@MR_MORTGAGEGUY

FIRST TIME HOMEBUYERS GUIDE

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CONGRATULATIONS!

Deciding to buy a home for the first time is exciting and nerve wracking all built into one. This simple guide is meant to outline and introduce you to the mortgage process and what to expect once you decide to become a homeowner.

Remember this is just a starting point, an outline. It's my job as a mortgage professional to walk you through step by step to ensure this is a smooth, easy and stress free process.

I want to be there when you need me, to answer all your questions, before, during and even after the mortgage process. I am always happy to help!

Read through and please if you have any questions at all reach out, I'm looking forward to getting started with you.

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WHAT IS A PRE-APPROVAL AND WHY DO YOU NEED IT?

A pre-approval is verifying your income and credit to confirm your affordability to ensure you are shopping for homes you can qualify to purchase, Pre-approvals allow your real estate agent to find the best home in your price range and can help you avoid any surprises and alleviate stress when it comes to the financial side of buying a home.

THE ADVANTAGES OF A PRE-APPROVAL:

- Guarantees a mortgage rate for up to 120 days so you don't have to worry about the interest rate increasing while you hunt for a home
- Gives you a clear sense of how much you are eligible to borrow so you can accurately plan
- Gives you confidence when putting an offer in on a home, especially in a competitive market

WHEN GETTING A PRE-APPROVAL LENDERS REQUIRE PROOF OF:

DOWNPAYMENT - how much are you putting down on the home at the time of purchase

INCOME - how much income you earn

CREDIT - is the lender confident that you are able and will pay them back

Keep in mind that a pre-approval is not a guarantee of financing and does not eliminate the need to make a conditional offer. The home you intend to purchase, along with your supporting information listed above, still need to meet the lenders criteria for being approved.

INFORMATION REQUIRED FOR A PRE-APPROVAL

The following information is needed for a pre-approval and is required from the applicant(s); no proof is necessary at this time,

- FULL LEGAL NAME
- INCOME
- DATE OF BIRTH
- SOCIAL INSURANCE NUMBER
- PURCHASE PRICE AND DOWNPAYMENT
- SUMMARY OF BANKING INFORMATION
- SUMMARY OF ASSETS AND LIABILITIES
- HISTORY OF RESIDENCE AND EMPLOYMENT
- CONDO/MAINTENANCE FEES (IF APPLICABLE)

WHAT HAPPENS NEXT?

This information is submitted to the lender and a preliminary decision is made if you qualify and what you qualify for. A mortgage professional is then able to to obtain the necessary credit file(s) to complete the application, Remember it is important to be open and transparent during this process about any current or past credit issues.

WHY IS IT NECESSARY TO PULL CREDIT?

Credit information allows the mortgage professional to narrow down the lenders and products that best suit your needs and qualifications.

WHAT TO DO AFTER YOUR PRE-APPROVAL

GATHERING INFORMATION FOR THE LENDER

Once you have your pre-approval in place and you have found the home you want to purchase, it is time to gather the information required by the lender so the mortgage can close. Lender requirements can vary depending on the mortgage product and Loan to Value (LTV) and the verification will differ. At this stage we need to confirm the information that was provided during the pre-approval with updated documentation.

INCOME VERIFICATION i.e pay stubs, employment letter, spousal support, copy of previous T4's, etc.

If you are ***commission based*** you will need to provide 2 years personal tax returns and notice of assessments,

If you are ***self-employed*** you will need to provide the same documents as commission based PLUS 2 years business financial statements and if applicable 2 years business tax returns,

PURCHASE AGREEMENT

DOWNPAYMENT VERIFICATION
(see next page for more details)

KEY DOWNPAYMENT INFORMATION

ANY DOWNPAYMENT AMOUNT THAT YOU HAVE TO USE WILL NEED TO BE VERIFIED BY THE LENDER PRIOR TO YOUR MORTGAGE CLOSING. THERE ARE 3 AVENUES IN WHICH YOUR DOWNPAYMENT CAN COME FROM.

