

Top 10 Reasons to Work with a Mortgage Broker

Mortgage Brokers...

1. have access to discounted rates and products to save you money.
2. have relationships with more than 45 banks, credit unions, and private lenders to ensure that you get the mortgage best suited to your financial needs and goals, regardless of your situation.
3. offer their wealth of knowledge to help you understand mortgage products and terms.
4. monitor rates and product options right up until completion; streamlining the process while saving you a lot of time, money, and frustration.
5. charge no fees to you, the client, on first mortgages.
6. will hold your pre-approval rate for 120 days, protecting you from market fluctuations.
7. work flexible days and times to be available to you on your schedule.
8. show you how to save money on your mortgage.
9. pull only one credit bureau report, which protects your credit rating.
10. work and shop for you, so you don't have to.

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A Message from Cindy & Michael

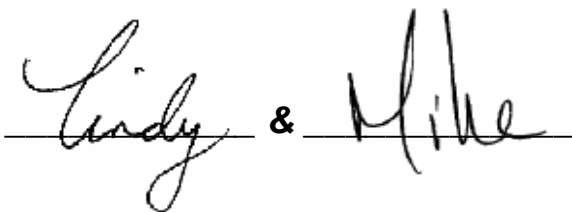
Dear Homebuyer,

We know that buying a home can be an exciting yet stressful time. Our team has created this industry guide to help you on your road to home ownership.

We sincerely hope that the information, suggestions, and worksheets provided make your journey enjoyable and fruitful.

On behalf of the team at Verico Coastal Mortgages, we look forward to helping you achieve your mortgage goals.

All the best,



***Cindy Faulkner & Michael Donovan
Verico Coastal Mortgages***

Who We Are

Cindy Faulkner is co-owner and President of Verico Coastal Mortgages. Involved in the mortgage brokering and real estate industry since 1989, she offers her clients unmatched expertise paired with invaluable knowledge. She holds an Accredited Mortgage Professional designation and is a member of the Mortgage Brokers Association of British Columbia (MBABC) and the Canadian Association of Accredited Mortgage Professionals (CAAMP). As one of Canada's top brokers, Cindy knows how to find the perfect mortgage to match each client's individual needs.

Michael Donovan is co-owner and Vice President of Sales for Verico Coastal Mortgages. His clients benefit from his decade of experience in the commodities and lending industries. Michael holds a commerce degree from the University of Western Ontario and is an Accredited Mortgage Professional. As a mortgage expert, Michael has helped hundreds of clients meet their home equity needs.

Verico Coastal Mortgages is *"Your Mortgage Manager For Life!"*

Our Mission Statement:

Verico Coastal Mortgages is *"Your Mortgage Manager For Life", embracing individual clients with our personalized service and fundamental education.*

5 Basic Steps to Home Ownership

You've decided to jump into the real estate market but aren't sure what you need to do? Here's a very simplified step-by-step guide including who is responsible for each step of your mortgage transaction and property purchase. You'll find a more in-depth explanation of each step on the pages that follow.

STEP ONE: Contact a Mortgage Broker

- A. Contact a mortgage broker (Verico Coastal Mortgages).
Brokers have a very good grasp of the market and can determine what mortgage amount you can afford. They'll walk you through your application and send it to a variety of mortgage lenders for pre-approval to ensure you qualify for a mortgage. (For a more detailed explanation of pre-approvals, please turn to page 18 of the following section entitled: Mortgages Made Simple).
- B. Submit your supporting documents (job letter, pay stubs, Notice of Assessments, down payment, etc.) to your mortgage broker.

STEP TWO: Work with a Realtor to Find a Home

- A. Meet with a realtor, inform them of the amount you can afford indicated by your mortgage broker and start searching for a home.
- B. Make an offer on a property.
- C. Make the arrangements necessary to remove all non-financial subjects (home inspection, etc.)

Keep this easy-to-use reference handy throughout the home buying process.

5 Basic Steps to Home Ownership Cont'd

STEP THREE: Review Mortgage Options

- A. Review your mortgage options (rate, term, etc.) with your mortgage broker.
- B. Choose the mortgage you want.
- C. Remove all remaining subjects including financing.

STEP FOUR: Choosing and Dealing with Your Solicitor

- A. Choose a solicitor (lawyer or notary) to do your paperwork.
- B. Your mortgage broker will have the lender send instructions to your solicitor for your mortgage.
- C. Sign the documents at your solicitor's office.
- D. Your solicitor will now register your property at the Land Titles Office which makes you a... Home Owner!

STEP FIVE: Get Your Keys for Your New Property and Move In!

- A. Meet with your realtor on the possession date of your purchased property to obtain your keys.

If you don't know a **realtor** or a **solicitor**, we can refer one to you!



STEP ONE

Contact a Mortgage Broker

Our contact information is:

Cindy Faulkner & Michael Donovan

Verico Coastal Mortgages

Office: (604) 588-4466

Fax: (604) 588-4483

Web: www.coastalmortgages.ca

Knowing exactly what to expect each step of the way makes the home buying process a lot less stressful.

When you first contact us, we will walk you through an application process. Details you'll need to provide are:

- Full legal name
- Current address
- Date of birth
- Social Insurance Number (SIN)
- Employment details and income amount

This information will allow us to pull your credit bureau score. Lenders use this score to assess how well you pay back credit and your eligibility for the best mortgage. Scores range from a poor score of 400 to a perfect score of 900.

STEP ONE Cont'd

Generally, for clients to receive the best mortgage rates, a credit score of 680+ is necessary.

Typically, clients with good credit will have a score of 680+ and clients with blemished credit will range from 550-680. Generally speaking, for clients to receive the best mortgage rates, a credit score of 680 or better is needed. You'll find a more detailed explanation of your credit bureau score, on page 34 under Mortgages Made Simple.

We will also ask you for information about the source of your down payment. Your down payment can come from the following sources:

- **Savings** (lenders require three months of bank statements to show the accumulation of the funds)
- **GIC's, RRSP's, stocks, bonds, mutual funds.**
- **Gifted funds** from an immediate family member (lenders require a gift letter and confirmation of the deposited funds in your bank account)
- **Borrowed funds** from existing credit line and credit cards (lenders require a statement balance and borrowing rate)

Lenders must know where your down payment money is coming from.

It is **MANDATORY** that the lender have proof of where your down payment is coming from.

STEP ONE Cont'd

You will also need to provide information about any current assets and other sources of income you may have.

This information gathering usually takes about 15 minutes. Once completed, the broker will send the information to various lenders for pre-approvals of the specified mortgage amount and obtain the best interest rates possible.

A pre-approval is very important for two reasons:

1. It holds the requested mortgage amount at the current rate/term for a period of up to 120 days, after which the pre-approval will expire.
2. Having a pre-approval will also allow you to work with a realtor, as many will not work with clients who have not yet found the mortgage amount they can qualify for.

It will take approximately 2-3 business days from the date of application for us to receive your pre-approval from the lenders. We will send you a copy of the pre-approval via email along with a reminder of the expiration date.

