

Mortgages By Anushka

The Comprehensive Guide
to Understanding Mortgages and exploring
All Lending Options
Available to You



Here's what we will cover

About Us

How to gauge if
you are ready ?

Getting Pre
approved

Importance of
Right Team

Incentive Programs

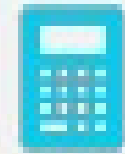
Additional Costs

Contact Us

Who This Presentation Is For



You're a homebuyer who's looking to buy your first home but feeling overwhelmed or intimidated.



You've used online calculators as to what you can afford but need advice from an experienced mortgage agent.



You're not confident in the advice your financial institution has given you.



You've worked with another advisor that is not responsive and lacks clear communication.



You're a homebuyer who is concerned about their credit score



You're self-employed and don't think you claim enough income to qualify for a mortgage



You've been turned down by your bank because you don't meet their qualifying criteria.



You want someone who understands your needs and provides you with honest and unbiased advice.

About Me

I'm Anushka, your guide to building wealth through investment in real estate. Whether you're buying your first home, a second property, or investment property, let me ensure you get the best mortgage for you! Mortgage financing doesn't have to be difficult, let me walk you through the process.

As your independent mortgage professional, I'm happy to provide you with mortgage options. I will assess your financial situation, listen to your goals, and suggest mortgage products that help get you there. It would be a pleasure to work with you.



Think you're ready to buy?

Being ready to buy a home is a significant milestone in one's life, and it entails much more than just having the funds to make a purchase. It involves researching home types and locations that suit your needs and lifestyle, having a good understanding of your finances, including your budget, credit score, and your debt-to-income ratio. This will ensure that you can make the monthly payments comfortably. This may all seem overwhelming and complicated, but it doesn't have to be. Seek guidance from mortgage brokers or financial advisors to simplify the process, and gain clarity on your readiness to buy.

The Golden Question

HOW DO I KNOW IF I AM READY TO BUY OR NOT

Well, there is a step-by-step process which will be revealed next.



Step 1: Decide Whether You're Ready to Buy a Home

Many people start the process without any guidance. They don't really know what to do and how to do it. Being such an important milestone, lack of preparation when deciding whether to purchase a home often can lead to :

Frustration

Anxiety

Confusion

The best way to start is to consider the factors that dictate whether you are ready. If assessed correctly, the home buying process can end up being less stressful, more time efficient with less complications, more insightful which could end up saving you money

Factors to consider

Income & Employment Status

2-year work history required to ensure stable and reliable income up-to-date taxes for self-employed. A 2-year history is preferred.

Liquid Assets: Enough savings to include down payment and closing costs dependent on the purchase price, a bare minimum 6.5% to 9% required to be verified

Liabilities: Qualifying ratios calculations include loans, lines of credits and credit cards, but calculated differently.

Credit Score

Importance of credit score: dictates what loans and interest rates you qualify for your credit score tells your lender how risky it is to lend money to you. It shows how consistently you pay off your bills and debts.

Importance of improving credit score and reduce debt: better numbers mean better loan options with lower interest rates.

Budget: Creation of a budget to determine how much you're comfortable spending on living expenses, How much are you paying now for your living expenses? (i.e., rent, utilities, insurance)
How much do you have left overs at month end?

Step 2: Get Pre Approved

In business and life in general... time is money. Most people waste a lot of precious time finding homes and searching for real estate they may not even qualify for. If you do not know what you can afford, you will likely cause yourself a lot of stress and frustration from the time wasted and the unmet expectations. Furthermore, it could also prevent you from winning offers.

The best way to see what you can qualify for is to get pre-approved to determine your purchasing power.

When you apply, your lender will give you a pre-approval letter that states how much you're approved for based on your credit, assets and income. You can show your pre-approval letter to your real estate agent so they can help you find homes within your budget.

A pre-approved mortgage lets you know how much you can afford, what your interest rate will be and what your monthly mortgage payments will look like.

Your income, assets and credit are reviewed to ensure they meet lender policies.

Income

Salaried Employee

base pay used for qualification

bonus or commission income can be used if earned consistently

Hourly Employee

Guaranteed hours can be used for qualification

2-year average considered to determine qualifying income

Self Employed

2-year average of tax returns typically reviewed by banks, specialty programs could be used where they gross up your net income, or look at company's financial statements

stated income programs can be used where your business bank statements are reviewed, looking at the revenue earned less the expenses deducted

Other Income

other sources of income claimed on personal taxes may be considered (i.e., pensions, investment income), and even others that are not (i.e., Government childcare benefits or support, disability income)

Assets

Lenders use your savings and investments to determine your borrowing power. The first step is to determine if you have enough for a conventional mortgage (20% down) or require an insured mortgage (less than 20% down).



- 20% down payment or more
- no additional costs
- up to 30-year amortization
- more flexible lending options
- access to alternative lenders if needed



- less than 20% down payment
- minimum down payment required 5%-7.5%
- premium added to principal mortgage amount
- 25-year amortization
- more restrictive lending requirements

Assets contd..