OWN RESOURCES: If the downpayment is coming from your own resources such as savings, investments or RRSP's, the lender will want documentation showing that these funds were available 90 days prior to the mortgage closing.

GIFT: If the downpayment is coming from a gift (i.e from family), the funds must be in your possession and a gift letter must be provided to the lender clearly stating that there is no repayment required.

SALE OF EXISTING PROPERTY: If the downpayment is coming from the sale of an existing property then the lender will need to see the purchase agreement (with no conditions) as well as a mortgage statement.

MAKING HOME OWNERSHIP MORE READILY AVAILABLE TO CANADIANS

There are several programs available to Canadians to make home ownership more attainable, such as:

- 5% downpayment (First Time Home Buyers Incentive)
- Extended amortizations for conventional mortgages
- Home Buyers Plan - use your RRSP for a downpayment

Qualifying first time home buyers are able to withdraw up to $25,000 each from their RRSP's without tax penalties, to buy or build a qualifying home. The withdrawn funds aren't taxed but there is a contingency in place where the withdrawn funds must be repaid within 15 years and a minimum annual payment of 1/15th of the withdrawn amount.

CALCULATE YOUR DOWNPAYMENT

SOURCE	VALUE	AMOUNT TO USE FOR DOWNPAYMENT
Bank Account Balance (Chequing and Savings)		
Guaranteed Investments (i.e Canada Savings Bonds)		
Non Registered Investments (i.e stocks)		
Gifts or Other Contributions		
Other Assets		
		TOTAL $ ____________

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UNDERSTANDING THE MORTGAGE TYPES

There are a variety of mortgage products offered by a variety of different lenders, giving home buyers options and flexibility. Together, with a trusted mortgage broker, home buyers can choose a mortgage product that best suits their financial needs and goals. Mortgages can be broken down into the following categories:

FIXED RATE MORTGAGE

A type of mortgage where the interest rate and monthly payments stay the same for the entire mortgage term regardless of whether the market rates go up or down.

VARIABLE RATE MORTGAGE

A type of mortgage where the interest rate is not fixed and instead will fluctuate over the course of the mortgage term based on market conditions. If interest rates go down, more of your monthly payment will go towards the principal; if interest rates go up then more of your payment is applied against your mortgage interest.

CONVERTIBLE RATE MORTGAGE

A type of mortgage that starts at a variable rate and the lender then provides the borrower the option to change it to a fixed rate at specified times during the mortgage term.

OPEN MORTGAGE

A type of mortgage that can be repaid at any time during the life of the mortgage usually without penalties or restrictions. Interest rates are typically higher on an open mortgage because the borrower can pay off the entire amount at any time.

CLOSED MORTGAGE

A type of mortgage that does allow for some prepayment from the borrower without penalty but not the entire amount. The only payments that can be made are the scheduled ones outlined in the mortgage agreement along with the allowed prepayment stated by that lender. Closed mortgages typically have lower interest rates than comparable open mortgages.

CONVENTIONAL VS. HIGH RATIO

Looking at the two different mortgage options

CONVENTIONAL MORTGAGE:

a mortgage that isn't insured by a mortgage default insurer such as CMHC, Sagen or Canada Guaranty and is up to 80% of the homes appraised value or purchase price, whichever is less.

HIGH RATIO MORTGAGE:

a mortgage with a downpayment of less than 20% of the purchase price and is subject to default insurance through CMHC, Sagen or Canada Guaranty, The "high ratio" term refers to the loan-to-value (LTV) ratio which is the difference between the mortgage amount and the purchase price.

NOTE: ALL HOME BUYERS ARE SUBJECT TO A STRESS TEST WHEN PURCHASING A HOME

WHAT IS THE MORTGAGE STRESS TEST?

The mortgage stress test assures the lender that the home buyer would still be able to afford the mortgage at renewal if rates increase during the term.

The rate that every mortgage is qualified with is NOT the rate that you receive on your mortgage.

PAYING FOR YOUR MORTGAGE

WHEN IT COMES TO PAYING OFF YOUR MORTGAGE THERE ARE A VARIETY OF CHOICES AVAILABLE TO YOU. A TRUSTED MORTGAGE BROKER CAN HELP YOU IDENTIFY WHAT WORKS BEST FOR YOU AND YOUR SITUATION.