Pre-approvals hold the requested mortgage amount at the current rate and term for a period of up to 120 days.

STEP TWO

Work with a Realtor to Find a Home

It's time to meet with a realtor and inform them of your pre-approved amount so they can start the home search. Consider interviewing potential realtors through friends or family OR we can refer a realtor if you don't have one. This interview process will allow you to assess how they view your goals, and how well you work together before you make a commitment to one. It is important that you tell your realtor who your mortgage broker is and vice versa. Having these two parties communicate throughout this process will greatly reduce the amount of work and stress you experience.

It is essential to work with a realtor because they represent you, the client, when entering into a purchase contract. Through their Real Estate Board, you are covered by their Errors & Omissions Insurance. This is important if anything goes wrong between the parties involved. Please discuss this point with your realtor.

Tip:

Write down the five most important things you want in your new home. Make some decisions about price, location, age, garage, square footage, number of bedrooms, direction the property faces, etc. This will help you and your realtor define your ideal property.

The realtor will go through a similar application process as the mortgage broker. They will ask various questions about the type of property you are looking for and will narrow down your search with details such as number of bedrooms, bathrooms, square footage, location, etc.

STEP TWO Cont'd

Once you have created your property profile, the realtor will begin a search. When certain properties that meet your criteria are identified, the realtor will set up appointments to view the property at your convenience.

When you have found a property you wish to purchase, your realtor will inform the seller's realtor that an offer is being written. Your realtor will set up a time to present the offer to the seller.

The Offer or Contract of Purchase and Sale contains information such as:

- Name of the owner(s)
- Civic and legal address of the subject property
- Name of the listing realtor and real estate company
- Legal jargon pertaining to entering into a real estate contract

Details you will need to provide to enter into the Contract of Purchase:

- Legal name(s) of who will be purchasing
- Purchase price amount
- Deposit amount
- Completion, possession, and adjustment dates
- Conditions requested and the subject removal date
- Acceptance date and time (when the offer will expire)
- Signatures

STEP TWO Cont'd

STEP TWO is one of the most important steps in the whole process as it will be time sensitive.

After all of this has been completed, your realtor will then take this contract to the listing realtor and they will present it to the sellers for acceptance of all conditions. The offer may be negotiated before it is agreed to.

This step is one of the most important in the whole process as it will be time sensitive. Most contracts will come with conditions that you, the buyer, will request to be met before you make the contract binding.

Clients usually request that these conditions be satisfied within days from when the contract was accepted. If possible, the subject removal date should fall on a business day, not on a weekend. During the subject removal period, you may be required to do the following:

- Get an appraisal on the subject property (the mortgage broker will order the appraisal).
- Order an inspection of the subject property (we @ Verico Coastal Mortgages can refer one to you if needed).
- Read any strata minutes or Annual General Meeting minutes (if you are buying a condo or townhouse - you should receive these from your realtor).
- Obtain a Strata Form B (if you are buying a condo or townhouse - you should receive this from your realtor).

In older neighbourhoods, with a history of oil tank use, you may have to prove that the tank has been removed.

STEP THREE

Review Mortgage Options

Satisfying subjects can take time, especially during a busy real estate market, so an adequate subject removal period is critical. (5 business days is best).

Provide and sign all necessary documents requested by your mortgage broker. During this period, the mortgage broker may request:

If you are a salaried employee:

- Current job letter (required by lender) on your employer's letterhead. It must contain your full name, annual salary amount, length of employment with the company, what position you hold, and be dated and signed by a supervisor, employer or Human Resources.
- Two most recent pay stubs.
- Three months of statements (required by lender) which show accumulation of down payment in the form of bank, RRSP, mutual fund statements. If the down payment will come from funds gifted from a family member, a letter stating so is required by the lender.
- Line of credit statement showing minimum payment per month.

Tip:

Get all documents needed and in order, as soon as you start looking for that perfect home. Keep them current during your search so you are ready to move quickly.

STEP THREE Cont'd

If you are self-employed:

- Three years of personal income tax (Notice of Assessments or T1 general return forms).
- Proof of business ownership through Articles of Incorporation, List of Directors, website etc.
- Three months of statements (required by lender) which show accumulation of down payment in the form of bank, RRSP, mutual fund statements. If the down payment will come from funds gifted from a family member, a letter stating so is required by the lender.

Once the documents have been approved by the lender, it will be up to you to remove subjects and make the contract binding.

If the proposed purchase property has a rental suite in it, provide rental income information as lenders may consider a portion of this in their final assessment.

Once you have provided the requested documentation, the information will be sent to the chosen lender. This is where:

- Income documents will be reviewed and confirmed.
- Appraisal (if needed) will be reviewed and confirmed.
- Down payment history will be checked.

When the documents have been approved by the lender and you have satisfied the remaining conditions on the Contract of Purchase and Sale, it will now be up to you to remove any remaining subjects and make the contract binding.

STEP THREE Cont'd

It's important to fully understand the mortgages being considered. There are three main types of mortgages:

1. Fixed rate mortgage (closed)
 2. Variable rate mortgage (closed)
 3. Variable rate mortgage (open)
1. With a fixed rate mortgage (closed), your payments stay the same throughout the term because they are based on a fixed interest rate. If you pay out your mortgage before the term expires, a penalty is incurred. The penalty will be stipulated in your contract but is often three months interest or the interest rate differential, whichever is higher.
 2. With a variable rate mortgage (closed), your payment amount fluctuates with the prime rate (set by the Bank of Canada eight times a year). If you pay out your mortgage before the term expires, expect a penalty of three months interest (unless otherwise specified).
 3. With a variable rate mortgage (open), your payment amount fluctuates with the movements of the prime rate, but you will not incur a penalty if you pay out your mortgage before the term expires. An open mortgage generally has higher interest rates.

Understanding your options means considering the three main mortgage types; **Fixed, Variable Closed, and Variable Open.** See page 21 for comparison chart.

STEP THREE Cont'd

To understand the fundamentals of a mortgage, you need to be familiar with these terms:

Term of the mortgage can range from six months to 25 years.

Rate of the mortgage is either a fixed percentage or relates to the prime rate.

Amortization is the length of time it would take to repay the borrowed money without changing your payment schedule. Traditional amortizations are 25 years, but can be as high as 30.

Payment is the frequency you choose to repay your mortgage. This can range from weekly to monthly.

Penalty is what you incur if you pay out your mortgage before the term expires. A typical penalty would be three months interest or the interest rate differential (the difference between your current mortgage rate and what rates the bank can get at that date).

Compounding Periods are the number of times your mortgage principal and the interest is compounded during the year. When borrowing money, you want the least number of compounding periods. Most closed mortgages are compounded semi-annually.

Assumable is a mortgage feature that allows someone purchasing your home to take over your mortgage (upon qualification). This can be a selling feature when rates are rising.

Pre-payment is the amount that you can pre-pay during the year without incurring a penalty. Making extra payments reduces the amount of interest you pay and reduces your outstanding mortgage balance.

