WHAT BANKS DON'T WANT YOU TO KNOW!

You can typically get a much lower mortgage rate with a

Specialist like me, than the bank will offer.

Before You Pay Too Much For Your Mortgage!

Why use a Mortgage Broker? Unlike a bank employee it isn't just another position for me. I'm specially trained to find the best mortgage options for you.

I work for **YOU**, not the lender! My highest interest is **YOU**!

99% of the time; my services are **FREE** for you, the lender pays me to bring them great clients like you. Only in extreme circumstances do I need to charge you for my services, but you will know in advance and decide if you wish to move forward.

Your time is valuable. It takes a lot of time to schedule time with several banks around town, go through the application process, and wait for days or even weeks for an answer. With **one application**, I can access almost **60 lenders** throughout Canada. Most of these will respond within 24-48 hours so you find out quickly where you stand. I will offer you options for the mortgages available and let you decide!

You will **save** money because of my **huge advantage over the banks**.

New mortgage rates come out daily. Lenders have rate "sales" constantly which means a lender that has the lowest rate today may in all likelihood not have it tomorrow. As your broker, you will gain through my **staying on top of the movement of rates** on a daily basis and doing the "shopping" for you.

Have you had some credit problems in the past? I take the time to assist my clients and give them tips on how to **improve** their situation. My proactive thinking and problem solving skills will help you with your dream of being a homeowner. If not today, then at some point in the future.

We both know buying a home will be one of your largest purchases you ever make. Once the sale is negotiated, I'll walk you through the **entire process.**

Residential **Commercial** **Construction**

1st Mortgage **2nd Mortgage** **Consolidation**

Bruised Credit **Private Financing** **Vacation Home**

SOME MORTGAGE BASICS

- You will get the best potential rates with a minimum of 5% down payment from your own resources (not putting on a credit card) or a gift from an immediate relative. There are products available that allow more flexible ways to obtain a down payment, like putting on a credit card or line of credit, however, the mortgage insurance premium will be higher because the risk to the lender is deemed to be higher.

- Anything less that 20% down is termed a **high ratio mortgage** and must have either CMHC (Canada Mortgage and Housing Corp) or Genworth mortgage insurance. This is paid by the borrower for the benefit of the lender. In case of default where the lender cannot recoup their money from the borrower through sale of the home; the lender will get their money from one of the above mentioned corporations. The cost graduates from 3.6% of the value of the mortgage for 5% down to 1.8% of mortgage value for those that put down 15%. The insurance premium can be added to the mortgage and doesn't have to be an out of pocket expense. With 20% as a down payment this is a **"conventional mortgage"** and as such doesn't require a high ratio insurance premium**. Putting down more money doesn't get you a better interest rate.**

- Traditional lenders work with two equations. The first is 35% of the family's gross income for those that are T-4'd. For those that may be self employed, it is of their net (taxable) income. For example, if a couple's income is 60,000 then 35% of this would be $21,000. This is the maximum allowed and covers the mortgage payment (principal and interest), property taxes, heat, (minimum of $900 annually and up depending on the size of your house), and ½ of any applicable condo or strata fees.

- The next equation is 42% and above. This leaves 7% for the other debts such as loans and credit card payments. Again based on a household income of $60,000, this would amount to $25,200. Let's say you have a personal loan and you are paying $200 a month for it ($2400 annually) and a car loan of $350 per month ($4200 annually) and have $10,000 of credit card debt with minimum payments of 3% or $300 per month ($3600 annually). These debts add up to $10,200 which must be deducted from your $25,200 allowable. This leaves $15,000 (instead of $21,000) to pay for your mortgage, heat property tax and applicable strata fees.

- If you have very good credit (score of 680 or higher), some lenders allow you to disregard the 35% and use a TDSR (total debt service ratio) of 44%. This would encompass your entire debt load.

- There are non traditional lenders that will allow higher debt service ratios, however, as the risk increases, so does the rate.

- There are programs available for those that are in business for themselves or run a business on the side. Some of them don't require the borrower to prove their income and are called **"stated income"** mortgages. What we do is "state" the income needed to satisfy the debt service ratios. However, the income must be **reasonable** for the industry. You couldn't say you're running a day care out of your home and have revenues of $500,000. Typically, you can't state an income higher than your actual revenues. You will need to have 10% as a down payment with at least half coming from your own resources (the other half could be gifted) and the mortgage needs to have high ratio insurance regardless of the loan to value. The rate may be a little higher than a mortgage that uses "verifiable" income.

- Traditional lenders require the borrower to have 1.5% of the value of the property in their bank to cover closing costs (such as legal fees, the property transfer tax if applicable, interest and tax adjustment to name a few). 1.5% often isn't enough to cover all the closing costs but that's all the lenders require you to have. This means that coming up with 5% as a down payment is a little misleading. It would be better to say 6.5%.

