Still Renting?

1st Time Home Buyer's Guide

IF CAULIFLOWER CAN BECOME PIZZA... YOU CAN BECOME A HOME OWNER!

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*Knowledge is Power, and Ignorance is **not** Bliss When Purchasing a Home*

This is the time to ask lots of questions. We have the answers you need to make an informed decision. We need to discuss important things like using a Broker vs a Bank branch. What is a fixed mortgage vs a variable mortgage? What can you truly afford and is now the right time to purchase? We work hard to make sure you feel empowered and informed to make the right decision. Rate is only one feature in any mortgage and though we work with you to get the best rate possible, the wrong mortgage could have you paying thousands of dollars in unnecessary penalties and restrictive payment options. We provide solutions, not just rates.

In this workbook you will learn about:

- Types of mortgages
- Who is on your team
- Documents and down payment
- Understanding your credit score
- Steps from pre-approval to getting keys
- Great products like Cashback, Flexdown and Purchase Plus Improvements

This is an exciting journey and we are thrilled to be part of it! We are always happy to have a conversation and answer any questions you may have. Now, let's get started on your home buying journey!

Home Life Mortgages Team

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Why Should I Get Pre-Approved?

Before you fall in love with a property, make sure it's within your financial reach.

A pre-approval will:

- Help you understand your monthly budget and decide what your purchasing power will be. Be mindful that if a lender wants to approve you for higher then you want to go, it is up to you to make sure you are comfortable with the payments.

- Your realtor will know exactly the type of properties to show and it will speed up the process of chosing what could be your 1st home!

- Since your application has been reviewed, you are in a better position to negotiate with the sellers.

- Time is your friend! If there are concerns we need to address, such as improving credit scores or increasing the down payment, we have time. Discussing your intentions before looking for a house could help put you in an even better position if we see some areas to improve and increase the strength of your file.

Based on the information you provide, we will review your purchasing power, budgetary concerns and get prepared to be in a strong negotiating position.

Now you can start house hunting with knowledge and confidence!

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Can I Make a Firm Offer with a Pre-Approval?

Mortgage pre-approvals do not equal firm offers!

In a competitive market, it may be very tempting to purchase with a firm offer after receiving a pre-approval from a lender, but be sure to contact your Mortgage Broker first!

What many clients do not realize is that a pre-approval typically has not been reviewed by the lender. It is a document that has been automatically system generated and more often than not, no client documents have been reviewed.

Realtors should understand this about pre-approvals as well to protect the best interest of their clients. Always try to obtain the condition of financing for a minimum of 3 business days, but aim for 5 business days where possible. If you must go in firm, consult with the client's Mortgage Broker first.

The reasons for always contacting your Mortgage Broker first are listed below:

1. Pre-approvals are system generated. In most cases, the lender has no documents in hand and will not look over the details until the deal becomes live. By the time the client has sent in their documents, there could be discrepancies between what has been provided versus what was entered on the application. For example, the client stated on their application that they are permanent part-time and work 35 hours per week. However, upon calling the employer to confirm the details, the employer states the client is only guaranteed 20 hours per week, or worse, they are not guaranteed any hours. Now their guaranteed income is significantly lower than what was originally disclosed. This could make or break the file.

*As a separate note, for self-employed clients, a review of their past 2 years T1 General and YTD business statements will be required to determine their average income.

For those collecting commission or pension income, investments etc. a review of their corporate tax returns or financials will be needed. This may include their T4As, T4s or T5s. This will help the broker and lenders understand what income can be used. *

2. The location or type of property does not meet lender or insurer guidelines. There have been instances where a client's income and ratios meet lender guidelines but have been declined because the property does not meet requirements. For example, a client would like to purchase a condo and receives an automated pre-approval. The client then puts in a firm offer on a condo (s)he loves, but is declined by the lender because once the purchase agreement has been received, the condo is deemed student housing and the lender is unable to finance the deal. Alternatively, the lender may have a funding cap for that specific building, or perhaps the building comes with a bad stigma. In the end, the client loses their deposit and there could be legal implications as well.

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3. Property taxes and condo fees are always estimated until a deal is live. If the client's GDS/TDS ratios are at maximum, and the house the client puts a firm offer on is a property where the taxes or condo fees are not in line with the amount on the application, the deal may fall through. For example, when submitting for the pre-approval, the broker estimates based on the mortgage amount and the area the client is looking in, that estimating $5000 for property taxes would be acceptable. The client is at the top of their financing range and cannot exceed that amount. However, the client selects a property where the annual taxes are closer to $7000. Suddenly the ratios are out of line and the financing is declined. Had the client submitted a firm offer, the deal would have fallen through.

4. The client owns other properties not disclosed. There have been instances where clients forget to mention other properties where they are on title. For example, the client co-signed on a mortgage for a friend 5 years ago and since their friend has been paying the mortgage all this time without problem, the client forgets they are still listed on title and does not disclose this property on their application. The client's debt servicing could be severely impacted as the mortgage, property tax and heat (also condo fees where applicable) for the undisclosed property must be included in their liabilities.