Portable is a mortgage feature that allows you to take your existing mortgage and transfer it to another property you have purchased (upon qualification).

Dealing with a mortgage for the first time (even for the second and third time) can be very confusing with a lot of complicated new terms. Meet with us to get clarification, review all of your options, and discover the best mortgage for your current needs and future goals.

See the [Glossary](#) on page 45 for more useful definitions of real estate and mortgage jargon.

The [Appendix](#) at the end of this book has useful worksheets to help you compare mortgage options.

STEP FOUR

Choose a Solicitor

Choose a solicitor (either a lawyer or notary) who does real estate conveyancing and is easily accessible during daytime hours. At least two weeks prior to the completion date of your purchase, (assuming all of the lender's conditions have been met) the solicitor will receive all the necessary documents to complete your mortgage from the lender.

The solicitor's office will call to set up an appointment for you to come in and sign the final documents anywhere from 1-10 days before your purchase completes. However, if you have not heard from your solicitor 5 days before completion, call them!

Once you have an appointment, the solicitor (or representative) will inform you of the exact amount of money that you will need to have with you to complete this transaction. This will be a combined total for things like the remaining down payment, taxes, lawyers/ notary fees, strata fees, title insurance, etc. The amount payable will need to be in the form of a certified cheque (personal cheques are not acceptable) and must be made out to the firm "In Trust".

You will also need to present two pieces of government-issued identification – one must have a picture. If there is more than one buyer named on the contract then each buyer must present identification.

Within two weeks of the completion date of your purchase, the solicitor will receive all the necessary documents to complete your mortgage.

STEP FIVE

Get Your Keys and Move In!

On the possession date, your realtor will meet with you at the property to hand you the keys.

Welcome home!

Mortgages Made Simple

This Section Covers:

- Page 19 Pre-approvals
- Page 21 Understanding Variable vs. Fixed Mortgages
- Page 22 Costs
- Page 26 Mortgage Insurance
- Page 28 Mortgage Insurance Programs
- Page 32 Title Insurance
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Pre-approvals

When a mortgage broker takes your application, you will be offered a pre-approval. A pre-approval is an approved mortgage amount held for the approved client at a specific rate, normally for 90-120 days.

There is a difference between a rate hold and a firm pre-approval. Although a rate hold, or rate guarantee, is very important (especially during times of increasing rates) it is only holding a rate, rather than fully pre-approving the client based on their provided documents. Once you are pre-approved, the only thing left to approve is the property.

We strongly encourage our clients to get pre-approved because not only is it extremely important to hold rates, it is imperative that you understand your maximum mortgage amount.

The amount you will be pre-approved for will depend on your credit bureau score, your income amount, and your monthly debts. The criteria is normally that your monthly mortgage payments and housing costs can not be more than 32% of your total qualifying monthly income (Gross Debt Servicing Ratio, or GDS). In addition, your monthly mortgage payments, housing costs, credit card and loan payments combined, cannot be more than 40% of your total qualifying monthly income (Total Debt Servicing Ratio or TDS).

The amount you will be pre-approved for will depend on your credit bureau, your income amount and your monthly debts.

Pre-approvals Cont'd

The documents we require from you to obtain a firm pre-approval include:

- Signed application
- Credit bureau report (the broker can obtain this)
- Income confirmation
- Down payment confirmation

Preparing yourself with a pre-approval well ahead of the buying process allows you the time to review, in detail, the mortgage approval, and the lender's terms and conditions. A well-informed client makes better decisions.

There are certain applicants that lenders may see as a risk. A co-signer may be needed in order to qualify them for a mortgage. Generally, these applicants are:

What is a *co-signer*?
A person who signs a loan agreement with the borrower and assumes equal responsibility for repayment.

- Individuals under 18 who are granted credit can't legally be held responsible for unpaid debt. Since the lender can't prosecute minors, they're extremely cautious about approving credit.
- An applicant with a salary or self-employed income that is not sufficient to qualify for mortgage amount requested.
- A person with no credit or poor credit history since lenders require a solid repayment history to be confident that the borrower will repay the loan.

Understanding Variable vs. Fixed Mortgages

Variable - Quick Reference: <i>Tied to prime rate set by the Federal Government</i>	Fixed - Quick Reference: <i>Tied closely to 5 year Bond Yield and the Canadian dollar</i>
Prime lending rate (derived from prime rate) is set by the Bank of Canada 8 times a year. May increase, decrease, or stay the same.	Bond yields are set by the forces of supply and demand (investors and borrowers). As more funds become available from investors, the yield from bonds decreases and vice versa.
Prime fluctuation is NOT wild or volatile; historically the change up or down is between .25% and 1.00%.	Banks use 5 year bond yield and the Canadian dollar as benchmarks for determining cost of funds for 5 year fixed mortgages. Banks will adjust their fixed term rates up or down with changing cost of funds.
Many lenders have variable mortgage products where there is a low introductory rate (e.g. Prime minus a certain percentage) for a period of time (3,6,9 or 12 months) and then a slightly higher rate, for the remainder of that term. Or a fully discounted rate for the full 3-5 year term.	The terms offered will vary by lender (6 months - 25 years).
This means the interest rate you are paying on your mortgage will change, up or down, with Prime. Payment amounts are determined in one of several ways, according to the lender.	Upon expiry (at the end of the term) you can renew, renegotiate, or refinance (switch/transfer) the mortgage loan.
Most lenders will allow you to convert to one of their discounted fixed term rates when you choose to, without penalty or fees.	If you break your mortgage term before it expires, you will pay a 3 month interest penalty or an Interest Rate Differential, whichever is greater.
Benefits: Variable products (called Variable or Adjustable Rate Mortgages (VRMs or ARMs) have a discount. On average, variable rates ensure you are paying market rate – which means the cost of borrowing is less expensive overall.	Benefits: Fixed products protect you from rising rates – effectively locking you in at the rate you took from the lender, at the time you received your loan, for the length of the term. You have more control over your cash flow as payments remain the same.
Caveat: As the name implies, a variable rate can change upwards with Prime, meaning you'll be charged a higher rate. This will affect your cash flow negatively. If the rate continues upward, you may experience "payment shock" where the payment is more than you planned for in your budget. Overall, taking a variable is more risky which may or may not suit you. However, history states that if you take a variable, over time you will pay a lower interest rate when compared to fixed term rates.	Caveat: Taking short fixed terms (1-5 yr) only protects a small portion of your mortgage. The amount paid on your mortgage principal during the first five years is quite small (assuming you're not taking advantage of pre-payment options) which means short-term protection. If rates rise significantly during your term, you'll end up renewing the large remainder of your mortgage at a higher rate. In this case, you may prefer a 7-10 yr term. As with the variable – it really depends on your comfort level with the risk and your belief of how the economy will shape up over the life of your mortgage.

Costs

You will need to plan ahead to cover the many up-front costs of buying a home.

Once you have been pre-approved for a mortgage amount, you will need to calculate all of the associated costs of buying a home. You want to be financially ready since timing is often critical.