- It is important to note that almost all mortgages are not the same. Lenders all have their particular idiosyncrasies and surely every borrower is different. Don't be afraid to talk to me to find out exactly where you stand. I'll explain to you all of the options open to you and if you can't get the mortgage you want today, I'll offer suggestions on how to improve your situation for a future application.

- Sometimes refinancing for home renovations is not an option in today's mortgage market. This is because the maximum loan to value people can take out of their home for a refinance is 80% of your homes' equity. For sake of discussion, let's assume the home you are looking at is priced at $350,000. You like the location, the size, the layout and the neighbourhood. However, it is an older home and will require quite a few repairs over the next few years. Perhaps $35,000 to make this your real dream home. You then think to yourself that $35,000 is a lot of money to save and could take years. Well, I have an answer for you. Both CMHC and Genworth have a program called **Purchase Plus Improvements**. Instead of getting a mortgage based on the $350,000 purchase price, you get a mortgage based on the improved value; in this case $385,000. If you are putting down 5% for your down payment, instead of 5% of $350,000 ($17,500), you put down 5% of the improved value of $385,000 ($19,250). Your out of pocket expense is an additional $1750 but you get your renovations straight away. The lender doesn't simply give you the money; they will give it once the renos are complete or in draws if the renovation is large. Feel free to call me to explain this in more detail. Most times, you will need the wherewithal to pay for the renovations up front and recoup your money once complete.

GLOSSARY

Agreement of Purchase and Sale: A contract by which one party agrees to sell and another agrees to purchase.

Amortization: Number of years it takes to repay the mortgage and can be from 1-25 years. (Unless conventional mortgage). This determines your monthly payment.

Appraisal: Process by which the mortgage lending value of a property is determined.

BC Property Transfer tax: A tax grab by the BC government. It is 1% of the first $200,000 purchase price plus 2% of the balance. If you have never owned a home anywhere in the world before and the home is $475,000 or less, you will be exempt from this tax. There is a partial exemption from $475,000 to $500,000.

Bridge Financing: Interim financing to bridge between the closing date on the purchase of the new home, and the closing date on the sale of the current home.

Broker: A financial intermediary between the mortgagor and the mortgagee, who is licensed to carry out such a transaction.

Building permit: A certificate that must be obtained from the municipality by the property owner or contractor before building can be erected or renovated.

Closing Date: The date of which the sale of the property becomes final and the new owner takes possession.

Commitment: A notice from a mortgage lender to a prospective borrower that the lender will advance mortgage funds of a specified amount under certain conditions.

Condition: A condition in a contract that calls for the happening of some event or performance of some act before the agreement becomes binding.

Conditional Offer: An offer to purchase subject to specified conditions. These conditions could be the arranging of a mortgage of the selling of a present home. Usually a time limit in which the specified conditions must be met is stipulated.

Conventional Mortgage: A mortgage loan of up to a maximum of 75% of the lending value of the property for which a lender does not require loan insurance.

Debt Service Ratio: The percentage of the borrower's income that will be used for monthly payments. GDSR stands for gross debt service ratio and encompasses your mortgage principle and interest payment, property tax, heat and ½ of any strata fee. TDSR stands for total debt service ratio and encompasses the above plus any ancillary debt like cards/loans.

Default: Non-payment of instalment due under the terms of the mortgage

Deposit: Payment of money or other valuables in consideration as a pledge for fulfillment of the contract.

Discharge: The removal of all mortgages and financial encumbrances on the property.

Easement: The right acquired for access to or over another person's land for a specific purpose, such as for a driveway or public utilities. This is referred to as "servitude" in the Provence of Quebec.

Form 10: Your Broker will request your signature on a statement called Form 10, which discloses to you that they will be paid a fee by the lending institution for acting as an intermediary between you and the financial institution providing you with a mortgage.

High Ratio Mortgage: Loan that exceeds 80% of the property's lending value and is insured through a mortgage insurance plan.

Holdback: An amount of money withheld by the lender during the progress of construction of a house to ensure that construction is satisfactory at every stage. The amount of hold- back is generally equivalent to the estimated cost to complete construction.

Mortgage Insurance Premiums: a premium that is added to the mortgage and paid by the borrower over the life of the mortgage. The mortgage insurance insures the lender against loss in case of default on the part of the borrower.

Mortgagee: The entity that lends money.

Mortgagor: The entity that borrows money.

Offer to Purchase: A written contract setting forth the terms under which a buyer agrees to purchase a property. Upon acceptance by the seller, it forms a contract, which will form the basis for the final document to be prepared by the lawyer or notary. It includes the legal and/or municipal description (this may consist of lot numbers as well as street address), purchase price, closing date, mortgage and terms of repayment and lists specific items included as part of the sale.

