HOMEBUYER'S GUIDE

Adamas Financial Corporation

WHY USE A MORTGAGE PROFESSIONAL?

As a mortgage professional, I can guide you through all your options allowing you to make an informed decision based on your current and future needs. Having an expert in your corner can be the difference between making a decision and making the right decision.

1. Get independent advice on your financial options

As an independent mortgage professional, I'm not tied to any one lender or range of products. My goal is to help you successfully finance your home or property. We'll start by getting to know you and your home ownership goals. We'll make a recommendation, drawing from available mortgage products that match your needs, and we will decide together on what's right for you.

2. Save time with one-stop shopping

It could take weeks for you to organize appointments with competing mortgage lenders, and I know you'd probably rather spend your time house-hunting! I work directly with dozens of lenders, and can quickly narrow down a list of those that suit you best. It makes comparison-shopping fast, easy, and convenient.

3. I negotiate on your behalf

Many people are uncertain or uncomfortable negotiating mortgages directly with their bank. Brokers negotiate mortgages each and every day on behalf of Canadian homebuyers. You can count on my market knowledge to secure competitive rates and terms that benefit you.

4. More choice means more competitive rates

I have access to a network of major lenders in Canada, so your options are extensive. In addition to traditional lenders, I also know what's being offered by credit unions, trust companies, and other sources. I can also help you take care of other requirements before your closing date.

5. Ensure that you're getting the best rates and terms

Even if you've already been pre-approved for a mortgage by your bank or another financial institution, you're not obliged to stop shopping! Let me investigate to see if there is an alternative to better suit your needs.

6. Get access to special deals and add-ons

Many financial institutions would love to have you as a client, which is why they often offer incentives to attract creditworthy customers. These can include retail points programs, discounts on appliances, shopping clubs, and more. I do the math on which offers might be worth your attention when it comes to financing or mortgage insurance so you get the perks you deserve.

7. Things move quickly

My job isn't done until your closing date goes smoothly. I'll help ensure your mortgage transaction takes place on time and to your satisfaction.

8. Get expert advice

When it comes to mortgages, rates, and the housing market, I'll speak to you in plain language. I can explain the various mortgage terms and conditions so you can choose confidently.

9. No cost to you

There's absolutely no charge for my services on typical residential mortgage transactions. How can I afford to do that? Like many other professional services, such as insurance, mortgage brokers are generally paid a finder's fee when we introduce trustworthy, dependable customers to a financial institution. These fees are quite standard and nearly industry-wide so that the focus remains on you, the customer.

10. Ongoing support and consultation

Even once your mortgage is signed and paperwork is complete, I am here if you need any advice on closing details or even future referral needs. I am happy to be of assistance when you need it.

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WHAT TO EXPECT FROM THIS GUIDE

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This Homebuyer's Guide will give you the information and tools you need to make an informed and responsible homebuying decision. This hands-on workbook provides examples and worksheets to guide you through the entire homebuying process.

Generally, there are four stages in the buying process.

1. The first person that you need to speak with is your mortgage professional. I can explain the mortgage process and let you know your maximum purchase price and lock in a rate for up to 120 days.

2. Next, you need to choose a realtor to help you find a suitable home. Realtors will help you find a home, negotiate and write up an offer to purchase.

3. The next step is to have the home inspected to make sure you understand the condition of your home and can anticipate any upgrades or repairs. A certified home inspector can perform this inspection for you.

4. The last stop is at the lawyer's or notary's office. They will handle all the legal aspects of the purchase and ensure that your transaction closes smoothly.

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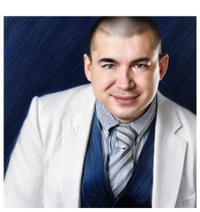
Section 1.

Qualification Guidelines

This section will give you an idea of what to expect based on traditional mortgage qualification guidelines. Remember that these are just guidelines and everyone's situation is unique. To pre-qualify or get pre-approved for a mortgage, there are three essential components: your income, your equity and your down payment amount.

As a mortgage professional I'm here to help you reach your home ownership goals. If you have any questions about this section, please reach out to me and I'd be happy to help.



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INCOME

What is classified as income for qualifying purposes? Some forms of income that represent revenue to your household may not count as income for qualification purposes. Here are some of the many sources of income and some of the guidelines for using them to qualify for a mortgage. The important thing when it comes to income is to demonstrate consistency and sustainability.

Employment income

If you are an employee of a company or corporation, the basic guideline for income eligibility is that you have been employed for one year with the same employer or at least one year in the same line of work with no probationary period on the new employment.

Self-employment

If you are self-employed, you can still qualify, but most lenders will require a track record of consistent income. The standard is a two year average of your net taxable income.

Seasonal income

Seasonal income is acceptable, but you will likely be required to demonstrate sustainability by providing a two or three year track record. Usually, an average of income over these years will be used for qualifying purposes.

Overtime

If you want to use overtime for your qualifying income, most lenders will want to see a consistent history; typically, a two or three year track record of your overtime income.

Pension income

Guaranteed pension incomes are usually acceptable sources of income.

Child tax credit

The child tax credit may be considered by some lenders. Ask me for more information if this is income you would like to have considered with your mortgage application.

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DOWN PAYMENT

Down payment

A down payment is the amount you can immediately contribute towards the cost of your home purchase. Since the majority of people do not have enough savings to purchase a home outright, the gap between your down payment and the purchase price of your home is made up with a mortgage loan.

Down Payment + Mortgage Loan
= purchase price of your new home

If you have a down payment of 20%, you would be borrowing 80% of the home's value.

The minimum down payment to buy a home in Canada is 5% of the purchase price. For example, to buy a home that costs $250,000, you will need a minimum of $12,500 as your down payment.

If you have under 20% down payment, you will need Mortgage Default Insurance.

If you have over 20% down payment, you qualify for a conventional mortgage which generally does not require Mortgage Default Insurance.

Mortgage Default Insurance

Mortgage Default Insurance (sometimes called Mortgage Loan Insurance) protects the mortgage lender in case you are not able to make your mortgage payments.

Your mortgage costs will be slightly higher if you need to get Mortgage Default Insurance. The premiums you pay for your Mortgage Default Insurance are typically combined and rolled into your mortgage payments.

Mortgage Default Insurance is only available for high-ratio mortgages if the purchase price of the home is less than $1 million.

Mortgage Rate Stress Test

Canada's Office of the Superintendent of Financial Institutions (OSFI) introduced a stress test on mortgage lending in October 2017. This rule, which requires all Canadian buyers borrowing from a federally regulated lender to pass the stress test, came into effect as of January 1, 2018.
Please see page 12 for information about the Stress Test.

DOWN PAYMENT RULES FOR HOMES OVER $500,000

Down payment requirements for homes over $500,000

For homes over $500,000, you are required to have 10% down payment for the portion of the purchase price that is over $500,000. You only need 5% down payment for portion up to $500,000.

Example:
Down payment required to purchase a $700,000 home

5% on $500,000 = $25,000
+
10% on $200,000 = $20,000

Down payment required = $45,000

Down payment requirements for homes over $1,000,000

For homes over $1,000,000, you must have a down payment of at least 20% or $200,000. These properties are not eligible for Mortgage Default Insurance because the down payment required is at least 20%.

Money saving tip

Save as much as you can for your down payment. A larger down payment means you need a smaller mortgage, which will save you thousands of dollars in interest charges.

Traditionally, the minimum amount of down payment required to purchase a home has been 5% of the purchase price. Recent innovations in Mortgage Loan Insurance have allowed lenders to give home buyers the opportunity to cover the requisite down payment by borrowing the funds from an alternate credit source such as personal line of credit or credit card. If you do not fit the stringent credit criteria for these programs, the 5% down payment must come from your own resources and can't be borrowed. Here are some examples of equity sources which can be used towards your down payment.

Sale of another property

If equity is to come from the sale of another property, verification of this equity must be obtained. The lender will require a formal statement of outstanding balance for any existing financing on that property.

Savings

Funds from your savings account can be used towards your down payment. Most lenders will require three months of bank statements showing the accumulation of funds.

Registered Retirement Savings Plan (RRSP)

An RRSP is a personal savings plan that allows you to save for the future on a tax-sheltered basis. You will need to provide a recent statement from your financial institution that identifies you as the account holder and the current value of the account.

Gifted down payment

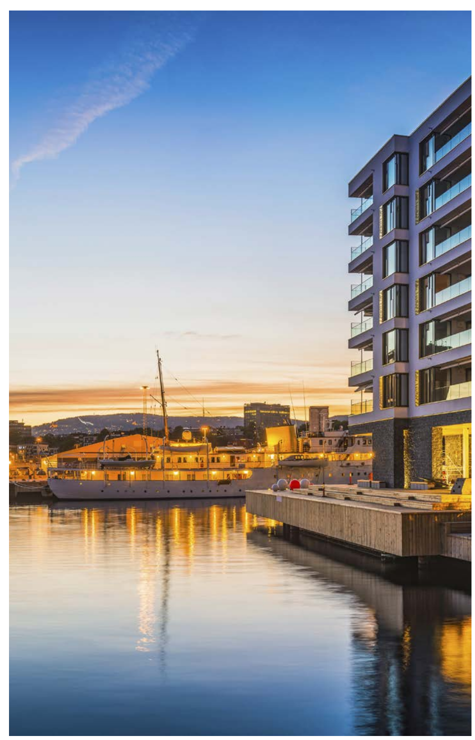
The lender will require a gift letter stating that the funds are a gift and are not repayable, and a deposit slip showing the gifted funds deposited into the borrower's account prior to closing.

GIC, mutual fund or term deposit

GIC: A Guaranteed Investment Certificate is a secure investment that guarantees 100% of the original amount that you invested. Your investment earns interest, at either a fixed or a variable rate, or based on a pre-determined formula.

Mutual fund: A mutual fund is a portfolio of bonds, stocks, or other investable assets like money market products, that are selected and managed by a professional on behalf of many investors.

Term Deposit: A term deposit is a cash investment held at a financial institution for an agreed interest rate over a fixed term



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GROSS DEBT SERVICE RATIO AND TOTAL DEBT SERVICE RATIO

The amount of mortgage you may qualify for depends on two things: income and the amount of debt you are carrying. Financial institutions use two different ratios to measure your borrowing ability. The first is your Gross Debt Service Ratio (GDSR). The second is your Total Debt Service Ratio (TDSR).

Gross Debt Service Ratio

Gross Debt Service Ratio (GDS) is the percentage of your gross income (before deductions such as income tax) required to cover home-related costs, such as:

mortgage payments

property taxes

heating

50% of condo fees

Example:

Principal and Interest Monthly	$915.59
Heat Monthly	$75.00
Taxes Monthly	$125.00
Total for debt service	$1,115.59
Gross Monthly Income	$3,500.00

GDS Ratio calculation

$1,115.59 / $3,500 =.318

GDS Ratio 31.8%

In the above example, the homeowner is spending 31.8% of their household income on housing expenditures.

To qualify for a mortgage, most lenders traditionally require that your GDSR is at or below 32%. As of October 2006, the insurers and some lenders will allow a GDSR of up to 35%.

This, coupled with the option of extended amortizations, significantly increases the consumer's borrowing power. Extended amortizations are not available for insured mortgages.