Up-front Costs:

Deposit: This will become part of your down payment and must be paid either at the time of offer, or upon subject removal, or if there are no subjects to be removed, at the time of the acceptance of the Offer to Purchase. The cost varies depending on the seller and may be up to 5% of the purchase price. If you wish to make a down payment of 5% and you give a deposit of 5%, then your down payment is considered made.

Home Inspection: This may be a condition of your Offer to Purchase. A home inspection is a report on the condition of the home and will cost in the range of \$350 - \$650, depending on the complexities of the inspection. For example, it may be more costly to inspect a home that has high square footage or acreage.

It may be more costly to inspect a home that has large square footage or where contaminants such as urea formaldehyde, pyrite, or radon gas are suspected.

Appraisal Fee: Your mortgage lender may require that the property be appraised at your expense. An appraisal is an estimate of the market value of the home. The cost is usually between \$250 and \$650, depending on the complexity of the property (ie. square footage, lot size, region).

Costs Cont'd

Water Quality Inspection: If the home has a well, you should have the quality of the water tested to ensure the supply is adequate and potable. You can negotiate these costs with the seller and list them in your Offer to Purchase.

Mortgage Loan Insurance Premium: If yours is a high-ratio mortgage (less than 20% down payment), you will be required to obtain mortgage loan insurance. The insurers that most lenders work with are CMHC, GE, AIG. Your lender will either add the mortgage insurance premium to your mortgage or may ask you to pay it in full upon closing.

(For a breakdown on chart, see page 26).

Form B Certificate Fee: (not applicable in Quebec). This applies if you are buying a condominium or strata unit and can cost between \$75 and \$300.

Survey and Certificate of Title Insurance: Your lender or solicitor will likely suggest title insurance to cover any loss caused by defects of title to the property. The lender may ask for an up-to-date Survey Certificate prior to finalizing the mortgage loan. If the seller does not have a Survey Certificate you will have to pay for it yourself. The costs range from approximately \$250 - \$1100. In some cases, City Hall will provide it to you for free.

In areas where oil tanks were once used, you may have to hire someone to ensure that there is no tank on the property, or pay to have it removed (along with cleaning up any leakage). This can be very costly.

Costs Cont'd

For more details on Title Insurance see Page 32.

See Page 43 for details on Property Transfer Tax Exemption.

Land Transfer Tax: (sometimes called a Land Registration Fee, Deed Registration Fee, or Property Purchase Tax). This tax only applies to certain provinces. The cost is a percentage of the property's purchase price (in BC, 1% of first \$200,000 and 2% of balance of purchase price).

Sales Tax: If you are buying a new home, you will be required to pay the Harmonized Sales Tax (HST) depending on which province the new home is in. In British Columbia, you are entitled to a rebate for a portion of the HST. (See chart for breakdown).

Property Insurance: The lender requires this because the home is collateral for the mortgage. It covers the cost of replacing the structure of your home. Property insurance must be in place on the completion date. It is mandatory only on single family homes. (Content insurance is optional for both single family and strata).

	PRICE	PTT	PTT Rebate if FTTHB	GST (5%)	GST Rebate (Rental or Residential)	Total Tax Payable
First Time Home Buyer	\$300,000	\$4,000	(\$4,000) (100%)	\$15,000	(\$5,400) (36%)	\$9,600
	\$300,000	\$4,000	-	\$15,000	(\$5,400) (36%)	\$13,600
First Time Home Buyer	\$350,000	\$5,000	(\$5,000) (100%)	\$17,500	(\$6,300) (36%)	\$11,200
	\$350,000	\$5,000	-	\$17,500	(\$6,300) (36%)	\$16,200
First Time Home Buyer	\$425,000	\$6,500	(\$6,500) (100%)	\$21,250	(\$1,912.50) (25% of 36%)	\$19,337.50
	\$425,000	\$6,500	-	\$21,250	(\$1,912.50) (25% of 36%)	\$25,837.50
	\$450,000	\$7,000	-	\$22,500	-	\$29,500
	\$525,000	\$8,500	-	\$26,250	-	\$34,750
	\$1,000,000	\$18,000	-	\$50,000	-	\$68,000

Costs Cont'd

Prepaid Property Taxes and/or Utility Bills: Reimbursements to the seller for pre-paid costs such as property taxes, water, sewer, etc. These are paid to the seller on the statement of adjustments at completion.

Down Payment: At least 5% of the purchase price is usually required for a high-ratio mortgage and at least 20% of the purchase price is required for a conventional mortgage.

Legal Fees and Disbursements: Must be paid upon completion and the cost normally ranges from approximately \$750 - \$1500 (plus HST). Your solicitor will register your mortgage and name on title at the land title office.

See the **Appendix** beginning on Page 49 for worksheets that will help you calculate all of your costs.

Other Costs

Besides up-front costs, there are other expenses to consider:

- Appliances (check to see what comes with the house)
- Gardening equipment
- Snow-clearing equipment
- Window treatments (check to see what comes with the house)
- Decorating materials (paint, wallpaper, flooring, etc.)
- Furniture
- Tools
- Dehumidifier (may be required to control moisture levels, especially in older homes)
- Moving expenses
- Renovations or repairs
- Service hook-up fees (often charged for utilities, also a deposit on utilities may need to be paid)
- Condominium fees (strata)

Mortgage Insurance

Insurance fees are charged to borrowers with less than 20% down can be added to mortgage balance.

Shown below is a mortgage insurance table that outlines the insurance fees charged to borrowers with less than a 20% down payment. These fees can be paid up front or added to the mortgage amount. Mortgage loan insurance premiums vary according to the loan-to-value ratio. CMHC, GE, and AIG are the mortgage insurance providers. The premiums will be different for refinances (in some cases).

CMHC/GE/AIG Mortgage Insurance Premium:

Loan-to-Value Ratio	Premium on Net Loan
Up to and including 65%	0.50% (special conditions)
Up to and including 75%	0.65% (special conditions)
Up to and including 79%	1.00%
Up to and including 85%	1.75%
Up to and including 90%	2.00%
Up to and including 95%	2.75%

With rising house prices, many clients find it difficult to qualify for mortgage financing because of the high cost of mortgage payments. To help provide Canadians with greater access to home ownership, CMHC/GE/AIG are now offering amortizations longer than the standard 25 years.

Mortgage Insurance Cont'd

By making available 30 year amortizations, clients have the option of having a lower monthly mortgage payment for a small insurance premium. However, it does increase the premium by .20%.

Example: If you purchase a home for \$200,000 and make a 10% down payment equalling \$20,000. Subtract that from the purchase price to get your insurable amount of \$180,000. Multiplying this amount by .02% equals \$3600. An additional \$3600 in CMHC fees will be added to your mortgage balance.

By reducing the monthly mortgage payments, qualifying clients have more homes to choose from because they can afford a higher mortgage amount.

* Payment is comprised of principal and interest (property tax/maintenance fees are not included).

