

CONFIRMING YOUR DOWNPAYMENT

where is it coming from?



As a prospective borrower, not only will you need to demonstrate you can afford the mortgage you are applying for, you will also need to verify where the funds for your down payment are coming from.

Verifying the source of your down payment is necessary for your mortgage application to be approved by a lender. While there are a number of ways you can secure your down payment, lenders typically like to see borrowers with some skin in the game (in some cases requiring between 5 and 10% of the funds come from your own resources).

While the minimum down payment is typically 5%, a lender could ask for 20% or more as a condition of the loan, depending on the type of mortgage you apply for and your overall application.

SOURCE(S) OF DOWN PAYMENT:



The funds are in your account(s):

You may be asked to show the source of income in order to prove the funds in your account are not a loan and may be asked to provide the following:

- Three or more months of bank and/or investment statements
- Notice of Assessment (to show a tax refund)
- Sale Agreement of a previous home (if using the sale proceeds for your down payment) + current mortgage statement
- Transaction documents showing the sale of an asset such as other property or investments
- Transaction documents showing you've taken equity from another secured property you own



You are receiving a gifted down payment:

An immediate family member (parent, child, brother, sister, grandparent or guardian) and in some cases a non-immediate family member can gift the money needed. To prove it is a gift, and not a loan, a "gift letter" including the following can be considered:

- The giftor's personal information (contact details)
- The gifted amount
- Date the money was gifted to you (to be verified via bank statements)
- A declaration that the money does not need to be repaid

Your mortgage agent will guide you through this.



You're taking advantage of the Home Buyers' Plan

If you meet the criteria to participate in the Government of Canada's Home Buyer's Plan, you can withdraw up to \$35,000 (\$70,000 per couple) from your Registered Retirement Savings Plan (RRSP) for your down payment. Remember that you will be required to repay this amount within 15 years, so be sure to factor this into your budget.

- Approval documents from Revenue Canada as proof of where your funds came from

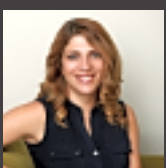


There are some circumstances in which you may be able to borrow funds i.e. credit card, line of credit or other loan. ** Keep in mind that **any** credit must be calculated as part of your debt-servicing and may lower the loan amount you are eligible for/affect any approvals you may have in place. **Do not make any large purchases with existing credit/cash during/before funding.**



Mortgage default insurance is added to the total cost if your down payment is less than 20% of the purchase price (mortgage default insurance protects your lender in case of default). Premiums can range from 0.6% to 4.5% of the mortgage principal. Remember to budget accordingly.

Talk to your Indi Mortgage Agent for more information



Janice Altvater

Mortgage Broker

janice@mortgagesbyjanice.com

403.308.9764

https://mortgagesbyjanice.com