Total Debt Service Ratio

Total Debt Service Ratio (TDS) is the percentage of gross income required to cover home-related costs (mortgage payments, property taxes, heating, and 50% of condo fees, if applicable), plus all of your other debts, such as:

credit card payments

car payments

lines of credit

student loans

any other debts

Example:

Principal and Interest Monthly	$915.59
Heat Monthly	$75.00
Taxes Monthly	$125.00
Car Loan Monthly	$200.00
Credit Card Payments Monthly	$50.00
Total for debt service	$1,365.59
Gross Monthly Income	$3,500.00

TDS Ratio calculation

$1,365.59 / $3,500 =.3902

TDS Ratio 39.02%

In the above example, the homeowner is spending 39.02% of their household income on housing expenditures and other debt.

In order to qualify for a mortgage, traditionally lenders have required that your TDSR be at or below 40%. Since October of 2006, some insurers and lenders will allow up to 42% TDSR and in the case of a borrower with exceptional credit, may allow for a TDSR of up to 44%.

Compare the results with the estimated costs for your new home

Estimate what the costs will be for your new home, including all the ones described in the GDS and TDS ratios. If the total costs you estimate are lower than the maximum amounts you calculated, you will probably qualify for a mortgage loan with the lender.
If you find that your debt service ratios are higher than you'd like, some of your options include:

- looking at homes in a lower price range
- saving for a larger down payment
- reducing your debts

Section 1.

AT A GLANCE

1

What is the minimum down payment required to purchase a home?

The minimum down payment required to purchase a home is 5% of the purchase price (see also p. 4).

2

What can I use for a down payment?

The down payment is usually from your own resources (e. g. savings, sale of another property), but can also come from alternate credit sources (e. g. a loan) if certain criteria are met (see also p. 4).

3

What's classified as income?

Employment income, seasonal income, overtime, AISH and pension income, child tax credit (see also p. 2 and 3)

4

What do I need to consider if I'm self-employed?

You can still qualify for a mortgage, but you will need to provide proof of a consistent income (p. 2). Additionally, it's possible that you will be asked to provide a higher down payment (see also p. 12).

5

How is the amount of mortgage I qualify for determined?

This depends on your income and the amount of debt you are carrying (p. 5).

6

How do I calculate my GDSR or my TDSR?

Explanations and calculation examples can be found on page 5.

7

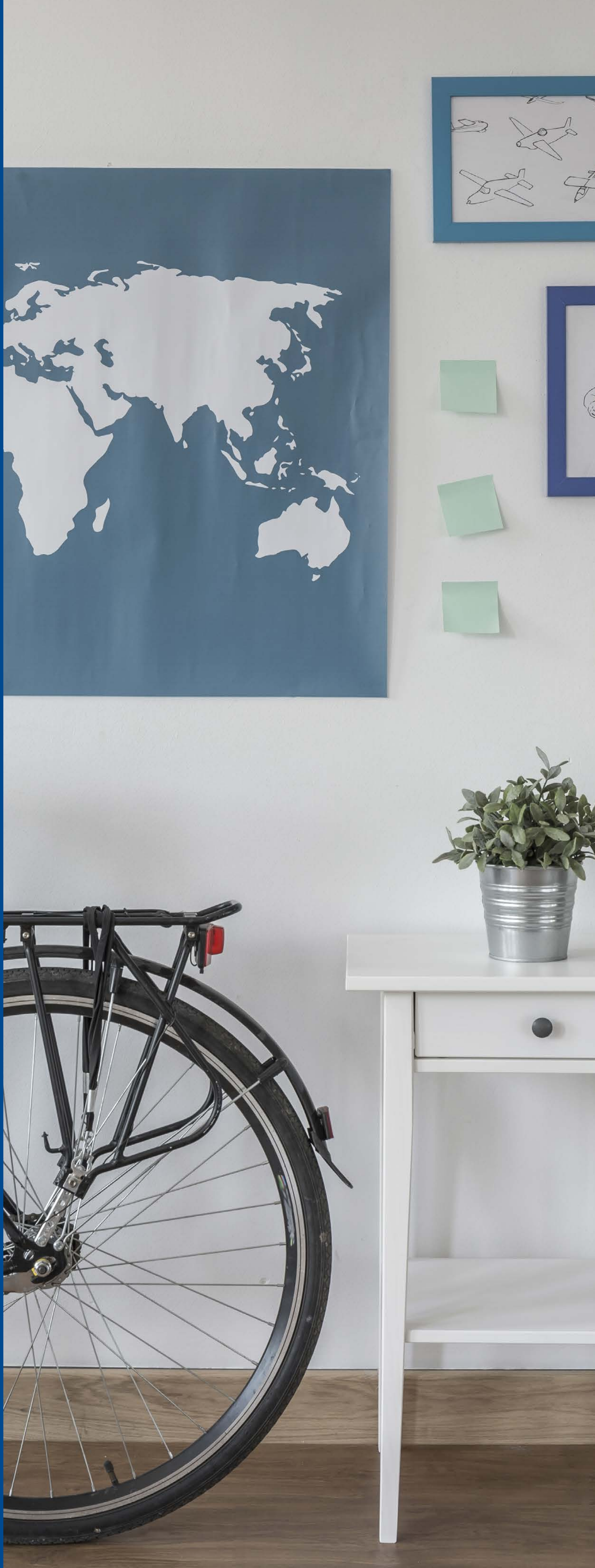
What can I do if my debt service ratios are too high?

Some of your options include looking for homes in a lower price range, reducing your debts, or saving for a larger down payment (p. 5).

8

Can I qualify for a mortgage if I am unable to confirm my income?

This depends on a number of factors, for example if you are willing to pay a higher down payment; I can help you determine if there are alternatives or workarounds for your individual issues.



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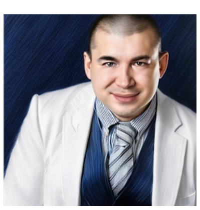
Section 2.

Credit

Credit is a critical component to the homebuying process. How can you know if you are financially ready to become a homeowner?

This section guides you through some simple calculations to figure out your current financial situation, and how to improve it.



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CREDIT RATING

Before approving a mortgage, lenders will want to see how well you have paid your debts and bills in the past. To do this, they consider your credit history (credit report) from a credit bureau. This tells them about your financial past and how you have used credit. Before looking for a mortgage lender, get a copy of your own credit history and examine it to make sure the information is complete and accurate.

What is a credit report?

A credit report is a history of how consistently you meet your financial obligations. A credit report is created when you first borrow money or apply for credit. On a regular basis, the companies that lend money or issue credit cards to you (banks, finance companies, credit unions, retailers, etc.) send the credit reporting agencies specific and factual information about their financial relationship with you, including when you opened the account and if you make your payments on time, miss payments or have gone over your credit limit. Credit bureaus receive this information directly from the financial and retail institutions and retain it to help other lenders make decisions about granting you credit. Your credit report is a history that will help lenders determine what kind of lending risk you are and if you are likely to repay your obligation on time.

What is reported?

Below is a list of the major sections found in a credit report.

- Personal identification: Name, address, date of birth and Social Insurance Number (SIN).
- Consumer statement: Allows the consumer to add a brief comment about any information in the report.
- Credit information: Details of credit accounts, transactions and history of late payments.
- Public record information: Secured loans, bankruptcies and/or judgments.
- Third-party collections: Any involvement with a collection agency trying to collect on a debt.
- Inquiries: All organizations or individuals that have requested a copy of the credit report in the past three years.

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What is a credit bureau?

A credit bureau is an agency that researches and collects individual credit information. There are two major consumer credit bureaus in Canada, Equifax and Trans Union.

Rebuilding your credit

The most effective way of re-establishing your credit is to get some creditors to report that you are paying as agreed. In time, these new current accounts will help rebuild your rating. The two easiest types of credit to obtain are RRSP loans and secured credit cards. Ask me for details and more suggestions.

What is a credit score?

Your credit score is a statistical formula that translates personal information from your credit report and other sources into a three-digit score. For example, when you fill out a loan application, pieces of information from the application along with information from your credit report will be used to compute a score that indicates to the lender the statistical probability that you will become delinquent on the loan.

Improving your credit score

Pay all of your bills on time. Paying late or having your account sent to a collection agency has a negative impact on your credit score. Do not run your balances up to your credit limit. Keeping your account balances below 75% of your available credit may also help your score. Avoid applying for credit unless you have a genuine need for a new account. Too many inquiries in a short period of time can sometimes be interpreted as a sign that you are opening numerous credit accounts due to financial difficulties, or overextending yourself by taking on more debt than you can actually repay. A flurry of inquiries will prompt most lenders to ask you why. Most scoring formulas will not penalize you if, for example, you are shopping for the best rate on a mortgage or car loan.

Credit rating

A credit rating for each trade item is reported on your credit report as well as an overall credit score. The rating for each individual trade line is made up of the following numbering system:

#	DESCRIPTION
0	Too new to rate
1	Paid within 30 days, as required.
2	Over 30 days but less than 60 days
3	Over 60 days but less than 90 days.
4	Over 90 days but less than 120 days.
5	Over 120 days but not yet sent for collection
7	Making payments under consolidation order or similar agreement.
8	Repossession.
9	Bad debt, placed for collection or skip.

VERICO

ARE YOU FINANCIALLY READY?

How much are you spending now?

The first thing you need to figure out is how much you are spending now.

1. Calculate your household expenses

What is your present household budget? How much are you now spending each month on household expenses?

The Current Household Budget worksheet on the next page helps you take a realistic look at your current monthly expenses. Fill in all the figures that apply to you, and add them up.

CURRENT HOUSEHOLD BUDGET	
Details	**Average monthly amount**
Current Housing Expenses	
Rent	$
Electricity (if paid separately)	$
Heating costs (if paid separately)	$
Water (if paid separately)	$
Maintenance/Repair	$
Parking fees (if paid separately)	$
Current Non-Housing Expenses	
Cable TV and internet	$
Car fuel and expenses	$
Charitable donations	$
Child care/Child support	$
Clothes and personal items	$
Furnishings	$
Groceries	$
Insurance	$
Medical and dental expenses	$
Public transportation	$
Savings (bank account, RRSPs)	$
Telephone/Cell phone	$
Other expenses	$
Total Monthly Expenses	$ ____________
Note: You may have other costs not shown on this worksheet	

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2. Calculate your monthly debt payments

Do you know how much debt you are carrying? You need this information to figure out whether you are financially ready for homeownership. If you decide to buy a home, mortgage lenders will ask for this information.

Use the form below to determine your current monthly debt payments. Fill in all the figures that apply to you.

MONTHLY DEBT PAYMENTS	AVERAGE MONTHLY AMOUNT
Loans for property you own	$
Car loans or leases	$
Personal loans	$
Lines of credit	
Credit cards	$
Student loans	$
Other loans	$
Total Monthly Debt Payments	$ ______________________

3. Calculate your total monthly expenses

Your total monthly expenses are your household expenses plus your debt payments.
To calculate your monthly expenses, add the total from the Current Household Budget form to the total from Monthly Debt Payments form, using the form below.

EXPENSES	AMOUNT
Total Monthly Expenses (Step 1.)	$
Total Monthly Debt Payment (Step 2.)	$
Total Monthly Expenses	$ ______________________

4. Prepare for pre-approval

Now you have a better understanding of your current financial situation, and can start preparing for a pre-approval interview. Find out what else you need to prepare for the pre-approval process in Section 3.