HELPFUL HINTS

GDS (Gross Debt Service) & TDS (Total Debt Service)- What are they?

GDS and TDS are ratios implemented by the Canadian government that determine the maximum amount a borrower qualifies for. GDS is calculated by the amount of your mortgage payments (principal and interest), property taxes and heat divided by income and cannot exceed 39%. TDS is calculated by the amount of your mortgage payments (principal and interest), property taxes, heat and debt (this does not include other utilities, insurance, investment contributions, telecommunication company bills etc.) divided by income and cannot exceed 44%. If you are putting less than 20% down toward the purchase of your home, your mortgage is "high-ratio" and will need to be covered by mortgage default insurance by one of Canada's mortgage insurers: CMHC, Canada Guaranty or Genworth. This is an additional premium added to your mortgage and must be included in the above-mentioned ratios. There are no exceptions to the GDS and TDS ratios when dealing with a high ratio mortgage.

If you are putting 20% or more toward your down payment, your mortgage is non-insured – otherwise known as "conventional".

If your credit score is 680+, your ratios can be as high as outlined above. There can be exceptions with conventional mortgages.

Be sure to keep in mind that lenders and insurers reserve the right to request any and all additional items prior to closing and can choose to interpret your documents according to their risk appetite and guidelines. Some underwriters choose to think outside the box and provide exceptions, some do not. This is not something your broker has control over.

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Who's better?

The Bank or The Broker

The right mortgage is a critical factor determining long-term savings. The value of a professional Mortgage Broker comes from having someone who objectively works for you and is not limited to mortgage product offerings from one source; like a bank.

Advice on choosing the right mortgage option considers interest rate, payment privileges, payment penalties, long term savings and more.

Feature	Broker Services	Bank Services
Product Choice & Access	• Access to over 50 lenders (including banks!) • Rate promotions	• Limited access to the bank's line of mortgage products
Rates	• Works for you (the client!)	• Works for the bank
Independence & Objectivity	• Offer the best rate in the market	• Offer the rate for that specific bank only.
Ongoing Service	• Keep in touch through the mortgage years for reviews, refinancing, renovations or debt consolidation	• Get annual statement in the mail
Cost*	• No cost (we are paid by the lender that funds your mortgage)	• No cost

* on qualified applications

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3 EASY STEPS TO HOME OWNERSHIP

SELECT YOUR MORTGAGE SOLUTION

- Open vs. Closed Mortgage
- Fixed vs. Variable Interest
- Amortization & Term
- Payment Amount & Frequency
- Penalties & Restrictions
- Additional Products

CALCULATE YOUR BUDGET

- Finalize Down Payment Amount
- Confirm Down Payment Source (Gift, Savings, RSPs)
- Establish Purchase Price & Total Mortgage Amount
- Learn Tips & Tricks to Reduce Interest
- Review Closing Costs, Insurance, Land Transfer Tax & Legal Fees

PURCHASE & APPROVAL

- Submit Mortgage Application for Pre-Approval
- Work with Realtor to Negotiate Price
- Submit all Relevant Documents

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Who’s on your team?

Surround yourself with professionals to help you!

Real Estate Agent: An agent can help you find a home, tell you about the community, make an offer for you and negotiate the best deal. While looking for an agent, don’t be afraid to ask questions. Normally, the seller pays the commission to the agent, but some agents also charge buyers for their services. We work with some amazing Realtors and would be happy to connect you with the perfect match!

Insurance Broker: You will need property insurance to cover the replacement cost of your home and its contents in case of loss. It is also a good idea to get life insurance, which will protect your family if you die before your mortgage is paid off. We will discuss types of insurances further in the book.

Home Inspector: Whether you’re buying a new or a resale home, you should have it inspected by a professional home inspector. The inspector will assess the condition of the house and tell you if any major repairs or replacements are needed. A home inspection typically costs between $300-400.

Appraiser: The lender may require the home to be appraised so that they are confident in the value and condition of the home. This cost is usually $300-$400.

Lawyer: A lawyer will protect your legal interest. They make sure that the property you want to buy is free of any liens or charges. A lawyer will work with the lender’s lawyer to complete your mortgage needs.

Mortgage Broker (hopefully us!): There are many lending sources for mortgages, including banks, trust companies, credit unions and pension funds. Each offers different terms and options so we will shop and find the one that suits your needs best.

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WHAT NOT TO DO WHEN CLOSING A MORTGAGE

So, we have found a great lender for you that meets your current mortgage goals and lifestyle, the lender is satisfied with all the supporting documents and we are broker complete. The only thing left for you to do is sign with the lawyer and wait for the lawyer to advance the funds of the mortgage. During this time between your financing complete date and your closing date, there are a few things you should never do that could jeopardize your deal with the lender. You do not want to do anything that could cancel your new mortgage.

1 CHANGE YOUR MARITAL STATUS

Any changes to marital status mean there could be extra supporting documents that will be required.