Other Fees: Occasionally a lender or the broker will charge a fee for providing a mortgage. If so, these costs **must** be disclosed to you at the time of application. In British Colombia, your broker will provide you and your solicitor with a copy of the Disclosure Statement. In the industry, these are referred to as "B" deals. The borrower has a circumstance that precludes the use of an "A" lender (or traditional lender).

P & I & T: Principal, interest and taxes due on a mortgage.

P & I: Principal and interest due on a mortgage.

Penalty: a sum of money paid to a lender for the privilege of prepaying a mortgage in part or in full. All traditional lenders allow a percentage of a “balloon” payment once per year.

Power of Sale: The right of a mortgagee to force the sale of the property without judicial proceedings should default occur.

Prepayment Option: The right to prepay a specified amount of the principal balance. Penalty interest may be incurred on prepayment options.

Prepayment: Full or partial payment of all or part of the principal, separate from the regular payments called for under a mortgage agreement.

Principal: The amount owing to the lender at anytime.

Property Tax Holdback: If the lender is collecting and paying property taxes on your behalf, you may be required to pay the lender an amount to ensure sufficient funds are available to pay the next installment of property taxes.

Rate (interest): The return the lender receives for loaning you the money for the mortgage.

Real Estate: Included real property, leasehold and business whether with or without premises, fixtures, stock in trade, good of chattels in connection with the operation of the business.

Rollover Mortgage: A mortgage loan where the interest rate is established for a specific term. At the end of this term, the mortgage is said to “roll-over” and the borrower and lender may agree to extend the loan. If satisfactory terms cannot be agreed upon, the lender is entitled to be repaid in full. In this case, the borrower may seek alternative financing.

Sales Representative: A licensed employee of a Real Estate Broker authorized to trade in real estate.

Survey: The accurate mathematical measurement of land and building there on.

Term: The length of time, which you pay a specific interest rate on your mortgage loan. At the end of the term you may repay the balance of the loan or re-negotiate at current rates and conditions.

Title: Evidence of ownership.

Vendor Take Back: Where the seller of a property provides some or the entire mortgage financing in order to sell the property.

Zoning Laws: Municipal laws restricting the use of land for special purposes

Foreclosures: This is when a client defaults on the terms of the mortgage; and the lender takes back ownership of the home. This can be a way of obtaining a home at a discounted price. Here's how the process works. First, you find a property and negotiate a price with the lender's realtor. This doesn't mean you'll get the home for this price, but it sets the starting point. A court date is then set a few weeks in the future. (It is very important that you have the home appraised before you go into court, especially if the home is in a distressed condition. The reason for this is that the successful purchaser MUST not have any "conditions" that would/could impede the purchase. The court takes a very dim view if the purchaser doesn't complete on the sale.) Then, everyone that is interested in purchasing the home turns up at court. If you are the only one that turns up, then you get the home at the negotiated price. However, if more than one turns up at court, everyone puts in a sealed bid which the judge then opens. The highest bid typically wins and becomes the new owner. I want to reiterate that you may be charged with contempt if you cannot complete. I did a deal where no traditional lender would lend against a property that had a lot of damage to it. The damage wasn't an issue to the buyer because he was a builder by trade and was going to remedy the home within the first month, however, lenders don't take that into account and look into the future; they only look at the "now". Their philosophy is "what happens if the new owner drops dead tomorrow, now all of a sudden we're stuck with a damaged home". Fortunately, my client had other means to complete on the purchase and refinanced their new home once the renovations were complete but they would have been in big trouble if they couldn't have completed the purchase. The approximate cost of an appraisal is $250 - $350.

PREQUALIFICATION / PREAPPROVAL

Few lenders actually "pre-approve" any more (actually adjudicate an application). The reason is because by the time a buyer actually purchases, I may find them a better rate elsewhere. What most lenders now do is simply issue a "rate hold" for clients. This guarantees the rate for usually 4 months. If the rate happens to drop during that time, the client get the benefit of the lower rate. Also, things can change from the date of the rate hold until the time of purchase. Your income may change, you may make a new purchase that affects your liability, you may pay something off, etc.

Here's a list of what we need to start the process:

- Employer letter(s) on company letterhead outlining your name and confirming your position, gross annual income, and number of years employed with the company.
- Self-employed: We need two years financial statements and tax returns
- Social Insurance Number(s)
- Banking information: institution's name, and amounts in your accounts.
- Assets and their value (e.g. Cash amounts, stocks, bonds, RRSPs, car).
- Liabilities (I will find your liabilities from your credit bureau but please advise me if you have other liabilities such as alimony or income such as support or if you have gone through a proposal or bankruptcy)
- Last 3 years history of residences and employers

Please let me know if you have had any past credit problems.

If you are purchasing and have the home picked out, I need information about the home found on a MLS (multiple listing sheet).

If you are refinancing I need information about your home, plus the current mortgage statement.