PAVING THE WAY FOR MORTGAGE APPROVAL

If you find that you are currently unable to qualify for the mortgage amount that you want, there are steps you can take to improve your situation and possibly increase the amount that you may qualify for. The first step is to identify the obstacles to approval and to pinpoint the areas that need improvement. From there, you and I can develop a plan to overcome those hurdles. Here are some tips for improving common barriers to mortgage approval.

Income and debt

If your debt ratios are the problem, there are two options for you: increase your income or reduce your debt. One way to increase your income may be with the assistance of a co-signer. By having someone co-sign for you, you may be able to include their income when calculating the debt service ratios. To reduce your monthly debt load, you could arrange a debt consolidation loan. Ask me or your banker if this may be an option for you.

Credit

Ensure that you always make at least the minimum payment on all of your bills. Every late payment that is recorded on your credit bureau report has a negative impact on your rating. If you need to rebuild your credit, talk to me or your banker for advice. An RRSP loan or a secured credit card is an easy way to start reestablishing your credit. Credit counseling services can also be of assistance when trying to repair or rebuild your credit.

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Down payment

A down payment is the amount of money that you pay at the time of purchase toward the price of your home. Your mortgage loan covers the rest. You should have a good idea of how much you can put toward the down payment before talking to a potential lender or mortgage broker.

The minimum down payment is at least 5% of the purchase price. For example, to buy a home that costs $250,000, you will need a minimum of $12,500 as your down payment.

When you are ready to make an offer to buy a home, you will need to provide a deposit. The deposit forms part of your down payment, with the rest to be paid when you "close" the purchase of your new home.

In some cases, the minimum down payment can be higher than 5%. For example, if you are self-employed or have a poor credit history, you may be required to provide a higher down payment.

You may be able to use additional funds from your RRSP for your down payment with the Home Buyers' Plan (HBP).

Canada's Mortgage Stress Test

Canada's Office of the Superintendent of Financial Institutions (OSFI) introduced a stress test on mortgage lending in October 2017. This rule, which requires all Canadian buyers borrowing from a federally regulated lender to pass the stress test, came into effect as of January 1, 2018.

The stress test requires that all borrowers be measured against the minimum qualifying rate which is either the Bank of Canada's five-year benchmark rate or their contractual rate plus two percentage points; whichever is greater of the two.

In financial terms, a stress test is defined as a process by which a financial institution can determine the worst-case scenario for any investment. For mortgages, it means a stress test is used to determine the risks associated with each loan application. Lenders look at how much the borrower can afford given their current debt-to-income ratio and assess whether they would still be able to make the monthly mortgage payments should the rates increase.

It is very important potential home buyers consult with qualified mortgage professionals such as myself to ensure you are informed on changing government rules relating to mortgage qualification.

Home Buyers' Plan

The Home Buyers' Plan (HBP) allows you to withdraw money from your RRSP tax-free to use for a down payment.

If you are a first time homebuyer, you may be eligible to use up to $35,000 of RRSP savings toward the purchase of a new home under the HBP. By saving through your RRSP, you also receive a tax deduction that may give you a refund at tax time allowing you to add even more to your down payment savings pool. You may also withdraw funds from your RRSP for someone else if:

- you acquire a qualifying home for a related disabled person that is more accessible to or better suited to the needs of that person; or
- you provide the withdrawn funds to a related disabled person to acquire a qualifying home that is more accessible to, or better suited to the needs of that person.

Withdrawals that meet all applicable HBP conditions do not have to be included in your income, and your RRSP issuer will not withhold tax on these amounts. If you buy the qualifying home together with your spouse or common-law partner, or other individuals, each of you can withdraw up to $35,000.

Under the HBP, you have to repay all withdrawals to your RRSPs within a period of no more than 15 years. Generally, you will have to repay an amount to your RRSPs each year until you have repaid the entire amount you withdrew. If you do not repay the amount due for a year, it will be included in your income for that year.

DO I MEET THE HBP ELIGIBILITY CONDITIONS?

- You must be considered a first-time home buyer.
- You must have a written agreement to buy or build a qualifying home for yourself, for a related person with a disability, or to help a related person with a disability buy or build a qualifying home (obtaining a pre-approved mortgage does not satisfy this condition).
- You must intend to live in the qualifying home as your principal place of residence within one year after buying or building it. If you buy or build a qualifying home for a related person with a disability, or help a related person with a disability buy or build a qualifying home, you must intend that that person lives in the qualifying home as their principal place of residence.

Section 2.

AT A GLANCE

1

What is a credit report?

A credit report is a history of how consistently you meet your financial obligations.

2

How do I get my credit report?

You can get your individual report from Equifax or Trans Union (p. 8). Before looking for a mortgage lender, get a copy of your own credit history and examine it to make sure the information is complete and accurate.

3

How can I improve my credit score?

Some courses of action can include: paying all your bills and obligations on time, avoiding new credits and loans unless they are absolutely necessary, and/or rebuilding your credit at your bank (p. 9).

4

How do I determine if I am financially ready to buy a home?

You need to figure out how much you are currently spending. The guides on pages 10 and 11 can help you calculate your expenses.

5

When should I consider a co-signer?

In case your debt ratio is an issue, you may have to look into increasing your income. One option is having somebody co-sign on your mortgage, since you may be able to include their income (see also p. 12).

6

What is the First Time Homebuyer's Plan?

The Home Buyer's Plan allows you to withdraw money from your Registered Retirement Savings Plan (RRSP) tax-free for a down payment.

7

What are the Home Buyer's Plan eligibility conditions?

You must be considered a first-time home buyer, buy or build a qualifying home for yourself, and intend to live in the home as your principal place of residence within one year after buying or building it (see also p. 13).

8

Do I need to pay a deposit when I make an offer?

Yes! The deposit forms part of your down payment, the rest is paid when you "close" the purchase of your home.

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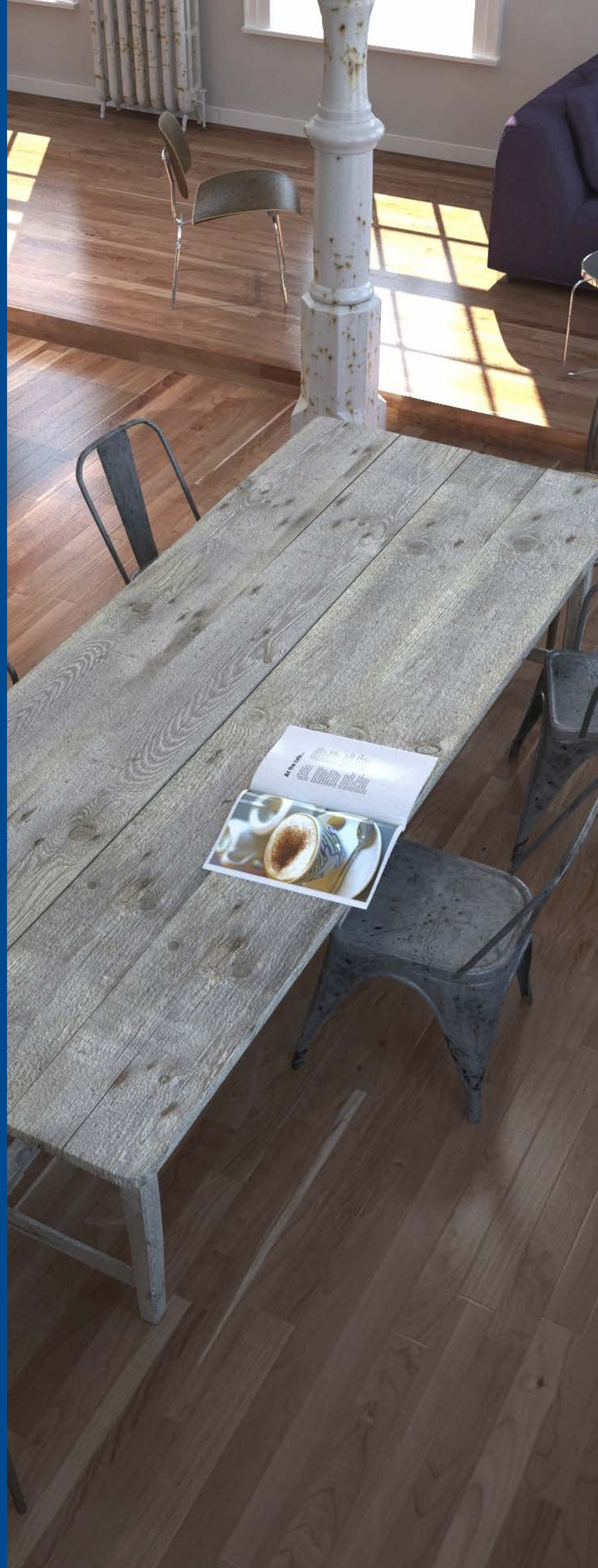

Section 3.

The Approval Process

Once you decide you will need financing to obtain your home, you will need to apply for a mortgage loan. This is usually a two-step process. The first is pre-approval, before you begin house shopping, and the second is a firm approval once your offer on the home you want to purchase is accepted.

This section will guide you through the approval process and how you can best prepare.

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PRE-APPROVAL

Before you begin looking for your new home, you will want to know what your financial limits are. Obtaining a mortgage pre-approval lets you know exactly how much you can afford and allows you to shop with confidence.

With a pre-approval, you can:

- Lock in an interest rate in case interest rates rise before you purchase a home. The length of the interest rate guarantee varies by financial institution and usually ranges from 60 to 120 days. If interest rates fall before you purchase a home, you may or may not be able to get the lower rate, depending on the lender's policies for pre-approvals.
- Estimate your mortgage payment, so that you can include it in your budget.
- Know the maximum amount of a mortgage that you qualify for, so that you don't waste time looking for homes that are too expensive.

A pre-approval does not guarantee that you will get the mortgage loan. Once you have a specific home in mind, the lender will want to verify that the home or property meets certain standards (ie. the condition or market value of the home) before approving your loan. At that point, the lender could decide to refuse your mortgage application, even though you had been pre-approved for a certain amount.

Keep in mind that the pre-approved amount is the maximum you could receive. It may be a good idea to look at homes in a lower price range so that your budget will not be stretched to the limit. Remember to also consider any additional costs you expect in the near future and factor in closing costs and moving costs.

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What you will need for a pre-approval:

- proof of employment:
  - proof of current salary or hourly pay rate (for example, a current pay stub and a letter from your employer)
  - position and length of time with the organization
  - if self-employed, bring your Notices of Assessment from Canada Revenue Agency from the past two years
- proof you can pay for the down payment and closing costs:
  - recent financial statements (bank accounts, investments)
- information about your other assets, such as a car, cottage or boat
- information about your debts or financial obligations:
  - credit card balances and limits, including those on store credit cards
  - child or spousal support amounts
  - car loans or leases
  - lines of credit
  - student loans
  - other loans

THE APPROVAL PROCESS

1. Your personal information will be collected and will include your full name, current address, birth date, employment information and information on your current assets and liabilities.

2. I will review your credit bureau report and will inform you of your credit status. If there are items on the report that are incorrect, or items that need to be cleared up, then you should take care of them immediately. If this is not possible, talk to me about the steps to take to correct the situation.