2 CHANGE JOBS

If you are taking a lower paying position or moving to a different field, you will most likely be requiered to complete your probation period and any changes to income will change your debt servicing ratios and could cause your mortgage to be denied!

3 SWITCH BANKS OR MOVE YOUR MONEY

After the lender has verified your funds are with the institution, the money should remain there until needed for the purchase.

4 MAKE LARGE PURCHASES

Any major purchases that require a withdrawal from your funds or increases your debt and/or lower your credit score can result in you not qualifying for your mortgage. This means no buying a new car, boat, or trailer that you've been eyeing.

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5 CO-SIGN NEW LOANS

When you co-sign, how the loan is paid will effect your credit score, as well as your debt servicing ratios. If the person you co-signed for ever misses payments, you become liable to pay them.

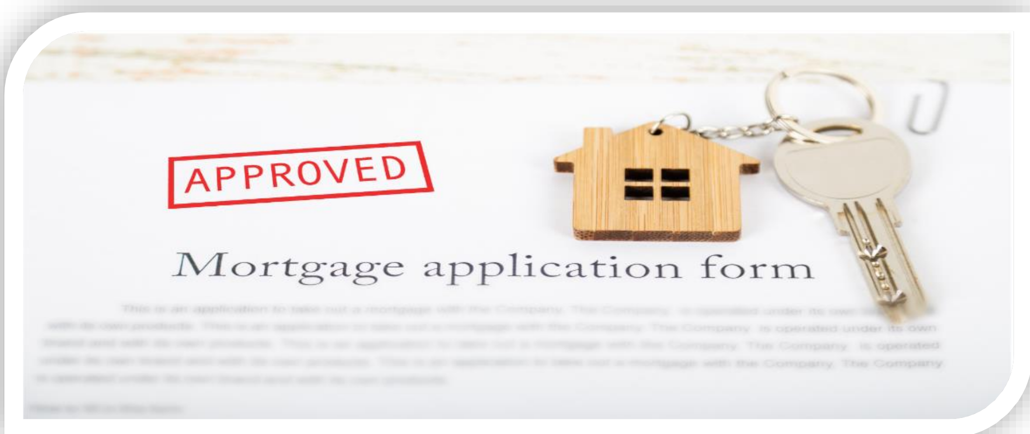
6 PAY BILLS LATE, OR NOT AT ALL

If you choose not to make your payments, it will reflect on your credit bureau and can put your mortgage approval at risk!

7 APPLY FOR NEW CREDIT CARDS

Applying for new credit products will impact your credit score and again, can put your mortgage approval at risk of being declined.

Life happens. Lenders understand this for the most part. Throughout the mortgage process, they need to be kept in the loop to any changes that may happen. There are many situations where lenders can work to find a solution. Those listed above could result in the deal being cancelled. If your offer has already been accepted and the financing condition removed, you may be left going to a private lender to prevent the loss of your deposit and potential law suits. By securing private funds, your monthly payment could double or triple and ultimately could cost you thousands more in interest.



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Insurance: Home, Life, Mortgage and High Ratio…ugh?

Death and taxes, am I right? Add insurance to the list of things that are inevitable.

There are 4 types we will explore.

Home Insurance: Insurance to protect the property and replacement cost of your home and contents in case of loss.

Life Insurance: An independent insurance policy for a set amount of money and length of time that will go to your Estate after you die. Highly recommended to protect your loved ones.

Mortgage Insurance: Similar to life insurance but is paid to the lender to cover the balance of your mortgage if you pass away. We will discuss the difference when we are doing a mortgage application and you can make the best informed decision for your needs.

High-Ratio Insurance: When you purchase with less than 20% down payment, the mortgage needs to also be insured by a government insurer (the most common one known is CMHC). This fee is rolled into the mortgage and not paid separately at the lawyer’s office. Your credit score, income vs debt ratios, and down payment must meet their guidelines to be approved for the mortgage.

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MORTGAGE LOAN INSURANCE

- In Canada, if you are purchasing a house with less than 20% down payment, you are required to pay a mortgage insurance premium. This is insurance that protects the lender in the event of default.
- In Canada, there are three mortgage insurers: Canadian Mortgage and Housing Corporation (CMHC), Canada Guaranty, and Sagen (formerly Genworth).
- Homes that cost $1,000,000 or more do not require mortgage insurance as they must have a minimum 20% down payment.

Down Payment	Mortgage Insurance Premium
5% - 9.99%	4.0%
10% - 14.99%	3.1%
15% - 19.99%	2.8%
20% or higher	0.0%

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Land Transfer Tax

What is it?

When you purchase land, you pay a fee to transfer the land to your name when the transaction closes. This must be paid in cash upon closing and CANNOT make up part of the mortgage.

Land transfer tax is based on the amount paid for the land and is arranged by your lawyer. Land transfer tax is ALWAYS paid by the buyer, never the seller.

First-Time Home Buyers

First-time homebuyers can receive a rebate of up to $4000 toward their land transfer tax.

Buying in Toronto?