Deposit

part of total down payment required needed within 24 hours of an accepted offer
Funds should be readily available, liquid with direct access (preferably not an online bank) typically, 5% of the purchase price

Down Payment

90-day history needed confirming source of down payment, eligible accounts include savings, RSP, TFSA, FHSA, and investment accounts, gifts from direct family members are allowed, funds need to be in Canada within 30 days before the closing date

Net Worth

additional savings or investments not being used as part of down payment
used to help qualify for a larger mortgage through specialty programs
used to help negotiate lower rates with lenders
used to mitigate risk and seek exceptions when needed

Credit & Liabilities

What factors impact your credit score and how Credit does that impact which lenders are available to you?



Credit and Liabilities

Prime Lenders

- minimum credit score of at least 640
- eligible for preferred pricing, no lender fees
- more term, rate and product options
- 6 years post discharge of bankruptcy or consumer proposal
- minimum 2 trade lines with 24 months of reporting

Alternative Lenders

- minimum credit score of 500
- slightly higher rates with applicable lender fees
- limited term, rate and product options
- will pay out consumer proposals
- 6 months post discharge of bankruptcy
- reasonable explanation needed for credit history

Presenting Options

At this point we should be able to comfortably determine how much of a mortgage you could qualify for. You will then be presented with 2-3 options, comparing the following:

lenders

terms

rates

mortgage options (i.e., prepayment privileges, penalty calculations, etc)

No two lenders are the same; understanding the differences between them is key to selecting the right solution that matches your needs.



Mortgage Options

Fixed Rate Mortgage

- ▶ Guaranteed interest rate for the duration of your term
- ▶ Guaranteed payments for the duration of your term
- ▶ Doesn't change based on market conditions
- ▶ Typically, higher penalties to break the mortgage mid-term

Variable Rate Mortgages

- ▶ Interest rate based on the bank prime rate, and will change as the prime rate changes
- ▶ Adjustable VRM - payments will increase or decrease as the prime rate changes
- ▶ Static VRM - payments stay the same but ratio between principal and interest changes as the prime rate changes
- ▶ Only 3 months interest cost to break mortgage, usually lower than fixed rate mortgages

“What if I don’t qualify? What options do I have?”

If you didn’t get approved for the amount you needed or were hoping for, don’t give up hope yet. There are still some options we can consider:

- **Co-Signers:** a co-applicant, typically a spouse or parent, whose income is used to help qualify and are on the title of the property
- **Gifted funds:** An amount given by parents, grandparents or siblings, that can be used towards the down payment, thus increasing the overall amount you can afford. These funds are meant to be a gift and will not be repaid.
- **Alternative lenders:** “B” lenders or mortgage investment companies (MICs) often have special programs where they use more of your income to qualify. This allows you to qualify more than with the typical bank or prime lender.

Step 2: FAQ

Question 1: Can I still qualify for a mortgage if I change my job?

A change in employer can impact your approval, especially if the following has changed:

- ★ new employer in a different industry
- ★ probationary period
- ★ pay structure change (i.e., salaried to commission-based)
- ★ employment type change (i.e., salaried to self-employed)

Question 2: What happens if my monthly payments increase during my pre-approval?

Your pre-approval considers your total monthly expense obligations at the time of application. Adding the following will have a direct impact on the amount of mortgage you can qualify for:

- ★ new car loan or lease
- ★ increasing your credit card balances
- ★ borrowing against your line of credit



Step 3: Choose the right team

Now that you've been pre-approved and you know what you can afford, it's time to get out there and start looking at properties.

You can do this on your own, but you'll be limited to online listings, virtual tours and at best open houses. You can then try to negotiate your own purchase and draft up your own purchase agreement, but you would be doing yourself a disservice and putting yourself at financial risk.

The better way, the smarter way, is working with experienced professionals.

Step 3: FAQ

Question 1: Is it possible to buy without a real estate agent?

★ Yes, however it isn't recommended especially for first time homebuyers. The homebuying process can be complicated and emotional.

★ Having an agent by your side can help you navigate the housing market, submit a legally sound offer and avoid overpaying for your property.

Question 2: How does a realtor get paid?

★ It is free to work with a real estate agent as a buyer. The seller pays the realtor's commission.

Question 3: How much does a lawyer charge?

★ The amount varies slightly from lawyer to lawyer but also depends on the complexity of the file

★ Typically, lawyers have flat fees plus HST and disbursements

Step 4: Finalizing your Mortgage

Now that your offer is accepted, what are the next steps in the mortgage approval process? How does your mortgage get finalized with a firm approval?

Here are the involved behind the scene steps that are done to ensure you get a firm approval.



submission

application submitted to lender

lender reviews all docs and returns a commitment with outstanding conditions



fulfilment

collect outstanding documents to satisfy remaining conditions

order appraisal



review

lender reviews remaining documents

lender signs off on all conditions

Step 4: Finalizing your Mortgage

Once the mortgage has been signed off on, the lender sends instructions to your lawyer. They then prepare all the necessary paperwork required to be signed.