3. I may collect all supporting documents, including income and down payment verification

4. Once the application and credit report have been submitted to determine the amount of mortgage for which you qualify, I will submit your file for pre-approval.

5. Once you find a property, if your mortgage is a high-ratio mortgage and requires insurance, your lender will submit the application (along with the property information) for approval of both you and the property. If your mortgage is conventional and does not need mortgage insurance, your lender may require an appraisal to ensure the lending value of the property meets their approval.

6. Once your mortgage has been approved by both the lender and, if applicable, the insurer, it is time to make sure that you have satisfied all of the lender's conditions on the approval. This may include recent pay stubs, your lawyer's contact information or any outstanding legal forms that need to be signed.

7. Once we have final approval, you will need to sign the lender mortgage documents, including creditor life insurance and/or term life insurance. We will then arrange for your home and fire insurance. The last step is to sign your legal mortgage documents in the presence of your lawyer.

YOUR MORTGAGE AGREEMENT

Information to consider

Read your mortgage agreement carefully and be sure to ask about anything that you do not understand.

All federally regulated financial institutions must provide you with certain information about your mortgage in the loan agreement. They must present key information, such as :

- the amortization period,
- the schedule of your payments,
- the annual interest rate,
- your prepayment privileges,
- the mortgage term, and
- other related fees.

This information must appear clearly in an information box at the beginning of the mortgage agreement.

Mortgage negotiation

Once a lender has decided to move forward with your loan, I will finalize the details of your mortgage loan including:

- the amount of the mortgage – how much the lender will lend you,
- the amortization period – how many years it will take to pay the mortgage off in full,
- the term of the mortgage – the length of time your agreement with the lender is in effect, or until you decide to renegotiate your mortgage or pay it off in full,
- how often you will make payments, and
- if it is a fixed rate mortgage, the interest rate you will pay until the end of the term.

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WHY USE ME AS YOUR MORTGAGE PROFESSIONAL?

I will present you with options so you can make an informed choice regarding your mortgage

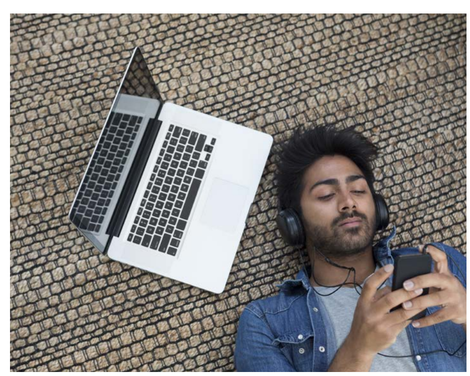
I am a knowledgeable and experienced professional who will sit down with you in order to fully assess your needs and personal situation.

In order to meet your needs, I have a wide array of products to choose from, including mortgage banks, private sources, independent lenders and mono-line lenders.

I offer unparalleled choice with multiple lenders including banks, credit unions and trust companies – based on your specific financial situation.

I can assist you with competitive interest rates and favourable loan terms.

Even once your mortgage is signed and paperwork is complete, I will offer ongoing support if you need any advice on closing details or even future referral needs.



Section 3.

AT A GLANCE

1

When should I obtain a mortgage pre-approval?

A pre-approval is recommended when you are unsure of your financial limits and would like to know the maximum amount of a mortgage that you qualify for.

2

Can I get a pre-approved mortgage before I find the home I want to purchase?

Definitely! A pre-approved mortgage is not bound to a certain property, but is dependent on your financial situation. Knowing the maximum amount of a mortgage you qualify for will help you narrow down your options (p. 16).

3

What is the benefit of a pre-approval?

As mentioned, you will know the maximum mortgage that you qualify for. Additionally, you can lock in an interest rate in case interest rates rise before you purchase a home (p. 16).

4

What are the steps in the approval process?

For a detailed explanation of the approval process, please see page 17.

5

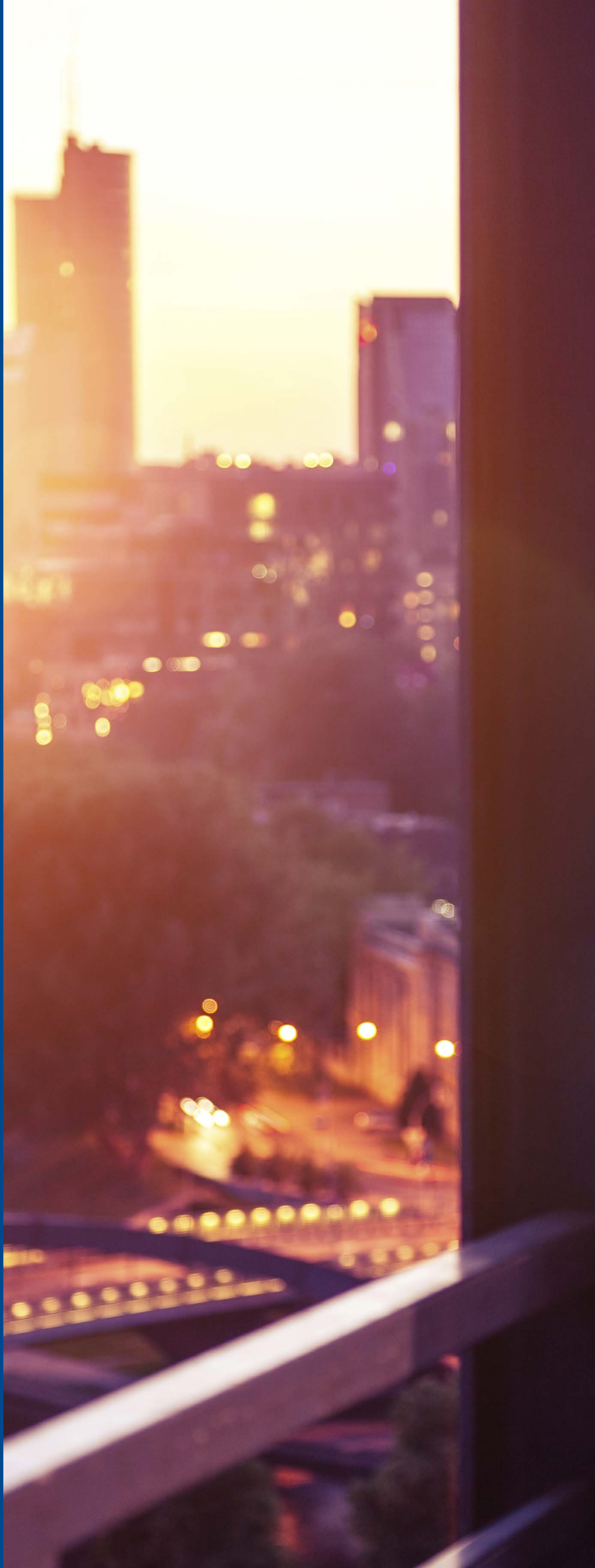
Is a pre-approval a guarantee for a mortgage loan?

No, the final approval of a mortgage depends on the specific property you are planning to buy, since the lender will want to verify that it meets certain standards (p. 16).

6

Are the terms and conditions of a mortgage negotiable?

Yes, to a certain extent. As soon as the lender agrees to lend you money, will have to negotiate the terms and conditions, such as mortgage amount, amortization period or re-payment frequency (p. 18).



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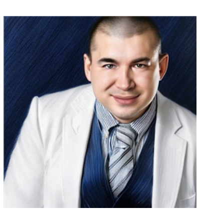
Section 4.

Mortgages and Insurance

A mortgage loan is probably the single largest amount you will ever borrow. Before you shop around for a mortgage loan, it is important to know how mortgage loans work, what amount fits comfortably within your household budget and what features in a mortgage loan you should consider.



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MORTGAGE TYPES

Most lenders offer two types of mortgages: open and closed. The main difference between open and closed mortgages is the amount of flexibility you have in making extra payments on the principal or in paying off the mortgage completely.

Open Mortgages

An open mortgage allows you to pay off your mortgage in part or in full at any time without any penalties. You may also choose, at any time, to renegotiate the mortgage. This option provides more flexibility but comes with a higher interest rate. An open mortgage can be a good choice if you plan to sell your home in the near future or to make large additional payments.

Closed Mortgages

A closed mortgage usually carries a lower interest rate but doesn't offer the flexibility of an open mortgage. However, most lenders allow homeowners to make additional payments of a determined maximum amount without penalty. Typically, most people will select a closed mortgage.

	OPEN	CLOSED
Interest Rate	Higher interest rate	Lower interest rate
Prepayments	Prepayments can be made anytime	Prepayments can be made with restrictions
Mortgage Agreement	Flexibility in mortgage agreement and option to pay off mortgage before the end of the term	Changes to mortgage agreement incur prepayment charges
Length of Stay	Best option if you are planning to sell your home soon	Best option if you are planning to stay in your home for the remainder of the loan
Suitable Conditions	You intend to make large prepayments that would be more than the amount you would be allowed to prepay with a closed mortgage term	The prepayment privileges provide enough flexibility for the prepayments you expect to make

THE MORTGAGE TERM

The term of a mortgage is the length of time for which options are chosen and agreed upon, such as the interest rate. It can be as little as six months or as long as five years or more. When the term is up, you have the ability to renegotiate your mortgage at the interest rate of that time and choose the same or different options.

SHORT TERM VS. LONG TERM

SHORT TERM

- may be a good choice if:
  - you plan to change your mortgage or move within the next couple of years
  - you expect interest rates to go down soon
- can help you avoid prepayment charges—a shorter term means you will not have to wait as long until your term's maturity date to negotiate your mortgage or choose a different lender

LONG TERM

- may be a good choice if:
  - you want to "lock in" a current low interest rate for a longer period
  - you do not plan to make any changes to your mortgage for several years.
- help with budgeting, since you will know for certain what your housing costs will be for a longer period

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MORTGAGE INTEREST RATES

When you apply for a mortgage, lenders may offer you options with either fixed or variable interest rates. Some lenders also offer a "hybrid" option that combines fixed and variable portions in the same mortgage.

Fixed interest rate mortgages

A fixed mortgage interest rate is a locked-in rate that will not increase for the term of the mortgage.

- You will know in advance the amount of interest you will have to pay, and therefore how much of the original loan amount will be paid off during the term.
- The amount of your regular mortgage payments is also fixed.

Variable interest rate mortgages

A variable rate fluctuates based on market conditions. The mortgage payment remains unchanged.

- If you are making fixed payments, you pay one set amount with each payment. If the interest rate goes down, more of the payment applies to the principal and you will pay off your mortgage faster. If the interest rate goes up, more of the payment applies to interest, and less to the principal. Your lender may require you to increase your payments so that your mortgage will be paid off within the amortization period you had originally agreed to in your mortgage agreement.
- If you are making adjustable payments, your payment amount changes if the interest rate changes. A set amount of each payment is applied to the principal, and the interest portion fluctuates depending on changes to the interest rate. With adjustable payments, the amortization period stays the same.

A fixed interest rate mortgage may be better for you if:	A variable interest rate mortgage may be better for you if:

• you want to know that your interest rate and the amount of your regular payments are not going to change over the term of your mortgage
• you prefer knowing in advance how much of your mortgage will be paid off at the end of your term
• you think there is a good chance that market interest rates will rise over the term of your mortgage.
	• you are comfortable with the possibility that:
	  • your mortgage payments could increase (if you have adjustable payments)
	  • your amortization period could increase, meaning you would have to make additional payments (if the amount of your payments is set and interest rates rise)
	  • you could pay more in interest over the term of your mortgage than you would have paid with a fixed interest rate
	• you think there is a good chance of interest rates staying the same or dropping over the term.

