a friend.

Collateral charges: Unlike a standard mortgage, a collateral charge is re-advanceable, meaning the lender can lend you more money after closing without you needing to refinance and pay a lawyer. A collateral charge is non-transferable -- it cannot be assigned (switched) to a new lender like a regular mortgage.

Conditional offer: An offer to purchase property that is subject to certain conditions being met before the contract could be enforceable, for instance, a mortgage arrangement. Acceptances of conditional offers are usually time-limited.

Condo fees: A monthly fee charged by a condominium complex to cover the cost of repairs, landscaping, concierges, snow removal, insurance, common area utility costs, property management, building a reserve fund, or amenities such as a gym or a pool.

Condominium: A building or complex of buildings containing a number of individually owned apartments or houses. Many common costs are shared and paid for through the Condo Fee. Every condominium is governed by a set of Bylaws to which all owners must adhere.

Contract Rate: This is the actual mortgage rate you agree to in your mortgage contract. This is the rate your payments are initially based on.

Counteroffer: Used to describe a contract situation where the seller has made modifications on the original offer from the buyer. If you are presented with a counteroffer, you have a specified time limit to either accept or reject it.

Conventional mortgage: A loan for no more than 80% of the appraised value or purchase price of the property.

Credit Bureau: A company that collects information relating to the credit ratings of individuals and makes it available to credit card companies, financial institutions, etc.

Credit Score: A numerical expression based on an analysis of a person's credit files, to represent the creditworthiness of an individual.

Credit Union: A member-owned financial cooperative, controlled by its members and operated on the principle of people helping people, providing its members credit at competitive rates as well as other financial services.

D

Debt Restructuring: Also known as debt repositioning. Where a borrower has equity in their property and various unsecured debts at typically much higher interest rates, the unsecured debts are paid off with a refinance of the mortgage. This typically reduces overall interest expense, improves cash flow and can see debt being repaid faster.

*Deed: A legal document that signed by the purchaser (you) and the seller that transfers ownership rights i*n the property to you.

Default: Failure to comply with the conditions of a mortgage agreement. A failure to pay up on your mortgage (defaulting the loan) may result in the mortgage holder taking legal action to possess (foreclose) the mortgaged property.

Deposit: Money placed under the care of a third party (real estate representative, lawyer or notary) by the purchaser when he makes an Offer to Purchase. The money is paid to the vendor upon closing the sale or returned if the conditions are not satisfied. This is typically held in trust.

Depreciation: The decrease in value of something over time.

Down payment: The part of the home purchase money that is not paid out of the mortgage loan.

E

Equity: The total value of the owner's interest in a property, calculated as the value of the home less the total outstanding obligations.
Equity Take Out: A mortgage loan used to "take out" equity for other purposes. For example, it may be used for repairs or renovations of the property, to use as a down payment for a vacation property, for investment in another area, or for other purposes.

F

First Mortgage: This is the first financial charge against the title. It can become subordinate to liens placed by personal tax arrears, property tax arrears and condo fees arears. Beyond those, it has priority over all other liens or claims on a property, or in the event of a default. It is not the mortgage on the borrower's first home.

Fixed rate mortgage: A mortgage for which the rate of interest is fixed for a specific period of time (the term).

Foreclosure: The legal process where a lender takes possession of a mortgaged property if the borrower defaults on payments or terms of the mortgage.

Freehold: The difference between a freehold property and condominium has to do with ownership. With a freehold home, you are the owner of the home itself and the plot of land it sits on. A condo differs in the sense that you only own the interior of a unit. A "freehold" or "bareland"condo is another variation of what you own vs. what you share.

G

GenworthFinancial:ThelargestprivateresidentialmortgageinsurerinCanada.Thecompanyprovides mortgage default insurance to Canadian residential mortgage lenders.

Gross debt-service ratio (GDS): The percentage of the borrower's gross monthly income that is used

for monthly housing payments (principal, interest, taxes, heating costs, and half of any condominium fees).

Gross household income: Gross household income is the total salary, wages, commissions and other assured income, before deductions, by all household members who are co-applicants for the mortgage.

Guarantor: One who promises to pay a debt contracted by another in the event the original borrower fails to pay as contracted.

H

HELOC: A home equity line of credit (pronounced hee-lock) is a loan in which the lender agrees to lend a maximum amount within an agreed period (called a term), where the collateral is the borrower's equity in his/her house.