If you are buying a home in Toronto, you are required to pay a municipal land transfer tax on top of the provincial land transfer tax. Be sure you include funds in your budget for both!

To calculate your land transfer tax, visit: https://www.landtransfertax.com/

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BUYING A CONDO

Condo Maintenance Fees

These fees pay for building management and maintenance of common areas (like fitness centres, laundry facilities, grass cutting, snow removal etc.). These fees are typically paid on a monthly basis and can reach $1.00/sq.ft. **Keep in mind, these fees can be significant and will impact the amount of mortgage financing you are eligible for.**

Status Certificates

This is a legal document provided by the condo corporation outlining condo bylaws, lawsuits etc. Your lawyer will review and let you know of any areas of concern and then work with your realtor to resolve any issues.

Special Assessments

If there are large repairs or improvements that become necessary, the condo board can charge a one-time fee over and above your monthly condo fees.

Reserve Funds

Condo companies will typically have a cushion of funds they use for emergencies. These funds are held in reserve and are used to manage long-term projects.

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Buying Pre-Construction

CUSTOMIZATION

The best part about buying a pre-construction home is that you get to customize all the finishes. From paint to flooring, your choices will determine the style of your brand new home! Additionally, your upgrades will also improve your future resale value! Talk about a win-win!

THINGS TO KEEP IN MIND

1. **Delays:** Construction projects are often delayed. Become familiar with your warranty as it will outline what acceptable and when/if you will be compensated.

2. **Additional Fees:** There could be development levies or occupancy fees depending on if you are purchasing a freehold or condominium. Your realtor will help you navigate any additional fees that may come up.

3. **Deposits:** You may have to pay up to 25% of the purchase price in deposits during the build. Your Mortgage Broker will help you to successfully navigate these deposits.

WARRANTIES

Tarion is Ontario's new home warranty provider. They set guidelines on acceptable closing delays and specify if you will be compensated. Be sure to ask the builder any questions you may have about the warranty, so there are no surprises!

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Insurance: Protecting Yourself and Your Family

Your offer gets accepted, your financing is in place, home inspection is a breeze and you waive all conditions on your purchase. You are the proud owner of your new home! What could go wrong, right?!

We never want to think anything could happen to us, but the reality is that death or an accident that leaves you temporarily or permanently disabled can happen at any time. Life Insurance can protect your loved ones from having the financial burden of trying to pay for a home on one, or no income, or worst of all, having to sell. Disability Insurance can protect income in the event of a disability and make your mortgage payments for you for up to 24 months. What a relief to not have to worry about anything but grieving or healing.

What is the difference between Mortgage Life Insurance and other Life Insurance coverage?

Some examples:

Mortgage Protection	Life Insurance (Term)
• In the even of death your mortgage balance would be paid in full	• Depending on the amount may or may not cover your mortgage balance
• Beneficiary – Mortgage Lender	• Beneficiary – You designate a named beneficiary, your Estate or a combination
• Can potentially be transferred to a different lender	• Stays in place no matter where you hold your mortgage
• Applied for with your Mortgage Broker, coverage can start immediately or when your mortgage funds	• Consult a licenced Insurance Broker to determine your best coverage – can take time to put in place, temporary coverage may be available

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Common Questions About Insurance

What if I have coverage at work?

Workplace coverage is great, but it is usually not enough to cover all insurance needs, such as paying off your mortgage, funding income replacement and educational needs, funeral expenses etc. Also, consider if you are unexceptedly laid off and your coverage ends…remember, no one saw Covid coming in 2020.

Can I think about it and add it later if I need it?

Of course. However, this rarely happens. We always think we are healthy or that we will put things in place in plenty of time yet, it rarely happens that we think about it again until there is a life event that forces it. Accepting coverage at the time of purchase protects you and your loved ones and you can cancel at a later date if you want. There is also a 60 day money back guarantee.

I don't think I can afford it?

The cost of not having insurance in the event of a death or disability will far outweigh the monthly expense now. How can we make it fit your budget? Let's work together to figure it out.

Let's discuss how Mortgage Protection can benefit you and your family, and protect what is not just a large financial investment, but your home.

1 in 5 households would have financial troubles if a primary wage earner suddenly died. [1]

1 in 3 Canadians will be disabled for 90 days or more before age 65. [2]

1 LIMRA, Canadian Facts About Life, 2019
2 Canada Life and Health Insurance Association, A guide to disability insurance, January 2016

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Getting Organized – Document Checklist

We won't ask for a blood sample but be parpared to supply the documents the lender needs to support your down payment and income. This can be an aggravating experience for clients who don't have the required documents on hand. Let's plan upfront to collect the documents so we can finalize your mortgage quickly, more efficiently and stress free.

❑ Identification

- Full legal name on two pieces of I.D.