TIP : Hybrid mortgages

Some lenders offer "hybrid" or combination mortgages—part of the mortgage is financed at a fixed rate and part is financed at a variable rate.

- The fixed portion gives you partial protection in case interest rates go up, and the variable portion provides partial benefits if rates fall.
- The portions may have different terms. For example, a hybrid mortgage may include a two-year term for the variable portion and a three-year term for the fixed portion.
- Hybrid mortgages that include portions with different terms may be difficult to transfer to another lender.

TIP : Purchase Plus Improvement Mortgage

If you are in the market for a fixer-upper and you want to do renovations to turn it into your dream home, you may want to look into a Purchase Plus Improvement Mortgage. This unique type of mortgage allows you to borrow up to an extra $40,000 for renovations. This mortgage can be helpful to those buyers who need to allocate their entire savings for the down payment.

Talk to me to get more information about this unique mortgage product.

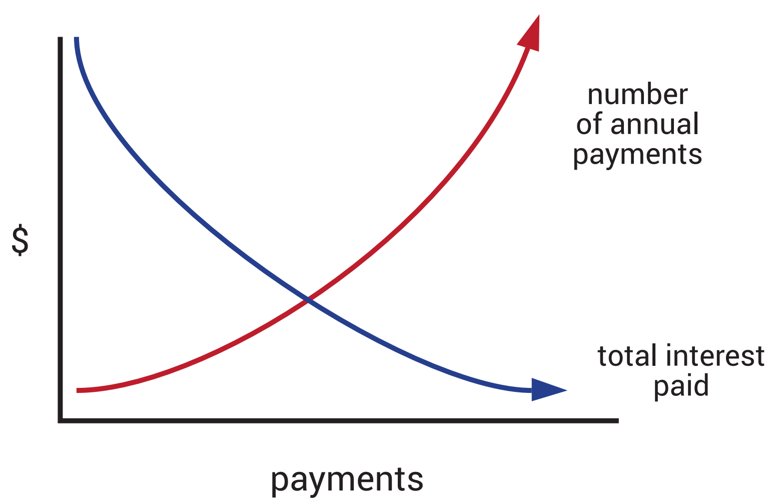
PAYMENT FREQUENCY

Payment frequency refers to how often you make your mortgage payments. Options include:

Less Frequent

More Frequent

PAYMENT FREQUENCY	# OF ANNUAL PAYMENTS	DESCRIPTION
Monthly	12	One payment per month
Semi-monthly (twice a month)	24	Two payments per month. With this option, the total amount you pay over the year is the same as with the monthly payment (monthly payment ÷ 2).
Biweekly (every two weeks)	26	A payment every two weeks. This option keeps the total payment over the year the same as with the monthly payment (monthly payment x 12 months ÷ 26).
Accelerated biweekly	26	A payment of half the monthly payment every two weeks. To calculate the amount of your accelerated biweekly payments, divide your monthly payment by two (for example, $1,000 ÷ 2 = $500). *With this payment frequency, you will make the equivalent of one extra monthly payment per year. You will pay off your mortgage faster and save on interest charges.*
Weekly	52	One payment per week. The total annual payment remains the same as with the monthly payment (monthly payment x 12 months ÷ 52).
Accelerated Weekly	52	A payment of one quarter of the monthly payment every week. To calculate the amount of your accelerated weekly payments, divide your monthly payment by four (for example, $1,000 ÷ 4 = $250). *With this payment frequency, you will make the equivalent of one extra monthly payment per year. You will pay off your mortgage faster and save on interest charges.*



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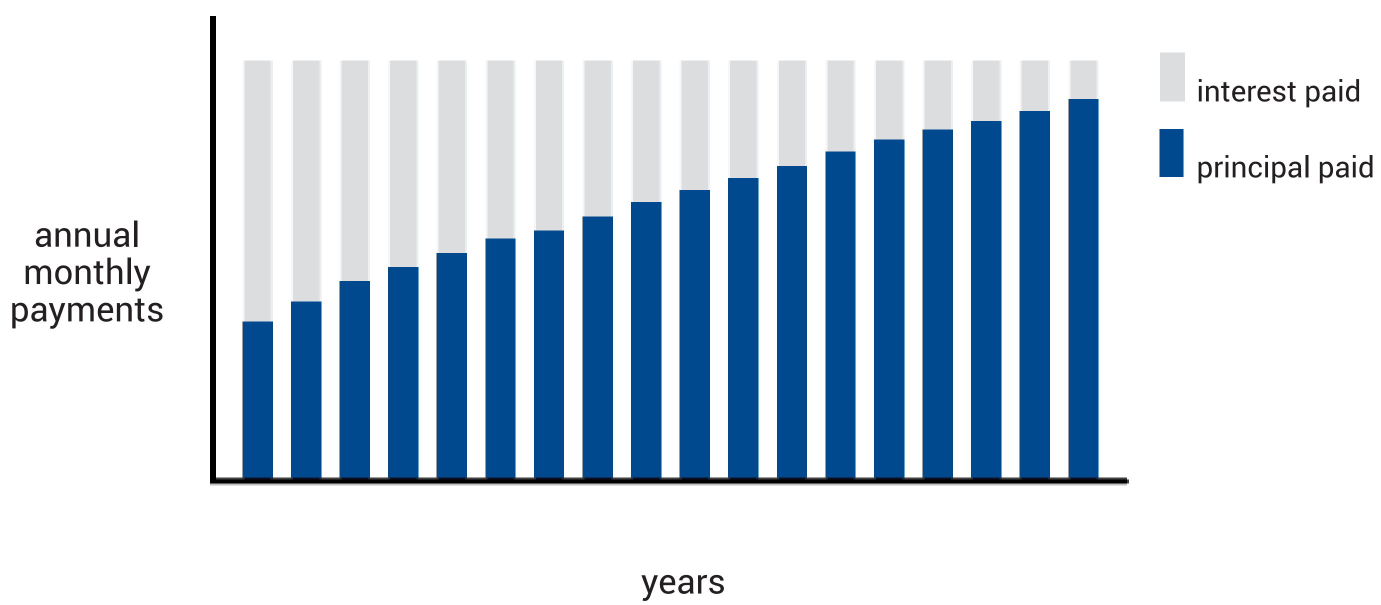
Example

Most lenders allow several options for payment frequency. Most will allow you to make payments either weekly, bi-weekly, semi-monthly or monthly. When you increase the payment frequency, you reduce the principal faster, pay less interest and pay off the mortgage sooner. The chart below shows the savings based on payment frequency. The information is based on a mortgage of $200,000 at an interest rate of 4.5% per annum.

PAYMENT TYPE	PAYMENT	INTEREST PAID DURING TERM	TOTAL INTEREST	AMORTIZATION	SAVINGS
Monthly	$1106.95	$42,009.50	$132,082.75	25 years	$0.00
Semi-monthly	$553.48	$41,940.53	$131,515.70	24 years 11 months	$567.05
Bi-weekly	$510.90	$41,774.24	$130,531.78	24 years 10 months	$1,550.97
Accelerated biweekly	$553.48	$41,117.81	$111,320.64	21 years 7 months	$20,762.11
Weekly	$255.45	$41,742.55	$130,274.54	24 years 10 months	$1,808.21
Weekly accelerated	$276.74	$41,083.47	$111,097.81	21 years 7 months	$20,984.94

As you can see, bi-weekly or weekly accelerated payments can save you a lot of money over the life of your mortgage. By taking your monthly payment, splitting it in half and paying it bi-weekly you end up making an extra month's worth of payments every year. If you are paid bi-weekly, you likely know that there will be two months out of the year where you receive three pay cheques. The same is true for your mortgage payments. There will be two months of the year where you make three payments and effectively make the equivalent of one month's extra payment each year.



MORTGAGE DEFAULT INSURANCE

Mortgage Default Insurance (or Mortgage Loan Insurance) protects the mortgage lender in case you are not able to make your mortgage payments.

You must pay for Mortgage Default Insurance if your down payment is less than 20% of the purchase price of your home. This is called a high-ratio mortgage . Your mortgage costs will be higher if you need to get Mortgage Default Insurance.

The maximum amortization period is 25 years for mortgages with Mortgage Default Insurance. Mortgage Default Insurance is only available for high-ratio mortgages if the purchase price of the home is less than $1 million.

If you can put at least 20% of the purchase price of your home as a down payment, you will have what is called a conventional mortgage . In this case, Mortgage Default Insurance is generally not required.

Who offers Mortgage Default Insurance?

Mortgage Default Insurance is provided by insurers such as:

- Canada Mortgage and Housing Corporation (CMHC)
- Sagen™
- Canada Guaranty Mortgage Insurance Company.

Your lender will make the arrangements for the Mortgage Default Insurance if it is needed.

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How much are the premiums?

The premium (the cost of Mortgage Default Insurance) will vary depending on the down payment: the bigger your down payment, the lower your Mortgage Default Insurance premium.

The premium can be added to your mortgage loan and included in your mortgage payments, or you can pay for it upfront in a lump sum. If the premium is added to your mortgage, you will pay interest on it at the same interest rate you pay on the principal amount of your mortgage.

Some provinces apply provincial sales tax (PST) to Mortgage Default Insurance premiums. Provincial taxes on premiums cannot be added to your mortgage loan. You must pay these taxes when your lender funds your mortgage.

OTHER COSTS TO CONSIDER

Mortgage Life Insurance

Mortgage Life Insurance is a unique type of insurance that protects your family and will keep them in the home that you worked so hard to purchase.

Buying a home is usually the single largest purchase you'll make in your lifetime. But what if an illness or disability left you unable work? Could you continue making the mortgage payments? In this world there are no guarantees, and life circumstances can change on a dime.

For these reasons, it's important to take the time to think pragmatically about how you will protect the people you love in the event that something unfortunate should happen. Ask me about this type of insurance so you can protect your family and your investment.

Closing costs

Closing costs are upfront costs that you must pay when you purchase a home, usually before you move in. Your lawyer can help explain these costs. In addition to your down payment, you must have funds available to cover these extra costs.

They usually range from 1.5% to 4% of the purchase price of the home. For example, if you buy a $300,000 home, your closing costs could range from $4,500 to $12,000.

Closing costs may include, but are not limited to:

- legal fees (or notary fees in Quebec),
- land registration fees/land transfer tax
- township or municipal levies,
- Mortgage Default Insurance premium (if paying premium up front instead of adding it to mortgage loan),
- provincial sales tax on premiums for Mortgage Default Insurance (applicable in some provinces),
- appraisal fee,
- home inspection fee,
- title insurance,
- property tax and utility adjustments
- interest adjustments (for the period between your purchase date and your first mortgage payment),
- survey or Certificate of Location cost, and
- estoppel certificate (for condominium units),

Other up-front costs

Before moving in, you may have to pay for:

- moving and storage costs,
- real estate costs for selling your home (if applicable), and
- redirecting mail.

Costs you may have shortly after moving in can include:

- utility hook-up fees,
- basic furniture and appliances, and
- painting and cleaning.