Write down a list of questions you would like to have answered. There is no such thing as a silly question.

One thing, which may delay the closing of your home, is satisfactory verification of your down payment. CMHC, GE and Financial Institutions will ask you, on or before issuing a lending commitment to provide “Confirmation of Down Payment” from non borrowed funds in one or more of the following forms.

- ***Down Payment from the Sale of an Existing Property***
  You will be required to provide copies of the unconditional “Purchase and Sale Agreement” on your existing property and the statement of “Mortgage Balance” on any mortgages presently held against the property. The difference between the sale price and the mortgages owing will verify the funds available for your down payment.

- ***Gifted Down Payment***
  All or part of the minimum down payment may be provided by way of a financial gift, as long as all of the following conditions are met:
  a) the donor is an immediate relative of the borrower;
  b) the Approved Lender has verified that the money is a genuine gift; and
  c) the Approved Lender has verified that the funds are in the borrower 's possession prior to the time of the application to CMHC or GE for mortgage loan insurance.

The Approved Lender will verify the authenticity of the gift by obtaining a written confirmation, signed by the donor and the borrower, which must state the following:

a) the money is a genuine gift from the donor and does not ever have to be repaid.
b) any third party having interest, either direct or indirect in the sale of the subject property, is providing none of the financial gift.

- ***Down Payment from Your Own Resources***
  You must supply verification satisfactory to CMHC or GE and the lender, of accumulated savings from non-borrowed funds. This may be a copy of your bank statement or your bankbook confirming a balance equivalent to your down payment, including the amount of deposit confirming the savings of said amount for a period of not less than **3 months.** This is important as a deterrent to putting the downpayment on your credit cards (for example) just before closing.

Should a substantial deposit have recently made, the source of such funds, i.e. Bonds,Stocks, GIC’s or RRSP receipts will also be required. To avoid any delay in funding your transaction, we recommend that you provide a form of the above noted confirmation at least 14 days prior to your closing date.

RRSP HOME BUYER PROGRAM

You can withdraw RRSP money “tax free” as part of your down payment…..

Highlights:

- Each purchaser may borrow up to $25,000 from their RRSP to use as a down payment.
- Available to homebuyers that have not owned in the last 5 years or never owned.
- If the amount is not repaid in a year, the year’s repayment amount will be added to your income and taxed.
- Repayment of the funds to your RRSP must be made within a 15-year period, 15 annual installments is the usual practice.

Example:

$15,000 is borrowed for a down payment on December 31, 2013. The first $1,000 becomes due on Dec. 31, 2014 but is not paid. The borrower must declare the $1,000 as income in 2014.

- The home must be located in Canada and is used as your principle residence.
- This program may be used with the CMHC/GE 5% First Time Buyers program.
- This is an effective way to come up with your down payment. You set up a loan for an RRSP and own it for at least 90 days. On the 91st day, you can borrow against the RRSP and use that money for your down payment. Two things are worthy of note here. First, your payment for the initial loan must be accounted for in your overall debt service ratio. This may lower your overall mortgage qualification amount. Second, most lenders require that the loan be paid off before you can use it for your down payment. National Bank is my lender of choice because you can use the RRSP after 3 short months, even without having the loan fully repaid. For example, you get a loan from National Bank for a $25,000 RRSP. The monthly payment is say $435/mo for the next 6 years. Most institutions require the loan to be paid off before borrowing against the RRSP; that’s why i like National Bank. After 3 months, you can borrow against and use the $25,000 for your down payment. Keep in mind we have to account for the $435 monthly payment in your liabilities which could affect your qualification amount. And as an added bonus, your $25,000 RRSP will yield a very nice return on next year’s tax return. Ask me for details.

MORTGAGE OPTIONS

- ***Conventional:***

Regulations under the Bank Act: Prohibit lenders from lending in excess of 80% of the purchase price or the appraised value of a property without obtaining High ratio Insurance.

A loan for up to 80% of the purchase price or appraised value of a property is called a conventional mortgage. (Some lenders still require high ratio insurance on loans between 75% - 80%)

- ***High Ratio:***

A loan greater than 80% but less than 100% of the purchase price or appraised value of the property, whichever is less, is called a **high ratio mortgage**.

- ***CMHC, Genworth and AIG:***

High ratio mortgages must be insured through CMHC (Canada Mortgage and Housing Corporation) or Genworth or AIG. These insurers guarantee the risk of lending to home buyers who need a high ratio mortgages. The borrower on behalf of the lender pays an insurance premium to CMHC or Genworth or AIG to protect the lender in the event that the mortgage goes into default. This is NOT life, disability or job loss insurance.