❑ Property Details (if known)

- Agreemet of Purchase & Sale and the MLS listing

❑ Employment/Income Documents

- Job letter on letterhead stating your position, start date, rate of pay and contact information for your employer.
- Recent pay stub (within 30 days)
- Additional items may be asked for such as: 2 years T4s, Notice of Assessments and T1 Generals

❑ Commission/Seasonal or Self-Employed

- 2 years Notice of Assessment
- 2 years Business Financials (T1 General showing business activities)
- Articles of Incorporation/Business Licenses

❑ Down Payment & Closing Costs Funds

- Gift – a signed gift letter by the person providing the gift (the lender will provide the letter to be signed)
- Savings/Investments – 3 month history via bank or investment statements showing your name/account number.
- Any large bank deposits must be able to provide source of deposits.

❑ Other Income Docs

- Alimony or Separation Agreement if you owe or receive support payments
- Child Tax Credit will require the CRA statement and 3 months bank statements.

TIP:

It may help to keep a notebook with your "To Do" list. You will be asked to gather information, such as the items listed here and possibly more. Having a list with deadlines on everything will keep you moving forward. You can also write down important conversation points, contact for your team and questions

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5 Tips for a Smooth Move!

1. **Make a list!** Be organized in what needs to be done and assign the tasks to family members. Go room by room to decide if it is just basic packing or is there more that needs to be done (decluttering the basement, sweeping out the shed, disposing of old paints and batteries from the garage etc).

2. **Pack a Moving Day Survival Kit.**
   - Kitchen: A few mugs, coffee/tea, kettle, spoons, napkins and a cooler of cold drinks and snacks.
   - Bathrooms: Toilet paper, soap, shampoo, toothbrushes and a few towels. After a long day a nice hot shower may help you sleep!
   - Bedrooms: Pillows and bed linen, a change of clothes for tomorrow and PJs for moving night.
   - From the Toolbox: Scissors, tape, hammer, screwdrivers, utility knife and an Allen key set.
   - Misc: Cleaning supplies, pen, paper, a few light bulbs, pet food and dishes.

3. **Declutter in advance!** Take the time to purge now so that items you no longer need or want don't come with you to the new home.

4. **Don't over pack boxes!** It can be tempting to fill the boxes to the brim but overloading boxes can make them heavy and potentially hurt the person carrying them and damage your items.

5. **Label the boxes**! Don't just mark a box as Kitchen, add some bullet point descriptions so when you start to unpack you can stay organized and unpack in order.

Bonus tips: If you have children, maybe this is the perfect time for a sleepover at the grandparents! Another tip if your budget and location allow, is to consider a hotel for the night. A good sleep and a hot shower with breakfast could rejuvenate you for a busy and productive 2nd day of unpacking!

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The Ten Commandments of Mortgage Lending

10 Steps to Help You Avoid Disaster During the Mortgage Process

Thou Shall Not change jobs or become self employed

Thou Shall Not buy a new vehicle unless you plan to live in it

Thou Shall Not use your credit cards or let your payments fall behind

Thou Shall Not spend money you have saved for your down payment, get a gift for closing or take a new loan without first consulting us!

Thou Shall Not buy furniture before you buy your house

Thou Shall Not make any large deposits into your bank account unless you can document the origin of the money (basically anything that is not payroll)

Thou Shall Not originate any new inquiries on your credit report

Thou Shall Not take an unexplained leave of absent from work

Thou Shall Not co-sign for anyone

Thou Shall Not purchase anything of substantial cost before closing

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Flex Down Payment & Cash Back Options

The great debate: pay down debt or save a down payment?

Here are two options to explore:

FLEX DOWN PAYMENT: A flex down mortgage option is a great way to get into a primary residence without having the down payment saved up. With this program, you borrow the 5% down payment through a loan or line of credit separate of the mortgage. We then add a monthly repayment obiligation in your liability section of the application of 3%.

For example: You purchase for $400,000 and need to borrow $15,000 from a line of credit. We have to add the $15,000 line of credit in the liabilities with a $450 monthly payment. We then confirm that your income still allows for the $450 payment and the mortgage/property taxes/utilities.

CASHBACK MORTGAGE: Another option that has been popular is a cashback mortgage to help lower some debts at the time of closing and help with closing costs. The funds can't be used for down payment, but allows us to use your cash back to pay off debts. This way you don’t necessarily need to pay down debts and can instead focus on saving the down payment. When we do an application, if it makes more sense to have a bigger down payment, we can focus on savings but if paying off a car loan or a high interest credit card makes sense, then we can plan to use the cashback to knock them off.

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PURCHASE PLUS IMPROVEMENTS MORTGAGE

Borrow up to $40,000 on the purchase price!

Don’t miss out on a gem because you don’t like the kitchen!

A Purchase Plus Improvements Mortgage allows qualified purchases to borrow up to $40,000 towards improvements to be completed after the closing date.

STEP 1: Obtain a mortgage pre-approval to determine your maximum purchasing power.

STEP 2: Find a home and have an idea what the renovation costs will be. The purchase price plus the renovations can not exceed your maximum approval from Step 1. Lenders will need quotes of the work you want done from companies so the lender knows the amount to add to the purchase price. For example if you purchase for $450,000 and want to do $35,000 in renos with a new roof, bathroom updating and new floors, then the new mortgage is set for $485,000 (and your 5% down payment is based on $485,000 not the original $450,000). No quotes means no extra funds, so make sure you are ready to get contractors to provide quotes when you are going to put an offer in on the home.