Ongoing costs related to owning a home

Ongoing costs related to owning and maintaining a home will probably be the largest part of your monthly budget once you've settled in. These can include:

- mortgage payments,
- condo fees (if applicable),
- property taxes,
- utilities,
- property insurance,
- renovation costs,
- landscaping, and
- maintenance and repairs.

Home Insurance

As home ownership is most people's largest financial investment, it makes economic sense to insure it is protected from loss. All lenders will require you to arrange home insurance at the time of the mortgage transaction, and proof of home insurance is required by at the time of closing. It is a must for any homeowner.

Home insurance protects the homeowner in the event of loss due to fire, theft, or damage through certain natural elements such as hail, wind and lightning. Home insurance, a product available to the VERICO Network of Mortgage Brokers through iQ Insurance, will calculate how much it would cost to rebuild your home if it was totally destroyed. The homeowner policy will not only cover the cost of repairs, but you'll also be covered for what's inside your home too – your furniture, clothing, computers and so on. Things like jewelry, bikes & artwork are also covered under this section, and we can discuss the amount of coverage you'll need for these special categories.

Talk to me if you want to find out more about Home Insurance.

Section 4.

AT A GLANCE

1

What are the types of mortgages?

Open mortgages and closed mortgages (p. 22).

2

What kind of mortgage terms exist?

You can choose between short term and long term mortgages (p. 22).

3

How does payment frequency affect my mortgage?

When you increase the payment frequency, you reduce the principal amount faster, pay less interest, and pay off the mortgage sooner (p. 22).

4

What's the difference between a fixed or variable interest rate mortgage?

A fixed rate is a locked-in rate that will neither increase nor decrease for the term of your mortgage. A variable rate fluctuates based on market conditions (p. 24).

5

How do I choose between a fixed and a variable interest rate mortgage?

This depends on your personal preference and on the market conditions (see p. 24 for a detailed comparison).

6

What is a hybrid mortgage?

A hybrid mortgage is a combination of fixed and variable interest rate mortgage – part of the mortgage is financed at a fixed rate and part at a variable rate (p. 24).

7

What is Mortgage Default Insurance?

Mortgage Default Insurance protects the mortgage lender in case you are not able to make your mortgage payments (p. 25).

8

Do I have to have Mortgage Default Insurance?

Yes, under circumstances, for example if your down payment is less than 20% of the purchase price of your home or if your salary is not paid on a regular basis (p. 25).

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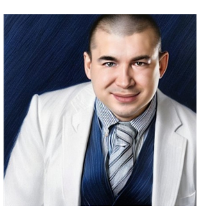
Section 5.

Now That You're a Homeowner

Congratulations! You've purchased your first home! Your first home is an important milestone in your life. Being a homeowner offers many benefits including a place to plant some roots, a source of pride, a financial investment and the ability to make your own improvements and decorating choices such as the freedom to plant a garden or hang photos or build your dream kitchen.

However, being a homeowner is very different from being a renter. Being a homeowner comes with many responsibilities. In this section, you will learn your major responsibilities as an owner.



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YOUR FINANCIAL RESPONSIBILITY

Make your mortgage payments on time

No matter what frequency you have chosen, it's important to always make payments on time. Making late payments is called delinquency, which may result in late charges and negatively affect your credit rating. Failing to make payments can even lead to very serious consequences, like foreclosure.

A good way to prevent late payments is to have the amount automatically deducted from your account every month. Try to keep at least three months' worth of mortgage payments in savings for emergency situations.

Plan for the costs of operating a home

Besides your mortgage, property taxes and insurance, operating a home has many other ongoing costs. Maintenance and repair costs are at the top of the list. There may be other costs as well, such as a security alarm system, snow removal, or gardening. If you have a condominium or strata, some of these expenses may be included as part of your monthly maintenance fee.

Live within your budget

Prepare a monthly budget and stick to it. Take a few minutes every month to check your spending and see if you are meeting your financial goals. If you spend more than you earn, you must find new ways to save. If you are having trouble sticking to your budget, ask me how I can help.

Save for emergencies

Even when you can do repairs yourself, there are costs. When you have to pay for repairs, the costs are higher. As your home ages, it will need major repairs or replacement – this happens to every building. For example, when you bought your home, you might already have known that the roof would need to be replaced in a few years because of its age. These are expected repairs and can be planned for. However, many repairs are unexpected, and can sometimes be costly.

Set aside an emergency fund to deal with unexpected problems ranging from major repairs to illness and job loss. A good guideline is to save 5% of your take-home pay, and to keep the money in a special account.

Mortgage Life Insurance

Mortgage Life Insurance is a unique type of insurance that protects your family and will keep them in the home that you worked so hard to purchase.

Buying a home is usually the single largest purchase you'll make in your lifetime. But what if an illness or disability left you unable work? Could you continue making the mortgage payments? In this world there are no guarantees, and life circumstances can change on a dime.

For these reasons, it's important to take the time to think pragmatically about how you will protect the people you love in the event that something unfortunate should happen. Ask me about this type of insurance so you can protect your family and your investment.

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HOME INSURANCE

As home ownership is most people's largest financial investment, it makes economic sense to insure it is protected from loss. All lenders will require you to arrange home insurance at the time of the mortgage transaction, and proof of home insurance is required by at the time of closing. It is a must for any homeowner.

Home insurance protects the homeowner in the event of loss due to fire, theft, or damage through certain natural elements such as hail, wind and lightning. Home insurance, a product available to the VERICO Network of Mortgage Brokers through iQ Insurance, will calculate how much it would cost to rebuild your home if it was totally destroyed. The homeowner policy will not only cover the cost of repairs, but you'll also be covered for what's inside your home too – your furniture, clothing, computers and so on. Things like jewelry, bikes & artwork are also covered under this section, and we can discuss the amount of coverage you'll need for these special categories.

Talk to me if you want to find out more about Home Insurance.

HOME MAINTENANCE

Maintenance, repair, and renovations are a normal part of homeownership. You will need to know about your home's basic components, and know the actions you will need to take to adjust these systems or turn them off in case of emergency. You'll need to inspect your home regularly, and replace, or repair, parts and materials that wear out. And of course, since Canadian seasons can be so extreme, you'll need to do many maintenance tasks on a seasonal basis.

Home improvements

Besides doing regular maintenance and repairing your home, you might also want to consider renovating or making improvements. These changes will not only make the home more pleasant for you to live in, they may also increase its value.

How much is just right?

When planning renovations, be careful not to go overboard unless you plan to stay in your home for many years. If you are planning to sell your house, make sure that your changes won't make your home worth a lot more than the other homes around you. The value of your home is closely related to the other homes in your area.

Over time, some renovations can practically pay for themselves, especially if they result in savings on utility bills, a higher selling price or years of greater comfort and enjoyment in your home.

Is your home safe? - a checklist

☑ Fire Evacuation Plan

A fire evacuation plan means that you make sure everyone in your home knows how to get out from each room, in case of a fire. If your home has a second floor, you need a special escape plan to get to the ground. Check to see that windows have not been painted shut. Although doors and windows should always be securely locked, you have to be able to open them in an emergency.

☑ Fire Extinguishers

Fire extinguishers must always be easy to reach. If you have a two storey home, there should be a fire extinguisher on each floor. Remember to check your fire extinguishers at least once a year. Replace a fire extinguisher that is 10 years or older.

☑ Smoke Alarms

In some areas, it is a legal requirement to have smoke alarms in your home. Whether or not it is a legal requirement, having smoke alarms is an excellent precaution. Check smoke alarm batteries at least once a year.

☑ Carbon Monoxide Detectors

Carbon monoxide is an invisible, odourless, poisonous gas. Carbon monoxide detectors will let you know if there are high levels of carbon monoxide in your home. This can save you from illness, or even death. Check them at least once a year.

☑ Fire Hazards

Paper, paint, chemicals and other clutter can be a fire hazard. Dispose of these and other hazardous materials at a community toxic waste center. Never put hazardous materials into the garbage.

☑ Valuables

Collect your papers and store them in a safe place — for example, a fireproof box, or a safety deposit box.

☑ Emergency Numbers

Keep a list of emergency phone numbers close to the phone. Make sure your children are aware of the list.

Section 5.
AT A GLANCE

1

What are closing costs?

Closing costs are upfront costs that you must pay when you purchase a home. They usually range from 1.5% to 4% of the purchase price of your home (p. 29).

2

Which other costs should I anticipate before moving in?

Before moving in, you may have to pay for moving and storage costs, redirecting mail, painting and cleaning, or purchasing basic furniture and appliances (p. 29).

3

What are the additional costs involved with owning a home?

Other costs to factor are property taxes, utilities, property insurance, renovation costs, maintenance and repair, costs for a security alarm monitoring system, snow removal, or gardening (p. 29).

4

How can I avoid missing payments?

It is advised to have the agreed payment amount automatically deducted from your account and to also have at least three months' worth of mortgage payments in savings for emergency situations (p. 28).

5

How much should I save for emergencies?

It's recommended that you have at least three months' worth of mortgage payments in savings. Additionally, you should try and save (at least) 5% of your take-home pay in a separate account (p. 28).

6

How can I get an overview of my financial responsibilities?

You should make a monthly budget (income compared to spending) and stick to it. Take a few minutes every month to adjust the plan to your needs and to see if you are meeting your financial goals (p. 28).

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Section 6.

How to Save

The key to saving money is to pay off the principal as fast as possible. If your household budget allows you to make larger payments, you can reduce the time needed to pay your mortgage in full. This could save you thousands, or even tens of thousands of dollars in interest charges. This section will explain your options to pay off your mortgage faster and save you money in the long term.

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MONEY SAVING STRATEGIES

One of the best ways to save money is to pay off your mortgage faster, as this will lower your interest charges. It all starts with understanding how your payment is applied to the principal and interest you owe, and the options your mortgage lender can offer you.

Understanding principal versus interest

For each mortgage payment you make, the money is first used to pay the interest on your mortgage loan. The remaining portion of your payment is then used to reduce the principal, which is the amount that you borrowed from the lender.

In the first years of the mortgage, most of the payment normally goes toward the interest costs. As a result, the principal, or the amount that you owe, may decrease by only a small amount. As the mortgage balance decreases over time, more of each payment goes toward paying off the principal.

During a 25 year mortgage, depending on the interest rates charged on your mortgage, the total amount of your payments could be double the principal amount that you originally borrowed, or even more.

The key to saving money on your mortgage is to pay off the principal as fast as possible. If your household budget allows you to reduce the time you need to pay your mortgage in full, you could save thousands, or even tens of thousands of dollars in interest charges.

Below are 4 ways to pay off your mortgage faster:

1. Accelerate your mortgage payments

By simply splitting your monthly mortgage payment into two equal bi-weekly payments, you can easily save on interest costs. This is because you end up paying 26 bi-weekly payments or 13 monthly payments within one year rather than 12 monthly payments. The example below shows your cost savings based on a mortgage amount of $200,000.

	STANDARD MORTGAGE PAYMENTS	ACCELERATED BI-WEEKLY PAYMENTS
Mortgage	$200,000	$200,000
Interest Rate	4.5%	4.5%
Payments	$1,106.95/month	$553.48/2 weeks
Interest Cost	$132,082.75	$111,320.64
Actual Mortgage Length	25 years	21 years 7 months

Savings in Interest	**$20,762.11**
Savings in Time	**3 years 5 months**

The above information and calculations are based on sample data only. Please contact your VERICO Mortgage Professional for more information.