A 30 year amortization, gives clients the option of having a lower monthly mortgage payment for a small CMHC insurance premium (an increase of .2% for the five year extension).

Mortgage of \$300,000 at a Rate of 5% Compounded Semi-Annually		
Amortization Length	25 Years	30 Years
Monthly Payment	\$1,753.77	\$1,610.46

Mortgage Insurance Cont'd

Mortgage Insurance and Mortgage Life Insurance are completely different products.

Mortgage Insurance protects the lender in the event that a consumer defaults on their mortgage payments and is required on all mortgages that have less than a 20 percent down payment.

Mortgage Life Insurance is purchased by a consumer who wants to insure his/her life. Often referred to as Creditors Insurance, your mortgage would be paid in full on your death. This insurance is optional.

Mortgage Insured Programs

The Home Buyers Plan has enabled many Canadians to buy a home much faster by allowing them to withdraw up to \$25,000 from their RRSP account.

Four CMHC programs that could be helpful to you and your situation are:

1. **Home Buyers Plan**
2. **Refinance to 85% of Home's Value**
3. **Purchase Plus Improvements**
4. **Self-Employed**

Mortgage Insured Programs Cont'd

1. The Home Buyers Plan:

This plan has enabled many Canadians to buy a home much faster by allowing them to withdraw up to \$25,000 from their RRSP account to buy a qualifying home (you may not be allowed to use locked-in RRSPs). Each applicant can withdraw up to \$25,000.

Here are a few of the many rules for the Home Buyers' Plan:

- The funds must have been in the RRSP account for a minimum of 91 days.
- The funds can be used for things such as: furniture, moving expenses and legal costs - not just for the down payment.
- You can replenish your RRSP over the next 15 year time period or sooner if you wish.
- And/or you can add the amount (\$25,000 divided by 15 = \$1,667) to your income each year and be taxed on it and not replenish your RRSP.
- You can use the program again after 5 years of the RRSPs being repaid.
- Both spouses are eligible to withdraw up to \$25,000 each at the same time.
- If you marry someone who has used the plan and you move into their home, you are no longer eligible to use the program. One family - one principle residence.

Mortgage Insured Programs Cont'd

2. Refinance to 90% of Your Home's Value

With the significant appreciation in British Columbia's house prices over the past five years, many consumers have taken advantage of the refinance program offered through CMHC.

No one likes to refinance their home to pay off personal debt, but sometimes it may be the best option.

Here is a quick checklist to determine whether refinancing will help your situation:

- 1. Are you tired of making four or five different payments each month?*
- 2. Do you find yourself making minimum payments each month?*
- 3. Are the other creditors charging interest rates higher than today's mortgage rates?*

Keep in mind that if your original mortgage was insured, you only pay the insurance premium on the new money borrowed.

Refinancing can be confusing so it helps to have a mortgage broker review your individual situation in detail, explain the program, and answer any of your questions.

3. Purchase Plus Improvements

This is likely CMHC's best hidden secret. The concept is simple: You decide to buy a house, but the home needs work - new kitchen, furnace, etc. If you provide the lender with a quotation for the improvements, that amount may be eligible to be added to the mortgage.

Mortgage Insured Programs Cont'd

The parameters of the Purchase Improvement Plan are:

- You are required to pay a slightly higher premium (.5%).
- Your bank may limit the Purchase Plus Improvement amount to 10% of the purchase price.
- Improvement funds will be sent to your lawyer “In Trust” on closing, and will not be released until the work is completed and inspected.

This is a great program, but can be a little tricky. We do have lenders who participate in this program, but it has not been widely accepted by all lenders.

4. Self Employed Income

CMHC offers Mortgage Loan Insurance options for self employed borrowers with or without traditional third party validation of income. This is available on a purchase or a refinance. Self employed borrowers with documentation to support their income have access to all existing CMHC Mortgage Loan Insurance products and are subject to the same product criteria and insurance premiums as salaried borrowers.

Self employed borrowers (with less than 3 years business operation) without traditional forms of income validation can access CMHC insured financing for purchase transactions of up to 90% loan-to-value ratio (85% for refinance) for a 1-2 unit, owner-occupied property. Flexible financing options, like single advance, progress advances, and extended amortization periods, are also available.

The Purchase Plus Improvements program is likely CMHC's best hidden secret. This is a great program but a little tricky.

Mortgage insurers initiated a program making it easier for self employed borrowers, who have difficulty providing typical income confirmation, to realize their dreams of homeownership.

Title Insurance

Title Insurance is an insurance policy that protects property owners and their lenders against losses related to the property's title or ownership.

Benefits of Title Insurance

Fast and Efficient Closing Process: Title insurance will help ensure your transaction closes on time.

Fraud and Forgery: It provides protection against fraudulently registered mortgages against your title.

Duty to Defend: Covers the legal fees associated with resolving insured title issues.

Building Permit Coverage: Coverage for renovations completed without a permit that resulted in a loss.

Zoning Coverage: Protection should a property not meet municipal zoning requirements.

Competing Interests: Protection in the case of someone claiming an interest in your land, for example, an easement for a driveway or a builder's lien.

Problem Solving to Facilitate Closing: Can provide coverage for known defects such as encroachments, delays in registration, and zoning violations.

Currently, title insurance is the only way to protect against real estate title fraud.

Title Insurance Cont'd

Real Estate Title Fraud

Canadian consumers are increasingly alert to the dangers associated with credit card fraud. However, many remain unaware of the possibility of fraud against the single largest purchase they are ever likely to make – their home.

Real estate title fraud is quite easy to commit. Fraudsters pose as the legitimate owners of a home, they mortgage it and then they disappear with the money. The real owners may or may not be on the hook for the mortgage payments of the falsified mortgage.

Real estate industry insiders now peg the average case of real estate fraud at \$300,000. In comparison, the RCMP estimates the average credit card fraud case in Canada to average \$1,200. Real estate fraud costs Canadians between \$300 million and \$1.5 billion each year. Even though major cities are hotbeds for this criminal activity, all Canadian homeowners are at risk. Currently, title insurance is the only way to protect against real estate title fraud.



Credit Reporting

A credit report is the main indicator of your ability to repay debt. If you do not handle credit well, you will either be charged a higher interest rate or your application will be declined. We are trained to review and counsel clients on their credit bureau score when they apply for a mortgage. We routinely find mortgages for clients who have lower credit scores and we can also assist clients in increasing their score over a short period of time. Most banks have now embraced a credit scoring system, referred to as a FICO score or a BEACON score. Most “A” lenders require a score over 600.

Credit bureau scores are extremely important to individuals getting a mortgage and must be carefully monitored due to the high number of identity theft cases reported. For approximately \$20, Equifax Canada will provide you access to your personal credit bureau score online. It is imperative that people review this information every 12-18 months to ensure that the information is accurate. You will find Equifax's contact information on the Verico Coastal Mortgage website www.coastalmortgages.ca.

Many people worry about checking their credit rating too often. While it does impact the Beacon score, there is no set number of inquiries before the score is effected. To be cautious, limit inquiries to once every 12-18 months.

