Frequently Asked Questions

Why is it important to get pre-approved?

In today’s market, very few people can qualify for as much as they think they should, or that they want. There is nothing worse than finding your dream home, only to find out you can’t get the mortgage financing.

<u>Getting pre-approved:</u>

-lets you and your realtor know exactly what your budget is so you can focus on the right price range and spend your time wisely
-prepares you in the event of a multiple offer situation - you are prepared
-signals to the seller that you are serious and ready to do business
-allows you to figure out your budget so you can stay within it
-lets you know what your mortgage payments will be
-gets you locked in for a rate for usually up to 120 days

What if I don’t have a down payment saved up?

You still have options. Some lenders allow you to borrow the minimum 5% required, as long as your income is strong and what ever means of borrowing the money you choose won’t affect your debt servicing. What this means is you are allowed a certain amount of debt when qualifying for a mortgage. If you set up a 25,000 loan and the loan payment fits within your allowable debt load, then you just need to come up with closing costs.

Can I use my child support payments to get a mortgage?

Yes, child support payments can be counted as income with most lenders as long as a divorce, or legal separation is in place and can be provided. In some cases, a statutory letter can be accepted, singed by a lawyer.

What is a debt ratio?

Under Federal guidelines, your debts (including your basic housing costs) cannot exceed a certain % of your income. Your debt vs your income is your debt ratio.
GDS - PIT (principal, interest, property taxes) plus estimated heat and 50% of your condo fees (if appl) cannot be more than 39% if your gross income.
TDS - the above plus your monthly debt payments cannot be more than 44% of your gross income. It's all about the numbers.

Do I have to qualify under the stress test to move my mortgage to a different lender?

Yes, switching lenders, even if you are not making any changes requires you to qualify under the stress test. All mortgage applicants have to qualify under the stress test when applying for a mortgage (this includes 2nd mortgages and credit lines). The <u>only</u> time a homeowner is exempt from the stress test is upon renewing with the same lender as Canadian banks do not require the homeowner to re apply.

Should I renew now, since rates are going up?

This is a discussion that is based on your overall situation. Hw much time is left on your mortgage? How much have you paid into your mortgage? What type of mortgage have you typically taken in the past? Are you planning on making any lifestyle changes in the future, including selling or needing to refinance? Do you worry about money a lot? There is no right or wrong answer to this. Sometimes paying the early breakage penalty is worth it in the long run.

What happens if I miss a mortgage payment?

As long as you get in right away and make the payment before your next payment is due, your normal payment schedule will keep going. Chronic 2 or 3 day late payments does not necessarily mean you'll lose your home, but it will downgrade you with your lender, meaning they won't do you any favours. Some lenders will be more tolerable, but if you're with an alternative lender, beware. There may be additional costs for being late. If you are running into financial difficulty due to illness, job loss, or other personal issue, it's imperative you contact your lender while you are in good standing. They are in a much better position to help you.

What is the difference between a co signer and a guarantor?

A co-signer is on title + the mortgage vs a guarantor who is just on the mortgage.

Can my parents help me with the down payment?

Yes, gifted funds from an immediate family member are allowed in most cases.

What is the difference between home insurance, default insurance, title insurance, content insurance, mortgage life insurance, etc.

Home insurance is a policy you arrange that protects you and the lender in the event of fire or other disaster/mishap/damage (big or small). Money is paid out to you for the replacement of the home, or something attached to the home (eg flooring replaced in the event of flooding). It is Mandatory. Most people who get home insurance will also get **content insurance** to replace the contents of the home in the event of fire, flood, damage, theft, etc. (not Mandatory).
Title Insurance is usually arranged by your lawyer at closing and protects you and the lender against losses related to the property's title/ownership. Mandatory.
Default mortgage insurance/third party insurance is the mortgage loan insurance paid by you which protects the lender if you default on the mortgage payments. If you default, the insurer takes your home and pays out the mortgage to the lender. Commonly known as CMHC or Genworth Insurance. Mandatory.
Mortgage Life insurance is a life insurance policy connected to the mortgage and is usually offered by your lender. In the even of death, the mortgage will be paid out. Not Mandatory.

What's the difference between joint tenancy and tenants in common?

Joint tenancy is most common and is what is done between husband and wife. Interest is shared and in the event of death, the surviving spouse will inherit the deceased spouses interest. Tenants in common is more of a business transaction and if you are buying an investment property with someone other than your spouse, you may choose this. Each person has a 50% interest and in the event of death, the deceased person's interest is passed to his/her next of kin or estate.

Can I put a property in a business name?

You cannot put residential property in a business name. Residential property is for personal use. Many lenders, however, will allow real estate investors to put a property in a holding company name (a non-operating business set up solely for real estate property holdings). You must be a personal guarantor and qualify under the stress test.