The insurance premium is calculated as a percentage of the mortgage amount, depending on the loan to value and may be added to the mortgage amount or paid separately. A conventional mortgage begins at 80% but there are lenders that insure all their mortgages regardless of loan to value. They usually pick up the premiums themselves. Still other mortgages may be insured due to something out of the ordinary with the property or applicant. The premiums, which can change without notice, are as follows:

	PURCHASES			REFINANCING		
Loan to Value	**Standard**	**Self-Employed**	**Top – Up**	**Standard**	**Self-Em**	**Top-Up**
Up to & including 65%	.6%	.9%	.6 – 1.75%	.6%	.9	.6 – 1.75
Up to & including 75%	.75%	1.15%	2.6 – 3%	.75%	1.15%	2.6 – 3%
Up to & including 80%	1.25%	1.9%	3.15 – 4.45%	1.25%	1.9 %	3.15 – 4.45%
Up to & including 85%	1.8%	3.35%	4 – 6.35%	n/a	n/a	4 – 6.35%
Up to & including 90%	2.4%	5.45%	4.9%	n/a	n/a	4.9 – 8.05%
Up to & including 95%	3.6%	n/a	4.9%	n/a	n/a	4.9%

The above rates are based on standard 25 year amortization.

- ***Mortgage Money Sources:*** There are many financial institutions in the mortgage industry in Canada including Chartered banks, Trust companies, Credit Unions, Life insurance companies, Pensions funds, Finance companies and private individuals. I can access about 5 dozen lenders throughout Canada.

IT PAYS TO BE INFORMED
(B.C. programs to help homebuyers)

Revenue Canada's

<u>Home Buyers Plan</u>

Allows you to use your RRSP savings to build or buy a home, up to $25,000 per person or $50,000 per couple. To participate in the Home Buyers' Plan, you have to be considered a first-time homebuyer at the time you withdraw an amount from your RRSP(s) under the Home Buyers' Plan. You are considered a first-time homebuyer if at any time during the last five years, before your withdrawal, you did not own a home while you occupied it as your principal place of residence. If your spouse owned a home and occupied it as his or her principal place of residence at anytime during the last five years and at any time during the period that your spouse owned a home and occupied it as his or her principal place of residence, you were married and also occupied that home, you will not qualify as a first time home buyer. For more information, contact Revenue Canada at their internet site **<u>www.revcan.ca</u>** or the Reference Canada line 1-800-667-3355 can provide you with the number for the nearest Revenue Canada office in your area.

B.C. Ministry of Finance & Corporate Relations

<u>First Time Home Buyers Program</u>

Qualified purchasers are entitled to an exemption from the **property transfer tax.** To qualify, you must not have owned a principal residence **anywhere** in the world. If there are two or more purchasers to a property, each purchaser who is eligible for the exemption may claim the exemption up to the percentage interest that they are taking in the property. In B.C., the maximum home price for the B.C. Property transfer tax exemption in $475,000 and there is a sliding scale that reduces this tax up to a price of $500,000. For more information, phone toll free 1-800-663-7867. In Vancouver call 604-660-2421 and in Victoria call 250-387-0604.

Goods and Service Tax New Housing Rebate.

Your may be able to claim a rebate for a portion of the GST you pay on the purchase price or cost of building your home if:

- you buy a new or substantially renovated home from a builder
- you buy a new mobile home, floating home or modular home from a builder or vendor;
- you buy a share in the capital stock of a co-operative housing corporation:
- you construct or substantially renovate your home (or hire someone to do so);
- if your home is destroyed by fire and is rebuilt.

CLOSING THE DEAL

There are costs involved in every real estate transaction and to avoid any surprises on closing, here is a list of what to expect in the way of cost.

- ***The Deposit***

Part of your down payment, a deposit is due upon acceptance of your offer and becomes part of your down payment.

- ***Home Inspection***

Prepared by a qualified inspector who assess the property for defects and poor maintenance. Approximate cost is $400 - $500. It's not mandatory from a lender's perspective but I feel it should be. Even for a brand new home.

- ***Appraisal***

Prepared by an appraiser chosen by the lender, by CMHC or GE if the mortgage is insured.

- ***Legal Fee/Disbursements***

Your lawyer, solicitor or notary will quote his or her approximate fee for closing the purchase of your home, registering the mortgage(s) and miscellaneous disbursements, which could include registration fees, courier costs, telephone and photocopying, etc. Make sure to always ask for a detailed estimate. Approximate cost from $900 - $1200

- ***Interest Adjustment***

Many lenders start your mortgage payments in conjunction with your closing date, ie, one month after closing etc, however some lenders begin their mortgages on the first of the month. In this case, you must prepay the amount of the accruing interest from the date of closing up to the first of the following month.

- ***CMHC, GE***

If CMHC or GE (Genworth)insures your mortgage, the insurance premium will usually be added to the mortgage or you can choose to pay it separately. In Ontario and Quebec, the premium is subject to PST, which must be paid at closing.

