



Mortgage Basics

MY ADVICE COMES AT NO COST TO YOU.

THE LENDER COMPENSATES ME FOR MY SERVICES AFTER YOUR MORTGAGE HAS CLOSED.

A "pre-approval" **is not an approval.**

It will determine the amount for which you qualify based on your income, credit obligations, down payment, credit history, etc. With supporting documentation regarding your income, down payment and credit history we can provide you with a good sense of the mortgage amount for which you will qualify. Note that there are always variables - such as property taxes, heating and condo fees (if applicable) - that I can only guess at until an actual property has been found. It's an educated guess but only that - a guess. It is especially difficult to determine an exact dollar when the ratios are at the maximums.

A file is not approved till an offer to purchase is made, the file submitted and reviewed (by all parties) and all documents that the lender/insurer requests have been reviewed and signed off on. I do attempt to provide you with a complete list of documents required, however, depending on the lender, additional documents may be required after the file has been reviewed. The 'conditional approval' will provide all conditions of approval.

ON-GOING MONTHLY COSTS TO CONSIDER AS A HOMEOWNER

Mortgage Payments	\$ _____	Gas	\$ _____
Property Taxes	\$ _____	Water & Sewer	\$ _____
Loan Protection (Life)	\$ _____	Cable/Internet	\$ _____
Loan Protection (Disability)	\$ _____	Condo Fees (if applicable)	\$ _____
Home Insurance	\$ _____	Maintenance Costs	\$ _____
Power	\$ _____		

MORTGAGE TERMS

MORTGAGE LANGUAGE CAN BE A LITTLE CONFUSING AT TIMES. THESE SIMPLE EXPLANATIONS OF COMMON MORTGAGE WORDS AND TERMS WILL HELP YOU UNDERSTAND OUR INDUSTRY LANGUAGE.

TYPE OF MORTGAGE

Insured versus non-insured based on down payment, if less than 20% is put down, the mortgage is insured and a premium is added to the mortgage for the insurance. If 20% or more is put down, insurance typically is not required

AMORTIZATION PERIOD

The length of time you agree to take to pay off your mortgage (usually 25 years)

RATES ARE FIXED OR VARIABLE

When the rate is fixed, you know what the rate and payment amount are for the duration of the term. Variable will fluctuate with the prime lending rate. Depending on the lender, the payments will remain static or will change - up or down - depending on what happens to prime

TERMS

Available in chunks of time from 6 months to 10 years. The term that you choose determines how long your current rate will be in place. When the term is up, you can renegotiate your mortgage and choose the same or different options

OPEN OR CLOSED MORTGAGE

Open mortgages can be paid off at any time without penalty. Rates always much higher. Closed mortgages are restricted in terms of how much the principal and payment amounts can be increased. If the dollar amount exceeds the lenders policy, penalties are applied.

PRE-PAYMENT OPTIONS

The ability to make extra payments, increase your payments, or pay off your mortgage early without incurring a penalty.

PENALTIES

Calculated in 3 ways: interest rate differential, 90-day interest penalty, or a percentage of the balance owing on the mortgage. Fixed rates are susceptible to the 3 calculations, with the higher of the penalties applied. A variable penalty is calculated as a 90-day interest penalty.

DOWN PAYMENT

The minimum amount required on all mortgages. It can come from accumulated savings, RRSP's, tax free, (if you are a first-time homebuyer) or taxed (if you are not a first-time homebuyer), gifted, home equity secured line of credit, proceeds from a home sale, and on approval of credit - borrowed

INCOME

Qualified using a stress test. The current rate for insured mortgages is the higher of 5.19% or the contract rate plus 2%

PURCHASE PLUS IMPROVEMENTS

A program that is used to add the cost of renovations to the mortgage. Renovations must be completed before funds are released. Time constraints are involved.

TEAM MEMBERS

Mortgage broker, realtor, home inspector, condo doc review firm, lawyer

NO CHANGES

To the income/debt level once the decision to buy has been made

TAX CREDITS

First time homebuyers are eligible for a tax credit which they apply for when filing taxes, the year following a home purchase

CLOSING COSTS

Required for the lawyer, land transfer fees, title insurance, home inspection and property tax adjustments. Most lenders want to see you have 1% of the purchase price available for closing costs

Legal fees	\$2000
Title Insurance	\$250
Appraisal	\$450
Home Inspection	\$450
Land Transfer fees	\$400 - \$800

Property tax adjustment- Set aside enough for 6 mth

PORTING

Taking the mortgage and its remaining terms to a new property to avoid some or all of the penalty and keep a better rate, if that is the case. Offered by most lenders but conditions do apply. Mortgage loan insurance can also be transferred to a new property

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