STEP 3: After the closing date you can start renovations! The additional reno funds are held at the lawyer’s office and not given to you yet. First you need to do the work, have an inspection for the lender to agree that the work is complete and then the lawyer will give you the funds. The lender will receive an inspection report from an appraiser (this is your cost and will be approximately $100-150). The lender needs to confirm that the work was completed in a good manner and as per the quotes provided. Once they sign off, the lawyer will give you the funds to pay your contractor.

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The 5 C's of Credit

It is important to understand how a lender looks at you and your credit score.
Here are the 5 elements that make up their decision whether you are a good investment for them:

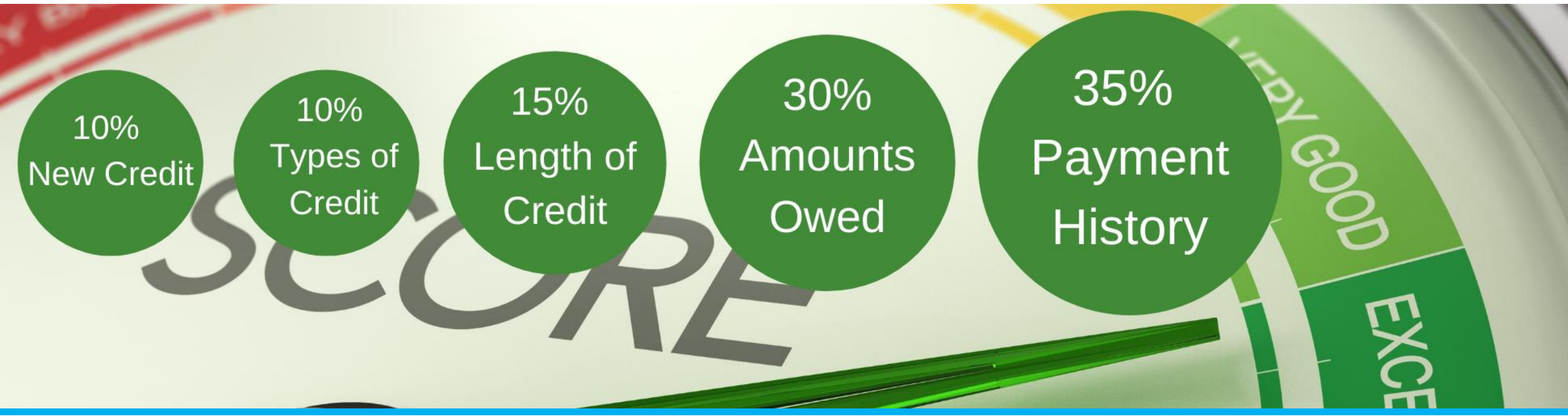
Capacity: Be prepared to show a lender that you can afford your payments. We will look at your income from all sources and compare that with your monthly financial obligations.

Capital: Your down payment demonstrates that you can save and accumulate assests.

Collateral: Lenders want to ensure that the property is marketable and can be resold.

Credit: Your credit score demonstrates to the lender your history of paying debt obligations.

Character: Are you sufficiently trustworthy to meet your financial obligation to the mortgage payments? They will look at your story to understand your income, living situation and down payment.



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Understand your budget and what home ownership will look like

Home	Monthly		Transportation	Monthly	Miscellaneous	Monthly
Rent/Mortgage	$		Car Payment	$	Gifts/Holidays	$
Secured Line of Credit	$		Gas	$	Life Insurance	$
Property Taxes	$		Repair/Maintenance	$	Entertainment Out	$
Condo Fees	$		License	$	Hobbies	$
Hydro	$		Public Transport	$	Postage	$
Heat	$		Auto Insurance	$	Donations	$
Home Phone	$		Total	$	Memberships/Clubs	$
Cell Phone	$			$	Vitamins	$
Internet	$		Child Related	$	Toiletries	$
Cable	$		Education/Tuition	$	Hair/Nails	$
Security System	$		School Lunches	$	Pet Care	$
Home Insurance	$		Sports/Lessons	$	Subscriptions (magazines etc.	$
Water	$		Field Trips	$	Credit Card Loans	$
Landscaping/Snow Removal	$		Toys/Games	$	Student Loans	$
Repairs/Maintenance	$		Club Dues	$	Spousal Support	$
House Cleaning	$		Clothing	$	Child Support	$
Misc. IE: Pool	$		Medical	$	Financial Planning	$
Total	$		Dental	$	Vacation Budget	$
	$		Optometry	$	Classes/Lessons	$
Food Expenses	$		Prescriptions	$	Dental/Optometry	$
Groceries	$		Allowances	$	Prescriptions	$
Dining Out	$		Misc.	$	Service Fees (banks, investments etc.)	$
Total	$		Total	$	Total	$

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Common Mortgage Terms : Glossary

TYPES OF INTEREST RATES

- **Fixed Rate –** The rate doesn't change for the term of the mortgage
- **Variable Rate** – The interest rate fluctuates with market rates.