- ***Prepaid Expenses***

If the vendor has prepaid any expenses such as utilities, water and sewage taxes, heating oil or taxes, they must be reimbursed and this will be reflected in the Statement of Adjustments. For example, Property taxes are payable on the first Monday of July and the amount payable is for the entire calendar year. If you purchase your home before July 3rd, the old owner will owe you the property tax from Jan. 1st until you move in. If you purchase after July 3rd, then the property taxes will have been paid by the vendor and you will owe him/her the property taxes for the remainder of the year.

CLOSING COSTS

- **LEGAL FEES:** The cost of the lawyer to register your mortgage.

- **INTEREST ADJUSTMENT** Most mortgages begin on the first of the month. (EG, you buy a home August 15th and the mortgage begins on September 1st.)The vendor requires payment on August 15th so you would pay interest on the money you borrow from August 15th to September 1st. If your payments were monthly, your first mortgage payment would be due October 1st. If you took weekly or bi-weekly payments, they would begin in Sept (in this illustration)

- **TAX ADJUSTMENT** (estimate) You pay property taxes on the first Monday of July for the previous 6 months and the next 6 months to come. Depending on when you close, the vendor may have paid some or all of the taxes. Your lawyer or notary will make an adjustment for taxes, as you will owe taxes from when you take possession to the end of the year.

- **TITLE INSURANCE** This protects you and the lender against fraudulent use of your title, but it can also do more than that. Lets say you notice after you move it that the downstairs was renovated without the proper permits and you notice the electrical wiring isn't correct. In the interest where this isn't written in the disclosure statement when you purchase the home (if its noted on the disclosure statement of the home and proves to be false, than you should sue the previous owner) than the title insurance can pay to make the situation correct.

- **SURVEY CERTIFICATE** (not required on strata units) Some lending institutions may require a survey certificate. Please ask your realtor if this is available from the previous owner.

- C.M.H.C (Central Mortgage & Housing) or G.E. (Genworth) - High ratio insurance fee - This is typically added to mortgage.

- **PROPERTY PURCHASE TAX** (first time buyers are exempt as long as the home cost is under $475,000), otherwise you will pay 1% of the first $200,000 and 2% of the balance. A graduated scale exists for prices between $475,000 and $500,000.

- **OTHER COSTS** (estimate) Home insurance, Mortgage insurance, moving expenses etc, title insurance.

- **DOWN PAYMENT:** the amount of money you put into the deal as down payment.

CREDIT SCORING

The credit score, also referred to as a “FICO score” is a mathematical formula created by Fair, Isaac and Company.The credit score is used by most companies to decide if the applicant is a good credit risk or not. Equifax and Trans Union will calculate the numbers from the credit report and generate a number between 300 and 900.A low score indicates a bad risk. A score of 700 or more puts the applicant in the lenders’ good books.

How scores are calculated:

Factor	Weight	Points
Payment History Bankruptcies, late payments past due accounts and wage attachments, collections, judgments	35%	315
Amounts Owed Amounts owed on accounts, proportion of balance to total credit limit	30%	270
Length of Credit History Time since accounts opened, time since account activity	15%	135
New Credit Number of recent credit inquiries, number of recently opened accounts	10%	90
Types of Credit Number of various types of accounts (credit cards, retail cards, mortgage)	10%	90
Potential Totals	100%	900

How Clients Can Improve Their Credit Score

- Order a copy of the credit report, review it carefully and correct any significant errors. Everything you do regarding your credit stay on your report for 6 years!
- Pay bills on time!!!!!
- If there is a questionable credit history, they could open a few new accounts and use them responsibly, paying them off on time.
- Avoid opening accounts without intention of using them. Having five or six of the same credit card type (e.g., Visa) is not favorable.
- Having a credit card or instalment loan can help boost a credit score, as long as the balance is not too high.
- Keep the balance low in relation to available credit. If the credit limit is $10,000, keeping the balance below $2,500 (or 25 per cent of the limit) will improve the score. Balances of more than $7,500 (or 75% of the limit) will decrease the score. Going over the limit has an even more negative effect.
- Pay off credit card debt instead of moving it around to lower rate cards. Moving balances to other credit cards (i.e., “balance transfer”) and closing an old account can hurt the score.

INCREASING YOUR CREDIT SCORE

Good credit translates into lower rates for the borrower!

Here are just a few quick tips that can help put you in a better position under the discerning eye of an underwriter!

- HOT TIP! Do you have past due balances that have been neglected? If they are showing up on your credit report and you want to purchase a home, make sure you bring them up to current status whenever possible.

- HOT TIP! Do you have outstanding debt that you can afford to pay off right now? Try to get these accounts down to a zero balance, or at least a lower balance. If your cash on hand doesn't allow you to do this, try to distribute the debt amongst other open credit cards. You can also consider opening a new line of credit and transferring part of the balance off a card that is close to being "maxed out". If you can get the resulting balances below 50% of the available credit, you're on the road to improving your credit score considerably in most cases.