High Ratio Mortgage: A mortgage in which a borrower places a down payment of less than 20% of the purchase price on a home. Another way of phrasing a high ratio mortgage is one with a loan to value ratio of more than 80%.

I

Insurable mortgage: This type of mortgage can now be considered the new "insured mortgage". These are still eligible for default insurance but is portfolio-insured at the lender's expense or high-ratio insured at the client's expense.
Insured mortgage: A mortgage transaction where the default insurance premium is paid by the client, as is typical in a high-ratio mortgage.

Interest rate: The amount charged by a lender for borrowing money (annual percentage).

Interest rate differential (IRD): A compensation charge that may apply if you pay off your mortgage prior to the maturity date, or pay the mortgage principal down beyond the amount of your prepayment privileges, usually in a fixed-rate mortgage.

Interim Financing: (See Bridge financing)

L

Land Transfer Tax: (See Property Transfer Tax)

Leasehold: Certain lands, sometimes within national or provincial parks, on First Nations lands and in other rare cases, are leased to vs. owned by the homeowner. There are a limited number of mortgage lenders willing to lend against a leasehold property.

Lender: An organization that lends money to a borrower.

Loan-to-Value (LTV): The amount of the mortgage loan compared to the value of the property.

Lump-sum prepayment: An extra payment made to reduce the balance of your mortgage, with or without penalty.

M

Maturity date: The last day of the term of the mortgage. On this day, the mortgage loan must be paid in full, the mortgage agreement renewed, or a new mortgage arranged.

Monoline Lender: Monoline lenders focus on just mortgages as opposed to banks and credit unions which offer a variety of services.

Mortgage: A mortgage is a loan secured by property. Can be a set amount or can operate as a line of credit.

Mortgage approval/commitment letter: A written notice from the mortgage lender to the borrower that outlines the specific terms and conditions offered to the borrower.

Mortgage default insurance: If you have a high-ratio mortgage (more than 80% of the lending value of the property) your lender will probably require that you purchase mortgage loan insurance, which is available from CMHC or a private company.

Mortgage life insurance: Provides coverage for your family should you die before your mortgage is paid off. This insurance can be purchased through your mortgage broker.

Mortgage payment: A regularly scheduled payment that is often blended to include both principal and interest.

N

Non-Subject Property: Where a borrower holds more than one property and is financing or refinancing the "Subject" property, the other properties in the portfolio are the "Non-Subject" properties. There are different rules by different lenders as to how mortgage payments, property tax payments, condo fee payments and rent are factored into debt servicing analysis.

O

Open Mortgage: Allows the borrower to pay any amount of the principal, including the entire balance, off at any time without penalty. In a contract, a closed mortgage typically has certain pre-payment privileges without penalty, but are limited. You pay a higher interest rate for the flexibility of an Open Mortgage, but perhaps warranted if a sale is anticipated or in the case of buying property to fix up and sell.

Owner-Occupied Property: A property which you intend to live in for all or at least some part of the year or a family member will live in on a rent-free basis.

P

Payment Schedule: Defines the dates at which payments are made by one party to another.

PITH (Principal, interest, taxes and heating): These costs are used to calculate the gross debt-service ratio (GDS).

Portable Mortgage: A mortgage with an option that allows a buyer to transfer a current mortgage to a new property. (Subject to full borrower and property approval)

Prepayment Privileges: Paying more than the monthly payment on the mortgage, with the extra amount applied to the principal up to certain limits, which vary from lender to lender. The extra payments are without penalty.

Prime Rate: The lowest rate of interest at which money may be borrowed commercially.

Principal: The amount that you borrow for a mortgage.

Private Lender: Private money lenders are non-institutional banks or persons that issue private money loans secured by real estate assets.

Property insurance: Insurance that you buy for building(s) on land you own (the insurance amount should be high enough to pay for the building to be rebuilt if it is destroyed).

Property taxes: A real estate tax, calculated by a local government, which is paid by the owner of the property. The tax is usually based on the assessed value of the owned property, including land.

Property Transfer Tax: When you purchase or gain an interest in property that is registered at the Land Title Office, you're responsible for paying property transfer tax

Q

Qualifying Rate (Stress Test): The rate used to qualify a borrower for a mortgage. Lenders use these rates to calculate your debt-service ratio, which is the ratio between your debt and income. This serves as a gauge of your ultimate ability to repay the obligation over the life of the mortgage.

R

Rate (interest): The annual percentage amount charged by a lender for borrowed funds.