OPEN AND CLOSED MORTGAGES

- **Open Mortgage** – You can pay off your mortgage in full or in part at any time without any penalties.
- **Closed Mortgage** – Offers limited (or no) options to pay off your mortgage early in full or in part, but it usually has a lower interest rate. 99% of mortgages are set up this way.

CONVENTIONAL AND HIGH-RATIO MORTGAGES

- **Conventional Mortgage** – A loan that is equal to or less than 80% of the lending value of a home. This requires a down payment of at least 20%.
- **High-ratio Mortgage** – A loan that is over 80% of the lending value of a home. This means the down payment is less than 20%and will likely require mortgage loan insurance.

AMORTIZATION PERIOD – The length of time you agree to take to pay off your mortgage (usually 25 years or 30 years).

APPLICATION – A form used to apply for a mortgage. It includes all of the relevant personal and financial information of the person applying.

APPRAISAL/APPRASIER – An estimate of the current market value of a home and the certified professional who does it.

BEACON SCORE/CREDIT SCORE – This is the credit scoring method used on your credit bureau that determines your rating as a credit risk. The score is based on an algorithm that includes repayment history, the number of trades in use, length of time credit was granted, credit availability along with outstanding balances, and many other factors. Lenders look at beacon scores above 680 as low credit risk and beacon scores below 680 as a higher credit risk.

CANADA MORTGAGE AND HOUSING CORPORATION (CMHC) – As Canada's authority on housing, CMHC contributes to the stability of the housing market and financial system, provides support for Canadians in housing need and offers objective housing research and information to Canadian governments, consumers and the housing industry.

CLOSING COSTS – The legal fees, transfer fees, disbursements and other costs that must be paid when buying a home. These are in addition to the down payment and the GST, PST and HST if applicable. Closing costs are due on the day the buyer officially takes ownership of the home, and they usually range from 1.5% to 4% of the purchase price.

CLOSING DATE – The date of the sale of the property becomes final and the new owner takes possession of the home.

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COLLATERAL MORTGAGE – Also referred to as a collateral loan, this is a "type" of registration. Collateral mortgages are registered in place of a first mortgage and can be one charge or a 1st with a LOC. In many cases collateral mortgages are registered for more than the mortgage amount. The standard charge terms will be different from those mortgages registered as a first mortgage. If your client is looking to switch their collateral mortgage, you must use the "Enhanced Transfer Program." Upon completion of the Enhanced Transfer, the collateral mortgage/loan will be discharged and a new first mortgage will be registered against the property for the loan amount.

COMMITMENT LETTER (OR MORTGAGE APPROVAL) – A written notification from a lender to a borrower that says a mortgage loan of a specific amount is approved under specific terms and conditions.

COMPOUND INTEREST – Interest that is calculated on both the original principal and the interest that has already been earned (or accrued) on the principal.

CONDITIONAL OFFER – An offer to purchase a home that includes one or more conditions (for example, a condition that the buyer is able to get a mortgage) that must be met before the sale can be officially completed.

CONDOMINIUM – A type of homeownership where people own the unit they live in and share ownership of all common areas with the other owners. Common areas can include parking facilities, hallways, elevators, lobbies, gyms, swimming pools, and the grounds or landscaping.

CONVENTIONAL MORTGAGE – A mortgage loan equal to or less than 80% of the value of a property (that is where the down payment is 20%). Conventional mortgages don't usually require mortgage loan insurance.

DEPOSIT – Money that a buyer places in trust to show they are serious when they make an offer to purchase a home. The deposit is held by the real estate agent or lawyer until the sale is complete, and then it's transferred to the seller.

DOWN PAYMENT – The portion of the home's purchase price that is not financed by a mortgage loan. The buyer must pay the down payment from their own funds (or other eligible sources) before securing a mortgage.

EQUITY – The cash value that a homeowner has in their home after subtracting the amount of the mortgage or other debts owed on the property. Equity usually increases over time as the mortgage loan is gradually paid. Changes in overall market values or improvements to a home can also affect the value of the equity.

FREEHOLD – A form of homeownership where the homeowner buys the right to have full and exclusive ownership of a home for an indefinite period. Freehold is in contrast to leasehold ownership, which gives the homeowner the right to use and occupy the land and building for only a limited defined period.

GROSS DEBT SERVICE (GDS) – This is the total of the monthly financial obligation against the property, mortgage payment, taxes, heat, and 50% of the condo fees if applicable. Total monthly expenses are divided by the total monthly income. See 'Total Debt Service (TDS)'.

HIGH RATIO MORTGAGE – A mortgage loan for more than 80% of the value of the home. (That is where the down payment is less than 20%). A high ratio mortgage usually has to be insured against default with mortgage loan insurance provided by CMHC or a private company.