How much will you need to close the purchase? The total amount needed also depends on if the mortgage is insured or conventional and if the property is in the City of Toronto.



Other Costs and Considerations

In addition to mortgage payments, there are additional monthly expenses to consider as a homeowner:

Property Taxes

- ▶ calculated annually (usually 1% of the assessed value of your home)
- ▶ payments made directly to municipality or collected by the lender on your behalf

Maintenance Fees (for condo owners)

- ▶ monthly cost determined by condo board covering utilities, common areas and the reserve fund
- ▶ the larger the unit and/or the more amenities the building offers, the higher the fee



Other Costs and Considerations

In addition to mortgage payments, there are additional monthly expenses to consider as a homeowner:

Insurance

- ▶ fire insurance is required to cover the cost of rebuilding the house
- ▶ content insurance is required for condos

Utilities

- ▶ water, hydro, gas costs depend on usage
- ▶ billing depends on the provider in your area



First time home buyer Incentives

FTHBI - First Time Home Buyer Incentive Program:

- homeownership more affordable with Government of Canada contribution 5% - 10% of the purchase price, towards down payment
- down payment doesn't increase purchase price but rather decreases mortgage payments
- GoC shares in the equity of the property including appreciation and depreciation up to 8% per annum

HBTC – First Time Home Buyers' Tax Credit

- First-time home buyers may be eligible for a tax credit of up to \$1,500 through the HBTC program
- When filing your income taxes, be sure to let your accountant know that you purchased your first home, so they can confirm your eligibility and include it in your tax filing.

HBP – Home Buyer Plan

- The federal government's Home Buyer's Plan (HBP) allows you to withdraw funds from your RRSP to buy or build a home for yourself or a related person with a disability.
- Withdrawn funds must be paid back within 15 years.
- Tax will not be withheld on amounts of \$35,000 or less.

First time home buyer Incentives

FHSA – First Home Savings Account

- Account holders can contribute \$8000 per year towards, and can withdraw up to \$40,000 for the down payment of their first home.
- Any unused contribution room can be carried forward to the next year.

Land Transfer Tax Rebate

- First time home buyers in Ontario who buy an eligible home may qualify for a partial or full refund on the land transfer tax.
- City of Toronto applies an additional rebate on their portion of the land transfer tax.

Now we covered a lot!

In this training, we went over a lot of information on the homebuying process. This included:

- ▶ How to gauge if you're ready to buy
- ▶ Getting pre-approved and what that entails
- ▶ The importance of aligning yourself with the right team
- ▶ Putting in an offer and some of the considerations involved
- ▶ Ensuring your mortgage closes without a hitch

We also covered some additional costs to homeownership that are often forgotten or not considered.

Lastly, we also got a sense of incentives or programs that first time home buyers can take advantage of.

The question that remains: What is your next step?

How will you use this information?

Option 1: Go to your local branch

You can walk into your local branch

- ▶ You take a chance that you get a knowledgeable and experienced advisor
- ▶ Hopefully, they have a robust background in mortgages
- ▶ You can hope your financial situation matches the bank's borrowing guidelines
- ▶ You can hope they're offering their best products, solutions and rates
- ▶ You can hope they'll be honest with you about how they compare to their competitors
- ▶ Hopefully, they'll be available on the evenings and weekends when you need them most
- ▶ You can also go from bank to bank until you find the "best" solution

Alternatively, you have the option to collaborate with a mortgage specialist whose sole focus is mortgages, ensuring their interests are fully aligned with yours.

Option 2: Work with me

With extensive mortgage experience, I can help you understand your true borrowing power. With access to over 40+ lenders, I will match your financial situation to the right lender. I have:

- access to specialty programs which go beyond the standard bank programs, allowing you to qualify for more
- access to lenders who bypass the stress test
- access to lenders who look at your business' true income not just what's reported to the CRA

I can shop your mortgage around to different lenders offering the best terms, rate and products in the market.

I offer:

- no need to fill in the same application and have the conversation over and over again
- saves you time from applying with multiple lenders
- daily monitoring of rates across multiple lenders
- in depth analysis of comparison among different lender options

Lastly, I am available when you need me.

- will review applications prior to putting in an offer
- available evenings and weekends

My offer

Aside from solid service and advice, competitive rates and tailored solutions, here's what else you get:

Access to my team at Mortgage Alliance

Dedicated underwriter and admin to help ensure your mortgage is processed efficiently from start to finish

Access to a turnkey network

- if you need help finding a trusted realtor, lawyer and even an accountant, I work with many professionals across the industry

No obligation

- I only get compensated once you receive your keys. Meaning if you're not happy with my services, you can simply walk away

Free consultation

- I get compensated directly from the lenders, meaning my time spent with you is FREE. It's in my best interest to provide you with the best service and advice.

Timely market updates

- be informed whenever there is a significant change in rates before changes take effect
- extend your pre-approval to take advantage of current rates before they go up

Contact Us

Book a call now to get started with your free mortgage consultation!

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