- HOT TIP! Do not close existing credit card accounts; even if you don't want to deal with the company anymore … Believe it or not, the credit history is a good thing to have!

- HOT TIP! When married couples keep separate credit card accounts, some or all of the balances can be transferred to ones spouse's list of accounts. This gives the other spouse an opportunity to increase their credit score and designate him or herself as the sole borrower on the mortgage loan. Ownership of the home can remain in both names!

- HOT TIP! See if your credit provider will increase your available lines of credit. This can, in turn, reduce the overall debt ratio, but only do this if your credit card company can do that without a hard credit inquiry.

- HOT TIP! Do you have past dues and charge offs within the last two years? Pay them off now, if you can! Past dues older than two years will have little to no impact on your credit score if they are paid, but can possibly bring the score down, which is something we don't want to do… Focus on that two year time frame.

- HOT TIP! Do you see errors in your report? Request the credit bureau delete any outstanding debt that is incorrectly charged to you, or things that should have been removed that you have already paid. They have an obligation to reconcile this within
  30 days. If you see items on your report that are less than two years old and you have the money to pay it off now, mark the back of you payment cheque with the following notation: "Accepting this cheque is evidence that the transaction is complete and this charge will be deleted from my credit record." If necessary, you can use this cancelled cheque as proof of the transaction in the event the outstanding debt is not removed promptly and interferes with the closing of your loan.

MORTGAGE/DISABILITY INSURANCE

I am not in the insurance business, but by law in Canada, when a client gets a mortgage of any type, they **must be** (by law) given the opportunity to view pricing on mortgage/disability insurance coverage. Therefore, I offer the following for your consideration.

Mortgage/disability insurance relates to your mortgage. If you become disabled, the insurance company makes your payments. If you die, your mortgage is paid off.

One major difference between mortgage insurance and term life insurance is with the mortgage insurance. The payout decreases as you pay off your mortgage; however, the payment never goes up with your current policy. With term life insurance, your original coverage amount never decreases, however, your payment increases (usually at 10 of 15 year increments) as you age. This premium increases significantly once you pass the age of 50.

You may think… "I already have life insurance!" This is a good thing. I believe we should never be without life insurance. It is designed to provide your family with the security of an income so they can manage without you, but life insurance is not necessarily designed to protect your house and the liability of a mortgage. Just as having children, you create a new insurance need when you buy a home.

You may think… "I have insurance through my work place." This is a wonderful benefit and a good supplement to a standard life insurance policy but keep in mind that if you change jobs, you won't necessarily continue with that coverage. You also may not be able to get new coverage due to changes in your health.

You may think… "I can't afford this extra coverage." There's no doubt this is an extra expense but I think it is minor, relatively speaking. Can you imagine how difficult it would be if something happened to one of you, continuing on with one or no income and still making mortgage payments? In fact, it could be financially devastating. You just made what may be the largest purchase you will ever make. Mortgage insurance is a sensible way to help protect that investment for your family. Isn't that worth the expense?

You may think… "The risk of death or disability is low for me, so it's not really worth the cost." Yes, you are right. Compare this to your house burning down. On average, a house may suffer a fire once every 300 years. Yet your lender insists that you have house insurance. They simply want to protect their investment from this very remote risk. You want to protect your family from the much more real risk of death or disability, which could be catastrophic. Each year, over 6 million Canadians suffer accidental injury and is the leading cause of death for those under 45. One in four will be disabled for at least 3months between 25 and 45. Also, every hour an accident claims a life in Canada so the risk may not be as low as you think.

Even though most Canadians change residence from time to time that isn't a problem. Mortgage insurance is portable and can move along with you. Also important is the fact your age remains fixed from the time of your application for future refinances; up to your original limit. Of course you can cancel at any time.

I did a mortgage for a client in his late forties. He was in his words "fit as a fiddle" and didn't feel the need for extra insurance. We met in early December and his deal closed in early January. During that time, he developed a brain tumor and passed just after the deal closed. You simply don't know!

Using a Broker: the FAQ'S

Is it really better to use a broker?

Well, the short answer is YES, using an independent mortgage broker not tied to any one financial institution is absolutely in the best interests of the consumer. So, who uses a mortgage broker? Is this a growing trend in Canada? Homeowners are using mortgage brokers for their financing needs today more than ever, in fact, over one in three Canadian's, and growing every year, are turning to mortgage brokers to shop for the lowest rate and best mortgage on their behalf.

So what exactly does a mortgage broker do?

With any major investment – your home being one of the largest – it's really important to do your research and shop around for the best solution – this is exactly what a mortgage broker does. A skilled broker will work to **understand their clients needs,** shop all the banks and come back with **options** that best meet the long…. and the short-term objectives of the client.