We are trained to review and counsel clients on their credit bureau when they apply for a mortgage.

Credit Reporting Cont'd

How Your Credit Score is Calculated:

Payment History - 35%

This factors in the frequency of payments over 30 days late, collections agency intervention, judgments, and bankruptcies. A single 30-day late payment can drop your score 15-20 points.

Current Debts - 30%

Consider how much you currently owe (in absolute terms and compared with your credit limits), how many creditors you owe money to, and how much you could owe if you maxed all your available credit.

Age of Accounts - 15%

The longer your accounts have been opened the better. You generally need at least three accounts over one year old.

Type of Credit - 10%

Bank loans, credit cards, and revolving credit accounts all impact you differently.

Credit Enquiries - 10%

Numerous credit applications in the past 12 months are a no-no. one of the biggest benefits of a mortgage broker is that they pull your credit only once for multiple lenders.

Besides the obvious (bankruptcies, judgments, etc.) the top Beacon killers are; payments over 30 days late, maxing out credit cards (i.e. using over 70% of a high credit limit), and seeking too much credit in a short period of time (i.e. applying for four credit cards in one month).

Credit Reporting Cont'd

Here is a list of factors that contribute to the Beacon scoring:

How recent the credit is: New credit can be a problem if there is a lack of old credit. Insurers usually like to see at least two trade lines older than two years. (i.e. credit cards, personal lines of credit, etc.)

Balances vs. Limits: Balances that are near or over limits will affect the Beacon as well. Any card or loan that is over limit will probably have to be brought back under before your purchase closing date. Too many cards at or over limits can affect where you can get the mortgage approved, even if the payments are made on time.

Payment History: Payment history is one of the most important parts of the Beacon. Anytime a client misses a payment it shows up on their history and registers as an R or I rating. One missed payment doesn't show up, but two will register as a R2 or I2, and three will show up as a R3 or I3. An R4 means it will likely go to collections and R9 is as bad as it gets. Payment history will greatly affect the Beacon and will stay on the bureau for 7 years.

Lack of Credit: Bad credit is better than no credit? That's true to a point. No credit can make getting a mortgage extremely difficult, especially if it is a high-ratio mortgage and there is no co-applicant with credit.

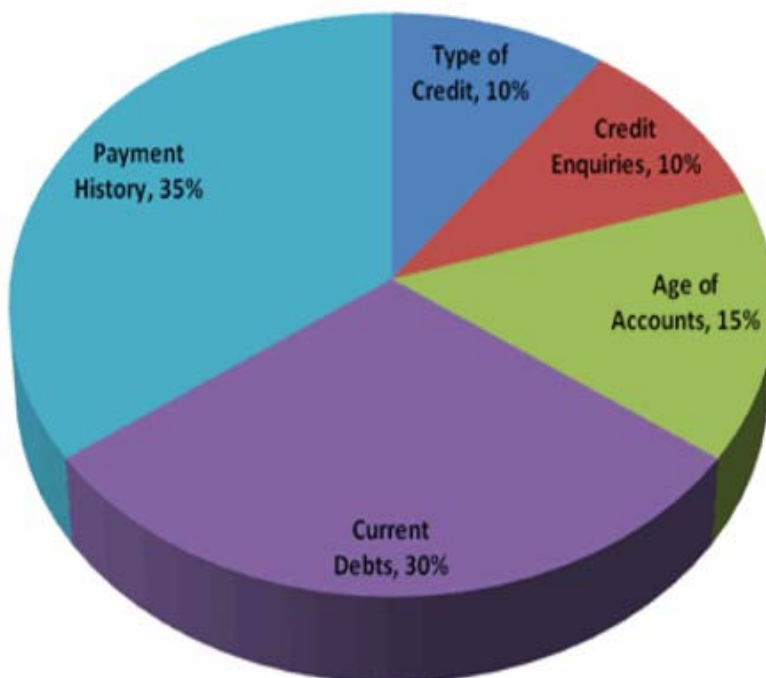
We cannot over-emphasize the importance of knowing and understanding your credit history.

Credit Reporting Cont'd

Collections/Judgments: Collections and Judgments can seriously hurt a Beacon score. In most cases, they will have to be cleared up prior to getting a mortgage. A satisfactory explanation for why they exist will be expected.

Bankruptcy: Bankruptcy is a serious problem when qualifying for a mortgage. Getting qualified for a mortgage after being discharged from a bankruptcy will depend on what the reason for bankruptcy was, as well as, how long the client has been discharged. Credit will also have to be re-established to qualify with most lenders.

We cannot overemphasize the importance of knowing and understanding your credit history.



Fraud

What is identity theft?

Identity theft occurs when an individual steals another person's identity and impersonates that individual. By using basic personal information like name, address, and social insurance number, identity thieves open credit card accounts, lease or buy cars, rent apartments, or even engage in criminal activity using the stolen name.

You can limit the potential for fraud by carrying only the identification and credit cards you need when traveling, whether locally, or abroad.

How can I avoid being a victim of identity theft?

You can limit the potential for fraud by remembering a few key tips:

When using your credit cards:

- Carry only the identification and credit cards you need when traveling, whether locally or abroad.
- Do not carry your cards in your cheque book.
- If your cheque book is lost or stolen, call your bank and inform them of the missing cheque numbers.
- Sign your credit cards in permanent ink as soon as you receive them.
- When making a purchase, keep your cards in view at all times. Ensure that you take your card back as soon as a transaction swipe has been completed with your card.
- Do not sign a blank charge slip.

Fraud Cont'd

- Always save your receipts, never leave them behind.
- Avoid saying your account number aloud when others might hear.
- Only provide your ID and credit card information over the phone to reputable companies and only when you have initiated the call.
- If you receive a call from someone claiming to represent your credit card issuer and the caller asks for your account number, do not provide it. If the caller is employed by the issuer, they will already know your account information.
- If your Social Insurance Card is lost or stolen, contact your employer or your local Human Resources Development (HRDC) office immediately.
- If your Driver's License is lost or stolen, contact your local driver and vehicle licensing office and report it to your local police station.
- Safeguard personal information until you know who you are dealing with, how it will be used, and if it will be shared with anyone.
- Protect the integrity of your mail. Check your mail daily. If you fail to receive bills or other mail, follow-up with your creditors.
- Destroy any financial or personal information including unsolicited credit card applications. Don't just throw them away.

Fraud Cont'd

How to manage your credit and debit card statements:

- Check your statements as soon as they arrive to ensure all charges are correct.
- Keep statements in a safe place - they contain sensitive, personal information. By accessing your Equifax credit report on a regular basis, you can check to see if there have been changes to your report you are unaware of.
- Keep a list of the names, account numbers, and expiration dates of all your cards in safe place (separate from your cards) to be used when alerting credit grantors about a lost or stolen card.