HOME INSPECTION/HOME INSPECTOR – A thorough examination and assessment of a home's stage and condition by a qualified professional. The examination includes the home's structural, mechanical and electrical systems. A Home Inspector is the certified professional who does the inspection.

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INSURANCE BROKER – A professional who can help homeowners choose and buy different types of insurance, including property insurance, life and disability insurance and mortgage loan insurance.

INTEREST – The cost of borrowing money. Interest is usually paid to the lender in regular installments along with repayment of the principal (that is, the amount of the original loan).

INTEREST RATE – The rate used to calculate how much a borrower has to pay a lender for the use of the money being loaned to them.

LAND TRANSFER TAX – A tax charged by many provinces and municipalities (usually a percentage of the purchase price) that the buyer must pay upon closing).

LAWYER – A legal advisor (usually replaced by a notary in Quebec) who is licensed to practice law and who will protect legal interests and review any contracts.

LENDER – A bank, trust company, credit union, caisse populaire, pension fund, insurance company, finance company or other institution that loans people money to buy a home.

LINE OF CREDIT (LOC) – LOC is a personal line of credit that is either unsecured or secured against a property.

LOAN TO VALUE (LTV) – This is the difference between the value of the property and the amount of mortgage registered against it. Property value $100,000 vs Mortgage Amount of $80,000 equates to an 80% LTV.

LUMP SUM PRE-PAYMENTS – An extra payment that is made to reduce the principal balance of a mortgage with or without a penalty. Lump sum payments can help borrowers save on interest costs and pay off their mortgage sooner.

MATURITY DATE – The last day of the term of a mortgage. The mortgage loan must either be paid in full, renegotiated or renewed on this day.

MORTGAGE – A loan given by a lender to a buyer to help with the purchase of a home or property. The mortgage loan is usually repaid in regular payments that generally include both the principal and interest.

MORTGAGE BROKER – A professional who works with many different lenders to find a mortgage that best suits the needs of the borrower. www.homelifemortgages.ca is our team website

MORTGAGE LIFE INSURANCE – Insurance that protects the family of a borrower by paying off the mortgage if the borrower dies.

MORTGAGE LOAN INSURANCE – Insurance that protects a lender against default on a mortgage. Mortgage loan insurance is provided by CMHC or a private company and is usually required for any mortgage where the down payment is less than 20% of the purchase price. Mortgage loan insurance helps Canadians purchase homes earlier and at interest rates that are comparable to buyers with a larger down payment.

MORTGAGE PAYMENT – A regularly scheduled payment that usually includes both the principal and the interest.

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MORTGAGE TERM – The length of time that the options and interest rate you choose are in effect. When the term is up, you can renegotiate your mortgage and choose the same or different options.

OFFER TO PURCHASE – A written contract that sets out the terms and conditions under which a buyer agrees to buy a home. If the offer is accepted by the seller, it becomes a legally binding agreement.

PAYMENT SCHEDULE – The schedule a buyer agrees to follow to pay back their mortgage loan. In most schedules, mortgage payments are made weekly, every two weeks or once a month.

PORTABILITY – An option that lets you transfer or switch your mortgage to another home with little or no penalty when you sell your existing home. Mortgage loan insurance can also be transferred to the new home.

PRE-APPROVAL – This gets fuzzy between lenders. Some lenders underwrite a pre-approval and some still treat these applications as a Rate Hold. Always confirm with your lender whether they underwrite the pre-approval or not. In the case of a BFS application, you may want the pre-approval underwritten to get a sense of what the lender will use for income. A pre-approval is only good if the correct information is supplied. If the borrower cannot meet the conditions of the pre-approval based on the information you supplied, the pre-approval will be null and void.

PRE-PAYMENT OPTIONS – The ability to make extra payments, increase your payments or pay off your mortgage early without incurring a penalty.

PRE-PAYMENT PENALTY – A fee charged by your lender if you pay more money on your mortgage than the pre-payment option allows.

PROPERTY TAXES – Taxes that are charged by the municipality based on the value of the home. In some cases, the lender will collect property taxes as part of the borrower's mortgage payments and then pay the taxes to the municipality on the borrower's behalf.

REFINANCING –The process of paying out the existing mortgage for purposes of establishing a new mortgage on the same property under new terms and conditions. This is usually done when a client requires additional funds. The client may be subject to a pre=payment cost.

RENEWAL/RENEWING – Once the original term of your mortgage expires, you have the option of renewing it with the original lender or paying off all of the balance outstanding.

TITLE – A document that gives the holder legal ownership of a property.

TITLE INSURANCE – Insurance against losses or damages that could occur because of anything that affects the title to a property (for example, a defect in the title or any liens, encumbrances or servitudes registered against the legal title to a home.

TOTAL DEBT SERVICE (TDS) – This is the total of the monthly financial obligation against the property and any "other" monthly obligations, car loans, RRSP loans, personal lines of credit, and credit cards. You must also include any spousal support or child support in this calculation. Total monthly expenses of both property and personal divided by the total monthly income.

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Buying a home is a very exciting time and we are thrilled to be part of your team!

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