Does this save you time – money?

Financing your home through a mortgage broker rather than a lending institution will definitely save you time and money. It simply makes sense – brokers do the legwork which save you time – one stop. They then they shop your mortgage to the lending institutions who bid on your business, resulting in the best rate; which saves you money. Best of all, our services are FREE for our clients.

So then, who do they really work for? The bank or the client?

We work on behalf of the client – our main purpose is to find the client the best product at the best rate. Unlike a bank employee, or a broker that is tied to a bank, an independent mortgage broker (independent being the key word here) is not chained to any one financial institution thus offering true unbiased advice with the clients best interests in mind.

Are there many mortgage products on the market?

Interestingly, there are over 600 mortgage products on the market each with their own features, benefits, terms and rates. Plus, there are new products launching almost every day - many specialized products for the self-employees, first time buyers to name a few - it's a very dynamic industry.

Does all this mean you are middle-men?

We are actually not middlemen at all. Again, unlike the banks, brokers have direct access to lending institutions – over 75 major lenders across the country in fact with whom we have very strong relationships - and get fast approvals. This grants a greater likelihood of approvals of higher mortgage amounts as well as access to unique products – many only offered through the mortgage broker channel. And because of these relationships and access to hundreds of products, we have greater leverage in negotiating extremely competitive mortgage products, terms and rates.

Sounds great, but how much does all this service cost the client?

I know it sounds too good to be true – a service you benefit from without having to pay – but that is the case. Using the services of a mortgage broker costs the client nothing in the vast majority of cases. The lender pays the broker for placing the mortgage with them. They can do this because it costs the lender much less to fund a mortgage through a mortgage broker than having in house lending reps – they basically save on the overhead. A broker is paid on the size of the mortgage, not the rate – so you can see, getting the best rate for the client is in the best interests of the broker.

So what's the bottom line....
a mortgage broker will give you a better deal than your own bank?

I understand many consumers expect their own bank will give them the best rate and product. The bottom line is that your bank does not have access to all the lenders and products on the market. They typically have a limited number of pre-packaged mortgages available to them. Another way to think about it is this: If you were thinking about buying a car but you didn't know what vehicle you wanted or needed. Would you go straight to one dealer or would you shop around at an auto mall and compare? Now, think about having someone there to take you around, tell you all the differences in the vehicles, dealer services and negotiate on your behalf– without a fee. That is what a mortgage broker does. It simply makes sense and savvy consumers know this.

Banks are not your friends!

I personally was with a large bank for almost 25 years. I had a variable rate mortgage and one day my bank had a terrific rate for a fixed rate product. I called and wanted to get that rate. They said "Mr. Lytton, we can't offer that you our existing clients, we only offer that to entice a new client to come to our bank". And the difference was significant. Within 2 weeks I took my business elsewhere.

Testimonials

What past clients have had to say about me and my service…

L Myers: I had crap credit from a divorce about 10 years ago. Dave gave me some great tips to get my credit back in order. Last month Dave got me a mortgage and back into my own home. Thanks for everything Dave. You're the greatest!

Elena & Richard: After being turned down by my bank, I asked Dave for help with my refinance. Within a couple of days, Dave was able to secure the financing I needed to complete my renovation. The process was quick and easy and I am grateful for the help Dave gave me during a very stressful time. I would happily recommend him without any hesitation.

Martin S: I'm in business for myself which means I write off as much as legally possible to pay the least amount of income tax. I thought this meant I wouldn't qualify for much of a mortgage until I met up with Dave Lytton. Because I had lots of revenue flowing thru my business, Dave was able to get me qualified for over half a million dollars. As long as I need a mortgage, Dave's the guy.

David T: As a new immigrant to this country, I had no idea how the mortgage process works. This is until I spoke to Dave. His knowledge and professionalism was second to none and I will soon be a new home owner. Thanks Dave.

Melissa F: Dave Lytton helped my husband and I get into a home about 8 years ago without any down payment. Although the payments were a little harsh at the time, we hung in there and in today's market, our equity has grown by almost $200,000. We think Dave is a guru.

Dave A: I thought that because I had been with my bank forever, that they were my friend. When my mortgage came up for renewal I wasn't happy with what my bank gave me as a rate and gave Dave Lytton a call. Much to my surprise, Dave got me a better rate at my same bank! And his services are free to boot. I can't imagine why anyone wouldn't think about using a broker. You should give him a call.

Riley P: My husband works while I look after 2 small kids. Saving for a down payment for a house is next to impossible. My dad suggested I talk to Dave Lytton. He had heard some really good things about Dave. So I did. Dave suggested we take out an RRSP loan and then after 3 months, borrow against the RRSP to use for our down payment. Hardly any lenders would allow you to borrow against your RRSP's before the loan was paid off, but Dave found one for us. We just moved into our new home last month. Thanks Dave!