When your credit or bank cards are lost or stolen:

- Call all your credit grantors immediately upon discovering your cards are missing. Most have 24-hour service numbers for this purpose. If you re-open the account, ensure they have your correct personal information.
- Additionally, you need to call Equifax (see the Verico Coastal Mortgages' website for contact information). Equifax will add a statement to your file to alert credit grantors that you may be a victim of fraudulent activity. This may mean that the next time you apply for credit you will be questioned more thoroughly as a precautionary measure to ensure you are who you say you are.

Keep a list of the names, account numbers and expiration dates of all your cards in a safe place (separate from your cards)

What can I do if I suspect I am a victim of identity theft?

- Check your Equifax credit report on a regular basis to determine if there are any changes.
- If you discover proof of identity theft, notify the police and alert your creditors immediately.

Taxes

Property Tax vs. Property Transfer Tax

Property Transfer Tax should not be confused with Property Tax.

Property Tax is the tax paid on an annual basis to the local city/municipality for the upkeep of electrical lines, roads, sidewalks, etc.

Property Transfer Tax is a one-time tax paid to the provincial government by buyers of real estate.

Property Tax

At the time of a sale, the solicitor for the buyer must confirm that local taxes have been paid up to date. The full year's payment is expected to have been paid by July 1st. If payments are up to date, a Tax Certificate is issued, from which any adjustments can be made. These adjustments usually require the buyer to compensate the seller for any prepaid taxes.

Example: *If your possession date is December 1st, and the seller has paid the taxes on the property for that entire calendar year, you will be expected to pay back to the seller one month (1/12th) of the taxes. If the taxes on the property were \$2400 per year, you would pay \$200 back to the seller.*

Many buyers run into difficulty if their possession date falls anywhere from May to July. At this point, the seller may not have paid that year's property tax yet since it isn't due until July 1st. The seller would then be responsible for their portion of that year's taxes for the time period they had possession of the property. The buyer will be responsible for the remainder of the year - this can be an unexpected expenditure!

Many buyers run into difficulty if their possession date falls anywhere from May to July when the seller may not have paid that year's property tax yet.

Taxes Cont'd

Property Transfer Tax

The Property Transfer Tax is payable to the BC provincial government by buyers of real estate. The tax applies to all types of real estate, whether residential, commercial or industrial. The amount of the Property Transfer Tax is 1% on the first \$200,000 of the property's fair market value and 2% on the remaining fair market value.

Example: *If the fair market value of the property is \$150,000 the tax payable would be \$1,500.00 (1% of \$150,000). If the fair market value of the property is \$250,000 the tax payable would be \$3,000 (1% on the first \$200,000 = \$2,000 and 2% on the remaining \$50,000 = \$1,000).*

“Fair Market Value” is best described as the price that would be paid for a property on the open market (which is usually the actual purchase price paid for the property). If the transfer of property is taking place without the exchange of money, the fair market value must be the fair value of the property if it was sold on the open market. In some situations, the fair market value is set by the latest assessment received from the BC Tax Assessment Office.

If the transfer of property is taking place without the exchange of money, the fair market value must be the fair value of the property if it was sold on the open market.

Taxes Cont'd

There are a number of exemptions available to buyers so that the tax is not payable. The most common is the exemption for “First Time Home Buyers”.

First Time Home Buyers Transfer Tax Exemption

To qualify for an exemption of the Property Transfer Tax as a First Time Home Buyer, the following criteria must be met:

- The buyer must never have owned an interest in a principal residence anywhere in the world at any time.
- The buyer must be a citizen or a permanent resident of Canada and have resided in B.C. for at least one year prior to the purchase or have filed two income tax returns as a British Columbian resident in the last six years.
- To obtain a full exemption, the purchase price must not exceed \$425,000. A pro-rated amount applies between \$425,000 and \$450,000 in the Greater Vancouver, Fraser Valley and Capital Region Districts (\$265,000 in Whistler and elsewhere). See example on next page.
- The buyer must move into the property within 92 days after registration of the purchase of the property and reside in the property for at least one year.

To qualify for an exemption of the Property Transfer Tax as a First Time Home Buyer, the buyer must never have owned an interest in a principal residence anywhere in the world at any time.

There is a pro rata exemption where property exceeds .5 hectares, or a portion of the property is not residential (i.e. commercial lofts). Purchase price of the entire property cannot exceed the price limitations.

Taxes Cont'd

To calculate the amount of tax payable on homes between \$425,000 and \$450,000 use the following formula:

Amount of PPT multiplied by (\$450,000 minus Purchase Price) divided by \$25,000

Example: Assume a house is being purchased for \$445,000. Normal Property Transfer Tax would be \$6,900 (1% on the first \$200,000 and 2% on remainder). Using the formula:
\$6,900 multiplied by (\$450,000 minus \$445,000) divided by \$25,000 = \$1,380.00.

Subtract \$1,380 from \$6,900 leaving \$5,520 as the amount owing for the Property Transfer Tax beyond the exemption.

Other exemptions exist as well, such as a transfer of a principal residence between family members. For details or updates go to Verico Coastal Mortgages' website.

www.coastalmortgages.ca

Glossary

Amortization: The length of time it would take to pay off the mortgage, assuming the interest rate never changed, all payments were made on time, and no additional payments were made.

Assets: These are all of the things you own, such as bonds, cash, GIC's, mutual funds, RRSP's, stocks, vehicles, other real estate, etc.

Assumable: This is the ability to "give" your mortgage to the buyer of your home if you sell it. This is another option your lender may provide, assuming the buyer qualifies to the lender's satisfaction.

Conventional Mortgage: If you put at least 20% of the purchase price as a down payment, you can apply for a conventional mortgage.

Credit Rating/Beacon Score: Your credit bureau will show previous and current credit ratings. A Credit Rating/Beacon Score is the main criteria the lender will look at to determine how well you handle credit.



Keep this as a cheat sheet so you don't get lost in real estate and mortgage jargon!

Glossary Cont'd

Down payment: This is the amount of money that you are paying towards the purchase of your home. The deposit that you give your realtor on signing the Offer to Purchase contract will be part of this total down payment.

High-Ratio Mortgage: If you have between 5% and 19% of the purchase price as your down payment, you can apply for a high-ratio mortgage. These have to be insured through CMHC, GE or AIG. The mortgage insurance premium is usually added to the mortgage amount.

Liabilities: These are all of your outstanding debts, such as credit card balances, credit lines, loans, other mortgages, etc.

Open Mortgage: An open mortgage allows you to pay off part or the entire mortgage at any time without penalties. The interest rates are usually higher than those for a closed mortgage with similar terms.

Portability: This is the ability to take your mortgage with you if you should sell your existing property and buy a new property. This is a great option a lender may provide with most of their mortgages.