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2. Monthly Prepayments

By making extra monthly pre-payments you can pay your mortgage off much sooner and save thousands of dollars in interest costs. The example below shows your cost savings based on a mortgage amount of $200,000 and an extra monthly payment of $100.

	STANDARD MONTHLY PAYMENTS	ADDITIONAL MONTHLY PAYMENT
Mortgage	$200,000	$200,000
Interest Rate	4.5%	4.5%
Monthly Payment	$1,106.95	$1,206.95
Extra Monthly Payment	$0	$100
Interest Cost	$132,082.75	$111,210.02
Actual Mortgage Length	25 years	21 years 6 months

Savings in Interest	**$20,872.73**
Savings in Time	**3 years 6 months**

3. Annual Lump Sum Payments

By making extra annual lump sum payments you also can pay your mortgage off much sooner and save thousands of dollars in interest costs. The example below shows your cost savings based on a mortgage amount of $200,000 and an extra annual lump sum payment of $1000.

	STANDARD MORTGAGE PAYMENTS	ANNUAL LUMP SUM PAYMENTS
Mortgage	$200,000	$200,000
Interest Rate	4.5%	4.5%
Monthly Payment	$1,106.95	$1,106.95
Extra Annual Payment	$0	$1000
Interest Cost	$132,082.75	$113,428.35
Actual Mortgage Length	25 years	22 years

Savings in Interest	**$18,654.40**
Savings in Time	**3 years**

The above information and calculations are based on sample data only. Please contact your VERICO Mortgage Professional for more information.

4. Choosing an Amortization Period

Another way to lower interest charges is to choose the right length of amortization period. This is not to be confused with the mortgage term.

Amortization period

The amortization period on a mortgage is the total length of time it will take you to pay off your mortgage. If your down payment is less than 20 percent of the purchase price of your home, the longest amortization period allowed is 25 years.

Mortgage term

In comparison, the term of a mortgage (which ranges from six months to 10 years) represents the length of time for which your mortgage agreement with a lender is valid.

Although a longer amortization period means lower mortgage payments, it is to your advantage to choose the shortest amortization period—that is, the largest mortgage payments—that you can comfortably afford. You will pay off your mortgage faster and will save thousands or even tens of thousands of dollars in interest in the long run.

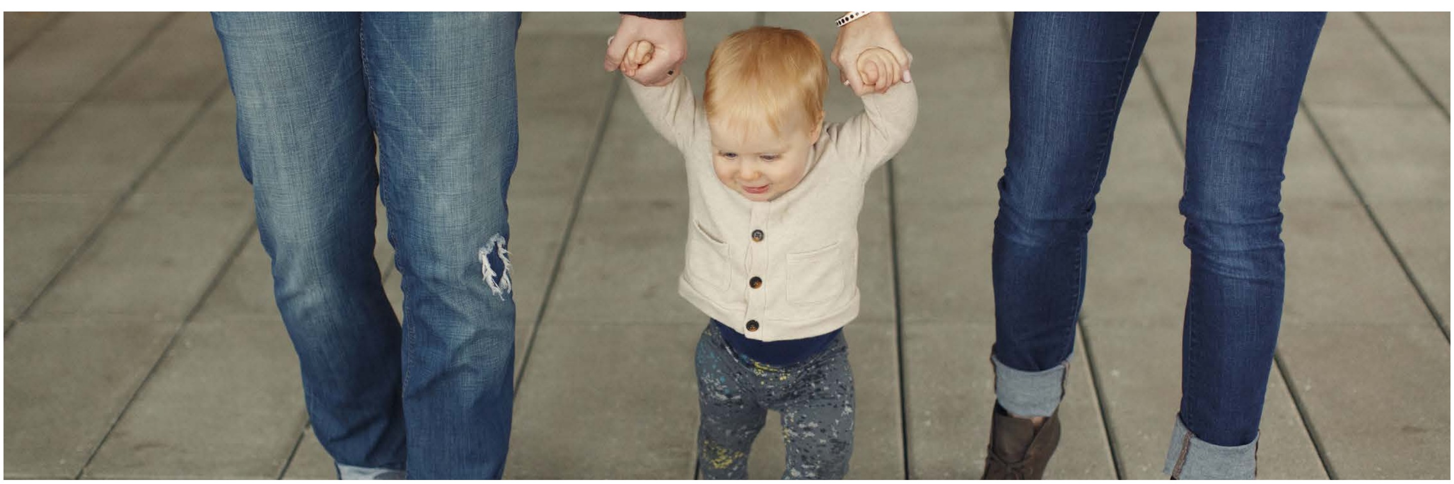
The following table shows how much interest is paid (over different amortization periods) on a $200,000 mortgage, assuming a constant annual interest rate of 4.5%.

Example:

MORTGAGE AMOUNT	AMORTIZATION	MONTHLY PAYMENT	TOTAL INTEREST PAID
$200,000	25 years	$1,107	$132,084
$200,000	20 years	$1,261	$102,594
$200,000	15 years	$1,526	$74,633
$200,000	10 years	$2,069	$48,251

IN THE ABOVE EXAMPLE:

- increasing your payment by just $154 from $1,107 to $1,261 per month means you would be mortgage-free five years earlier and save nearly $30,000 in interest.
- increasing the monthly payment by $419 from $1,107 to $1,526 would allow you to be mortgage-free 10 years earlier and save over $57,000 in interest.



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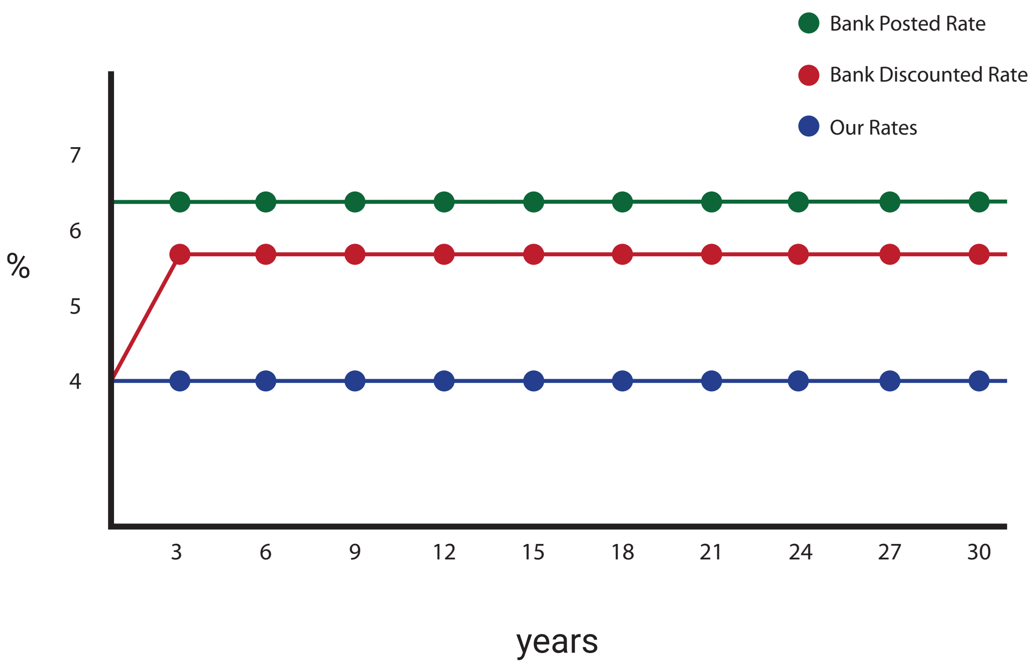
5. Renewing with a Mortgage Professional

My role is to help you successfully manage your mortgage and help you pay it off faster! Over the term of your mortgage, your financial goals may change and your mortgage plan should be reviewed at every renewal. I would be happy to review your mortgage plan with you to ensure you have access to products that will meet any new financial goals – no matter what stage of life you are in.

Throughout the life of your mortgage, I will act in your best interests and ensure that your interest rates stay consistently low with each renewal, as shown in the chart below.



The above information and calculations are based on sample data only. Please contact your VERICO Mortgage Professional for more information.

Section 6.

AT A GLANCE

1

How are mortgage payments used?

When you make a mortgage payment, the money is first used to pay the interest on your mortgage loan. The remaining portion is then used to reduce the principal (amount borrowed from the lender) (p. 32).

2

How can I save money on my mortgage?

Pay off the principal as fast as possible, which reduces interest charges.

3

How can I pay off my mortgage sooner?

Increase the amount of your payments, keep monthly payments the same if you renew your mortgage with a lower rate, choose and accelerated option for your mortgage payment, make prepayments (p. 32).

4

What is the difference between amortization period and the mortgage term?

The amortization period is the total length of time it will take you to pay off your mortgage. The mortgage term is the length of time for which your mortgage agreement with a lender is valid (p. 33).

5

What are some money saving strategies and which is best for me?

Refer to p.36 to compare four money saving strategies and evaluate which option best suits your current and future situation.

6

How will renewing with a mortgage professional save me money?

Throughout the life of your mortgage, I will act in your best interests and ensure that your interest rates stay consistently low with each renewal

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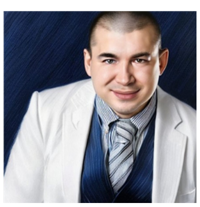
Section 7.

Resources



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WORDS TO KNOW WHEN BUYING A HOME

Term	Definition
Adjustable Mortgage Interest Rate	With an adjustable rate, both the interest rate and the mortgage payment vary, based on market conditions.
Amortization	The period of time required to completely pay off a mortgage debt, if all payments are made on time and the terms of the mortgage stay the same.
Appraisal	An estimate of the current market value of a home.
Appraiser	An appraiser can tell you exactly how much a home is worth, so you don't pay too much.
Appreciation	The increase in value of something because it is worth more now than when you bought it.
Approved Lender	A lending institution, such as a bank, which is authorized by the Government of Canada to make loans under the terms of the National Housing Act. Only Approved Lenders can offer CMHC-insured mortgages.
Assumption Agreement	A legal document that requires a person buying a home to take over responsibility for the mortgage of the home builder or previous owner.
Certificate of Status	Also called an Estoppel Certificate, it outlines a condominium corporation's financial and legal state. Fees may vary and may be capped by law (does not apply in Quebec).
Closed Mortgage	A mortgage that cannot be prepaid or renegotiated before the end of the term without the lender's permission and an interest penalty.
Closing Costs	The costs you will have to pay in addition to the purchase price of a home on the day you officially own the home. These costs include legal fees, transfer fees and disbursements. They usually range from 1.5% to 4% of the purchase price.
Closing Date	The date at which the sale of a property becomes final and the new owner takes possession of the home.
CMHC	Canada Mortgage and Housing Corporation. A Crown corporation that administers the National Housing Act for the federal government and encourages the improvement of housing and living conditions for all Canadians. CMHC also develops and sells mortgage loan insurance.
Compound Interest	Interest calculated on both the principal and the accrued interest.
Conditional Offer	An Offer to Purchase a home that includes one or more conditions that must be met before the sale is official (for example, getting a mortgage or home inspection).
Condominium / Strata	You own the unit you live in (eg: highrise or lowrise, or a townhouse) and share ownership rights for the common areas of the building along with the development's other owners.
Contractor	A person responsible for overall construction of a home, including buying, scheduling, workmanship, and management of subcontractors and suppliers.