Real property report: See "Survey".

Refinancing: The process of negotiating a new mortgage agreement against a property you already own, either adding dollars or time to the amortization.

Renewal: At the end of a mortgage term, your mortgage may be renewed with new terms and conditions. No additional funds are added and the remaining amortization is used. You are not required to renew with the same lender. (Also See Switch)

Rental Property: A property from which the owner receives payment from the occupant(s), known as tenants, in return for occupying or using the property. Rental properties may be either residential or commercial

Reverse Mortgage: A loan secured against the value of your home. However, unlike a traditional first mortgage, a Home Equity Line of Credit (HELOC) or a second mortgage, you are not required to make monthly mortgage payments for as long as you live in your home.

S

Second Mortgage: A mortgage taken out on a property that is already mortgaged. Determination of first, second or third mortgage etc, is determined by priority of registration.

Solicitor: A solicitor is a type of lawyer that provides expert legal advice and support to clients. In Canada, the term solicitor and lawyer are used interchangeably.

Strata Property: (see Condominium)

Stress Test and Stress Test Rate: Similar to Benchmark Rate and used for uninsurable mortgages. The Stress Test rate is the higher of the contract rate plus a government defined increment, or the current Benchmark Rate. All uninsurable mortgages must meet the standard affordability tests (Gross Debt

Service and Total Debt Service) "as if" the interest rate is the Stress Test rate. Designed to ensure that borrowers and the housing market can sustain higher interest rates.

Subject Property: A subject property is the property for which a borrower intends to get a loan. This can be either a new property or an existing property when refinancing.

Subject Removal Date: When a real estate purchase is made there are a variety of dates all parties to the contract must comply with. If the Buyer fails to remove a condition by that Subject Removal Date deadline then the contract becomes null and void.

Survey or Certificate of Location: Also known as a Real Property Report - a document that shows property boundaries and measurements. It specifies the location of buildings on the property, indicates areas where the public has authorized access such as utility company rights-of-way), or areas where buildings or landscape structures cross over neighbouring property lines.

Switch: (See Transfer).

T

Target Overnight Rate: The interest rate at which major financial institutions borrow and lend one-day (or "overnight") funds among themselves, often referred to as the Bank's policy interest rate.

Term: The length of time that mortgage conditions, including the interest rate you pay, are in effect. At the end of the term, the borrower (you) can pay off the mortgage or renew for another term. Mortgage terms can range from six months to ten years.

Third Mortgage: A third mortgage is a lien on property subordinate or junior to the first and second mortgages. In the event of default on the mortgages, the third mortgage will be paid only after the first and second mortgages are paid.

Title: Full and exclusive ownership of land and building(s) for an indefinite period.

Title Insurance: An insurance policy that protects the home owner against challenges to the ownership of your home or from problems related to the title to your home. The policy provides coverage against losses due to title defects, even if the defects existed before you purchased your home.

Total debt-service ratio (TDS): The percentage of gross monthly income required to cover the monthly housing payments and other debts, such as car, credit card payments, support payments and alimony payments.

Traditional (residential) mortgage/conventional mortgage: A mortgage loan up to a maximum of 80% of the value (the purchase price or the market value, whichever is less) of the property.

Transfer: A transaction where either the borrower or lender assigns an existing mortgage from the current holder to another person or entity.

U

Un-insurable mortgage: These mortgages are not eligible for default insurance and apply to refinances, rental properties and on purchases greater than $1M or on amortizations greater than 25 yrs.

Underwriting: The process a lender uses to determine if the risk (especially the risk that the borrower will default) of offering a mortgage loan to a particular borrower is acceptable and is a part of the larger mortgage origination process.

V

Variable Rate Mortgage (VRM): A type of mortgage in which the interest rate applied on the outstanding balance varies throughout the life of the loan. The interest rate resets based on the lender's Prime rate plus or minus a variance. With most VRM mortgages, different from ARM mortgages (Adjustable Rate Mortgage), the mortgage payment does not adjust automatically with each change in interest rate. The lender typically reminds you that you may adjust the payment by contacting them. If interest rates are going up and you are not adjusting the payment you run the risk of equity erosion or negative amortization – it will take longer than you think and cost more interest to repay the mortgage.

Vendor: The individual who is selling a property (also called the seller)

Vendor Take Back Mortgage: A mortgage whereby the seller uses his or her own equity to provide some or all of the mortgage financing in order to sell the property.

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