Glossary Cont'd

Servicing Ratios:

GDS (Gross Debt Servicing Ratio): Takes into consideration all shelter payments. Normally lenders will not allow this ratio to exceed 32%. The calculation is as follows:

GDS =

$$\frac{\text{(Monthly Mortgage Payments + Property Taxes + Heat)}}{\text{Monthly Income}}$$

TDS (Total Debt Servicing Ratio): Takes into consideration all shelter payments as well as all other monthly payments on car loans, credit cards, lines of credit, etc. For most lenders, this ratio cannot exceed 40%. The calculation is: TDS =

$$\frac{\text{(Monthly Mortgage Payments + All Other Monthly Payments on Debt)}}{\text{Monthly Income}}$$

Term: The small time periods within the life of a mortgage amortization that you will pay a set interest rate. At the end of the term, you will renew your mortgage for a new term at the prevailing rates of interest.

Rental Add-back: The percentage of rental income generated (or expected to generate) from the property that the lender will consider in mortgage or refinance qualification.

Stay Informed, Stay Connected

We hope that all of this information has been helpful and that we will soon be able to guide you toward the perfect mortgage package for you and get you into your dream home.

The rules and regulations discussed in this book were correct at the time of printing but, like every industry, there are always changes. We invite you to stay on top of these changes by signing up for our newsletter, following us on Twitter or Facebook, or checking out our blog on the Verico Coastal Mortgages website at www.coastalmortgages.ca

We love to keep our clients up to date and informed about changes in the Prime Rate, new government policies relating to the real estate industry, and tax implications. But it's not all dry bank stuff! We also share tips and ideas that will help you in your everyday life as a homeowner. How would you like 25 tips on saving money on your home expenses? Or, learn the best renovations to increase the value of your home? How about ways to generate income from unused space in your home? Plus, we'll keep you in touch with the pulse of the market.

We provide all of these services for free so we hope you'll join our digital community in one way or the other.

Appendix

The following worksheets are included to simplify your task as you progress along the road to home ownership.

Please don't hesitate to contact us if you require help, clarifications, or more information.

Cindy Faulkner & Michael Donovan

Verico Coastal Mortgages

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Worksheet - Costs to Purchase a Home

DEPOSIT AT TIME OF OFFER (*forms part of down payment*)..... \$ _____

BALANCE OF DOWN PAYMENT \$ _____

INSPECTION OF PROPERTY (*if desired*)..... \$ _____

LEGAL FEES & DISBURSEMENTS \$ _____

PROPERTY SURVEY CERTIFICATE OR TITLE INSURANCE (*if required*)
..... \$ _____

STRATA DOCUMENTS / MOVE IN FEES (*Strata Form B etc.*)..... \$ _____

ADJUSTMENTS FOR TAXES, WATER ETC..... \$ _____

H.S.T..... \$ _____
(*newly constructed properties only, minus rebate if applicable*)

APPRAISAL FEE (*if required*)..... \$ _____

CMHC INSURANCE PREMIUM (*if required*)..... \$ _____

HOUSE INSURANCE / INSURANCE BINDER (*single family house only*).... \$ _____

PROPERTY PURCHASE TAX 1% UP TO \$200,000..... \$ _____

2% OVER & ABOVE \$200,000 \$ _____

REALTOR COMMISSION \$ _____
(*if you are selling your existing property, consult your realtor on costs of commission*)

TOTAL..... \$ _____

Worksheet - Cost to Refinance a Home

LEGAL FEES & DISBURSEMENTS	\$ _____
PROPERTY SURVEY CERTIFICATE OR TITLE INSURANCE	\$ _____
<i>(if required)</i>	
APPRAISAL FEE	\$ _____
<i>(if required)</i>	
CMHC INSURANCE PREMIUM	\$ _____
<i>(if required)</i>	
HOUSE INSURANCE / INSURANCE BINDER	\$ _____
<i>(if a single family house)</i>	
INCREASE IN MORTGAGE OR PAY CMHC TOP UP	\$ _____
<i>(if required)</i>	
RESET AMORTIZATION	\$ _____
<i>(if required)</i>	
OTHER	\$ _____
TOTAL	\$ _____

DOCUMENTS THAT ARE REQUIRED BY THE LENDER:

- Income Confirmation
- Rental Add-backs (if renting a portion of the home)
- Mortgage Statements
- Appraisal (if conventional)
- Confirmation of Payouts (if required)
- Other: _____
- Other: _____

Worksheet - Costs to Transfer/Switch a Mortgage

PROPERTY SURVEY CERTIFICATE OR TITLE INSURANCE \$ _____
(if required)

APPRAISAL FEE \$ _____
(if required)

CMHC INSURANCE PREMIUM \$ _____
(if required)

HOUSE INSURANCE \$ _____
(if a single family house)

LAWYER/NOTARY \$ _____
(if required)

OTHER \$ _____

TOTAL..... \$ _____

DOCUMENTS THAT ARE REQUIRED BY THE LENDER:

- Income Confirmation
- Anticipated Rental Add-backs (if renting a portion of the home)
- Mortgage Statements
- Appraisal (if applicable)
- Other: _____
- Other: _____
- Other: _____

Worksheet - Fundamentals of a Mortgage

A

B

	<p>LENDER The company that will provide the mortgage.</p>	
	<p>INTEREST RATE Annual interest rate that will be charged.</p>	
	<p>TERM OF MORTGAGE The short time periods of a mortgage amortization that you will pay a set interest rate.</p>	
	<p>AMORTIZATION PERIOD The timeline over which your Principal and Interest payments are stretched.</p>	
	<p>PAYMENT FREQUENCY How often your payments are made.</p>	
	<p>PRE-PAYMENT OPTIONS The allowable amount that can be pre-paid off the mortgage balance without penalty.</p>	
	<p>PAY OUT PENALTY How your penalty is calculated if the mortgage is paid out before the term expires.</p>	
	<p>PORTABLE This feature allows you to move your mortgage from your existing property to a new property.</p>	
	<p>ASSUMABLE This feature allows the mortgage to be taken over by a new qualifying client rather than be paid off.</p>	
	<p>INTEREST COMPOUNDING PERIOD The number of times your mortgage principal and interest is compounded during the year.</p>	

Sample Gift Letter

To whom it may concern;

With reference to the mortgage application of *(name of applicant(s))*

_____, the undersigned
are giving the above named, a gift of \$ _____ to assist with the purchase of
the property located at *(full address)* _____

_____ of which no repayment is expected or to be negotiated.

We further certify that this gift is being provided from our own resources and is not being borrowed in any way.

Dated at _____, this _____ day of _____, 20__.

Signature of witness

Signature of Donor

Donor's Name _____

Phone # _____

Relationship to Applicant(s)

Signature of witness

Signature of Donor

Donor's Name _____

Phone # _____

Relationship to Applicant(s)

Disclosure

I am aware and understand the difference between a three (3) month Interest Penalty and an Interest Rate Differential (IRD). I am also aware that the Mortgage Broker that represents me is not responsible for the verification of the penalty with my current Lender. I am responsible to check and confirm before closing, what the penalty will be. I am waiving any responsibility of my Mortgage Broker in verifying my penalty calculation as the Mortgage Broker does not have access to this information.

Name	Date	Signature
------	------	-----------

Name	Date	Signature
------	------	-----------

Mortgage Broker	Date	Signature
-----------------	------	-----------