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Term	Definition
Conventional Mortgage	A mortgage loan for up to 80% of the value of a property. Mortgage loan insurance is usually not needed for this type of mortgage.
Counteroffer	If your original offer to the vendor is not accepted, the vendor may counteroffer. A counteroffer usually changes something from your original offer, such as the price or closing date.
Credit Bureau	A company that collects information from various sources and provides credit information on a person's borrowing and bill paying habits to help lenders assess whether or not to lend money to the person.
Credit Report	The report a lender uses to determine your creditworthiness for getting a mortgage.
Curb Appeal	How attractive a home looks from the street. A home with good curb appeal will have attractive landscaping and a well-maintained exterior.
Deed	A legal document signed by both the vendor and purchaser to transfer ownership of a home.
Default	Failing to abide by the terms of a mortgage loan agreement. If you default on (fail to make) your mortgage payments, your lender can take legal action to take possession of your home.
Delinquency	Failing to make a mortgage payment on time.
Deposit	Money placed in trust by a home buyer when he or she makes an Offer to Purchase a home. The deposit is held by the real estate representative or lawyer/notary until the sale is complete.
Down Payment	The portion of the price of a home that is not financed by the mortgage loan, and which you must pay out of your own savings or other eligible sources before you can get a mortgage.
Equity	The difference between the price for which a home could be sold and the total debts registered against it. Equity usually increases as the mortgage is reduced through regular payments. Market values and improvements to the property may also affect equity.
Estoppel Certificate (or certificate of status)	A certificate that outlines a condominium corporation's financial and legal status.
Fixed Mortgage Interest Rate	A locked-in rate that will not increase for the term of the mortgage.
Foreclosure	A legal process where a lender takes possession of your property if you default on a loan, and sells it to cover the debts you have failed to pay.
Gross Debt Service Ratio (GDS)	The percentage of gross income that will be used for payments of principal, interest, taxes and heat (P.I.T.H.) and 50% of any condominium maintenance fees or 100% of the annual site lease for leasehold tenure.
High-Ratio Mortgage	A mortgage loan for higher than 80% of the value of a property. This type of mortgage usually requires mortgage loan insurance.

Term	Definition
Home inspector	A home inspector will examine a home to tell you if anything is broken, unsafe or needs to be replaced. They may also be able to tell you if there have been any major problems in the past.
Insurance broker	An insurance broker can help you choose and buy insurance, including property insurance and mortgage loan insurance.
Interest	The cost of borrowing money. Interest is usually paid to the lender in regular payments along with repayment of the principal (loan amount).
Land surveyor	If the seller of the home does not have a Survey or Certificate of Location, or if their Survey is more than five years old, you will probably need to hire a surveyor (with the seller's permission) before you can get a mortgage. Your real estate agent can help you coordinate the survey with the current owner of the home.
Lawyer	A lawyer (or notary in Quebec) will protect your legal interests and review any contracts.
Lender	Lenders will loan you money (a "mortgage") to help you buy a home. Lenders include banks, trust companies, credit unions, caisses populaires, pension funds, insurance companies and finance companies.
Lump Sum Payment	An extra payment made to reduce the principal balance of your mortgage, with or without a penalty. Lump sum payments can help you pay off your mortgage sooner and save on interest costs.
Maturity Date	The last day of the term of the mortgage. On this day, the mortgage loan must either be paid in full or renewed.
MLS (Multiple Listing Service)	A service offered by Canada's realtors with descriptions of most of the homes that are for sale across the country.
Mortgage	A mortgage is a security interest given in the property you are purchasing which secures repayment of the loan related to the property. That security interest is discharged on payment of the principal and interest owing on the loan in accordance with the mortgage document. In Quebec, "mortgages" are called "hypothecs".
Mortgage Default Insurance/ Mortgage Loan Insurance	Insurance that protects your lender against default. If your mortgage is for more than 80% of the lending value of the property, your lender will probably require mortgage loan insurance from CMHC or a private company.
Mortgage Life Insurance	Insurance which can protect your family by paying off your mortgage if you die.
Mortgage Payment	A regularly scheduled payment that is often blended to include both principal and interest.
Mortgage Professional/ Mortgage Brokers	The job of the mortgage professional or broker is to find you a lender with the terms and rates that will best suit you.
Net Worth	Your financial worth, calculated by subtracting your total liabilities (everything you owe) from your total assets (everything you own).

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Term	Definition
New Home Warranty Program	A program in every province and the Yukon Territory which guarantees that any defects in a new home will be repaired, if the builder fails to repair them. There are currently no such programs in Nunavut or the Northwest Territories.
Notary	In Quebec a notary handles the legal matters related to homebuying. In most other provinces, a notary only administers oaths, certifies documents and attests to authenticity of signatures and could not, in his/her capacity as notary, advice on legal matters.
Offer to Purchase	A written offer that sets out the terms under which a buyer agrees to buy a home. If the offer is accepted by the seller, it becomes a legally binding contract.
Open Mortgage	A mortgage that can be prepaid, paid off or renegotiated at any time without an interest penalty. The interest rate on an open mortgage is usually higher than on a closed mortgage with an equivalent term.
Operating Costs	The monthly expenses that come with owning a home. These include property taxes, property insurance, utilities, and maintenance and repairs.
Principal	The amount that you borrow for a loan.
Property Insurance	Insurance that protects you in case your home or building is destroyed or damaged by fire or other hazards listed in the policy.
Property Taxes	Taxes charged by the municipality where a home is located based on the value of home.
Real Estate Agent/Realtor	A real estate agent can help you find a home, make an offer and negotiate the best price.
Reserve Fund	An amount of money you set aside on a regular basis for emergencies or major repairs. It is usually a good idea to save around 5% of your monthly income for emergencies.
Survey / Certificate of Location	A document that shows the legal boundaries and measurements of a property, specifies the location of any buildings, and states whether anyone else has the right to cross over your land for a specific purpose.
Term	The length of time that the conditions of a mortgage, such as the interest rate you will pay, are carried out. Terms are usually between six months and ten years. At the end of the term, you can either pay off the mortgage or renew it, usually with new terms and conditions.
Title	A freehold title is an interest in land that gives the holder full and exclusive ownership of the land and building for an indefinite period. A leasehold title is an interest in land that gives the holder the right to use and occupy the land and building for a defined period.
Title Insurance	Insurance against loss or damage arising from a matter affecting the title to real property (e.g.: by a defect in the title
Total Debt Service Ratio (TDS)	The percentage of gross income that will be used for payments of principal, interest, taxes and heat (P.I.T.H.) and other debt obligations.

9 Steps to buying a home

01
Save Money
Review your budget and start saving for a down payment

02
Speak to a mortgage professional
Find out if you can qualify for a mortgage and how much you can afford

03
Get Pre-approved
Your Mortgage Professional will get you a mortgage pre-approval

04
Start House Hunting
Meet with a real estate agent and shop for houses

05
Make an Offer
Make a financial offer on your home

06
Final Approval
Make sure that you have satisfied all of the lender's conditions on the approval

07
Get a Home Inspection
Have an inspector walk through the home to review any issues

08
Protect Your Family
Talk to me about your Mortgage Life Insurance and Home and Fire Insurance

09
Close the Deal
Complete the transaction and get the keys!

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Homebuyer's Guide
AT A GLANCE

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What can I use for a down payment?
What's classified as income?
What do I need to consider if I'm self-employed?
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How do I calculate my GDSR or my TDSR?
What can I do if my debt service ratios are too high?
Can I qualify for a mortgage if I am unable to confirm my income?

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What is the First Time Homebuyer's Plan?
What are the Home Buyer's Plan eligibility conditions?
Do I need to pay a deposit when I make an offer?

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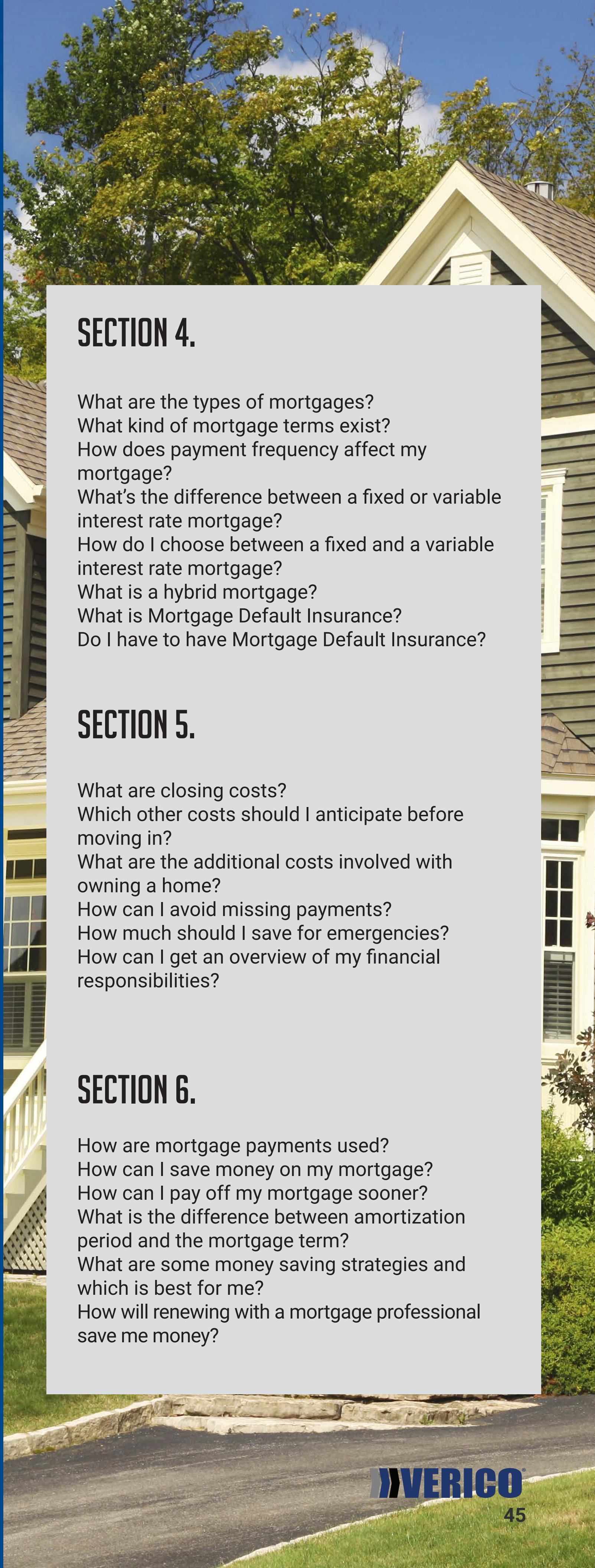
What is the benefit of a pre-approval?
What are the steps in the approval process?
Is a pre-approval a guarantee for a mortgage loan?
Are the terms and conditions of a mortgage negotiable?



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What are the types of mortgages?
What kind of mortgage terms exist?
How does payment frequency affect my mortgage?
What's the difference between a fixed or variable interest rate mortgage?
How do I choose between a fixed and a variable interest rate mortgage?
What is a hybrid mortgage?
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