Amortization: the length of time it takes to pay off a mortgage, including accrued interest and principal on the unpaid balances.

Payment Frequency: most mortgages allow you the option to pay your mortgage at a frequency that suits your needs such as monthly, bi-weekly or weekly.

Term: the length of time you commit to your mortgage rate, conditions and details with your lender.

OTHER OPTIONS TO PAYING OFF YOUR MORTGAGE SOONER

ACCELERATED PAYMENTS:

An accelerated payment is exactly what it sounds like, you make extra payments on your mortgage to pay off the total balance faster. The added benefit of choosing accelerated weekly and bi-weekly payments is that by dividing a regular monthly payment into two or four payments, respectively, an extra payment is made directly against the principal saving you on interest charges.

LUMP SUM PAYMENT:

Most lenders allow the borrower to make a lump sum payment, usually 10% to 20% of the original principal balance, at certain times during your term, once per year. This might be a great option if you get a tax refund, a bonus or an inheritance, for example.

PAYMENT CHANGES:

Most mortgages now allow the amortization to be adjusted, once per year, by increasing the payment 10% to 20%, on closed terms.

INCREASE YOUR PAYMENTS:

Increasing the amount of your scheduled payments, by any amount, helps to pay off your mortgage faster. Depending on the mortgage, you may only be able to increase your payments by a certain amount each year and at specified times during your term. Typically once you increase your payment, it cannot be lowered again until the end of your term,.

! At the end of each year you will receive a mortgage statement from the lender showing exactly how much was applied from each payment to the interest and principal.

UNDERSTANDING THE CLOSING COSTS OF BUYING A HOME

Here is a summary of some of the typical closing costs you may incur on or before the closing date on your home purchase.

- LEGAL FEES
- LAND TRANSFER TAX
- APPRAISAL FEES
- TITLE INSURANCE

Closing costs typically range from 1.5% to sometimes even 4% of the purchase price. In fact it is highly recommended to have between 3% and 4% of the purchase price set aside for these costs as they are paid upfront at the time of closing and cannot be rolled into your mortgage.

FOR EXAMPLE IF YOU PURCHASE A HOME FOR $850,000 IT IS A GOOD IDEA TO HAVE ROUGHLY $25,000 BUDGETED TO COVER CLOSING COSTS.

WHAT ARE CLOSING COSTS?

Closing costs are mandatory costs that are associated with the closing of your mortgage and are the final costs of purchasing a home. Many First Time Home Buyers are often caught off guard by these costs during the final days of closing on a new home and are not adequately prepared.

! It is extremely important to understand these costs so you are properly prepared. You may even want to consider decreasing your downpayment (if possible) to have extra funds on hand to cover these closing costs.

CALCULATING YOUR CLOSING COSTS

HERE IS A LIST TO HELP YOU ESTIMATE THE COSTS YOU MAY ENCOUNTER BEFORE, AT, AND AFTER CLOSING

COSTS	AMOUNT
Downpayment	$
Appraisal Fee (if applicable)	$
Inspection Fee (if applicable)	$
CMHC/Sagen Premium Tax (if applicable)	$
Legal Fees (including title insurance and disbursements)	$
Condo Fee (if applicable)	$
Property Adjustments	$
Moving Expenses	$
Appliances	$
Property Insurance	$
Utility Hook Up Fees	$
ESTIMATED TOTAL	$

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MEET YOUR BROKER

Hi! I'm Tim, With over 15 plus years experience in the mortgage industry, including over a decade with major Canadian banks, I am committed to providing my clients with exceptional service. I pride myself in being accessible and there for when you need me whether it is in the preplanning stages, during the mortgage process or even well after it closes. I am always happy to help!

I strive to offer to my clients more options and mortgage solutions so I am able to provide you with the best mortgage product, either with the bank or with a more unique tailored fit approach, whichever suits your financial goals and needs most.

I am here to help you make informed decisions that are right for you, and my goal is to become your trusted broker for life!

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