THE HOME BUYERS'
MORTGAGE GUIDE

PinskyMortgages
YOUR EXPERT TEAM

About *Pinsky*Mortgages

Our Mission is to be so good that you can't wait to *introduce us* to your friends and family.

We are a full service mortgage brokerage, specializing in getting you the best mortgage for your needs, whether it is the best rate or a mortgage product suited specifically for your situation.

Your home financing is so important to us that we spend the time to make sure you feel comfortable with your mortgage and mortgage options. We also go over how to take advantage of your mortgage options to pay less interest overall and become mortgage-free sooner.

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Our Philosophy

We will ***bend over backwards*** so that you have the best and easiest mortgage experience possible.

This is what we do. This is our passion!

Best Service, Best Mortgage, Best Advice.
This is our brand and that is what we deliver.

Introduction

This booklet was created to help explain the mortgage process to you. It is our mission to give you an informative and stress-free mortgage experience. ***We want to deliver to you an experience that is deserving of your referrals!*** To that end, our goal is to provide you with the amazing service and best advice our previous clients and referrals have come to expect.

Booklet Guide

Example	**Explanation**
Affordability Analysis What is the maximum mortgage amount a lender will lend you?	**Additional Information** Ask us for additional information on a specific subject. Sent by email.
Get Pre-Approved Getting pre-approved for a mortgage or fully approved for a mortgage with a specific house in mind is easy, free and locks-in your interest rate.	**Action Item** This is where there is an action or process to be completed.
Closing Costs Banks may also look for approximately 1.5% of the purchase price, in addition to the down payment, to cover any closing costs which can include lawyer fees and property transfer taxes.	**Tip Boxes** These tip boxes are scattered around this booklet. They provide additional information.

Contents

What Lenders Look For

Most lenders look for four factors when determining whether you would qualify for a mortgage:

1. Income & Employment History

Lenders consider how much of your total income you will be spending on housing. This helps lenders decide whether you can comfortably afford your home. Also, lenders generally want to know that you have income stability. If you are self-employed, a 2-year history of your income may be required.

Lenders want to see:
- Employment Letter and
- Pay Stubs, and/or
- Income Tax Statements

2. Debts & Credit

These include any car payments, credit cards, loans, etc. All of your debts are added up when calculating your purchasing power. Further, your credit bureau's score is viewed to assess credit worthiness.

3. Down Payment

Your down payment must either be from savings or investments, or it can be gifted from family members. The Government of Canada has regulated that most down payment sources must be traced and proven in the form of bank statements for 3 months before being used to purchase a home.

4. Your Property

The value of the property you wish to purchase is an important factor in deciding how much a lender will lend you and whether you will be required to have an insured mortgage. Your property and its physical state will also affect our approval and which lender is interested in financing your property.

Beware of fraud

Check over your credit bureau to make sure you are fraud free.

Budgeting Towards Home Ownership

It's not easy to set a budget. Our tools can help.

Closing Costs

Banks may also look for approximately 1.5% of the purchase price, in addition to the down payment, to cover any closing costs which can include lawyer fees and property transfer taxes.

Pre-Approvals

When looking to purchase a home, be sure to get pre-approved. A pre-approval is contingent upon verification of steps 1 through 3 on the left: verification of your income, credit, and down payment.

Once these 3 are satisfied, we will know for certain what you can afford based on lender criteria, and what your maximum mortgage payments will be.

We will also be able to lock-in an interest rate for you for anywhere from 90-120 days while you shop for your perfect home. By locking in your rate, you are guaranteed to get a mortgage for that rate or better.

In order for you to get pre-approved, we are required to fill out an application and to submit documentation to determine your buying power. The pre-approval document list is the same list required if you were buying a home, except at this point there is no specific home in mind yet.

Getting pre-approved for a mortgage is something every home buyer should do before going shopping for a new home. A pre-approval will give you the confidence of knowing that a specific amount of financing is available, and it can put you in a positive negotiating position against other home buyers who aren't pre-approved.

Affordability Analysis

What is the maximum mortgage amount a lender will lend you?

Get Pre-Approved

Getting pre-approved for a mortgage or fully approved for a mortgage with a specific house in mind is easy, free and locks-in your interest rate.

Document Checklist

This is the document list you need to submit for your mortgage pre-approval or approval.

Do I Need an Appraisal?

An appraisal is an independent analysis on your home's value from an approved professional appraiser. Lenders generally require appraisals on homes when there is no mortgage default insurance. Appraisals generally cost around $275 and are paid by the borrower.

The Home Buying Process

*From the **PinskyMortgages** team's point of view....*

START

Meet with us and get your mortgage pre-approval

Determine a timeline for your purchase.

Your purchase timeline dictates whether a pre-approval should be started or, if you have a home under contract, a firm approval should be processed right away.

Review lenders, mortgage options, and mortgage types.

Not all mortgages or lenders are created equal. We will go over available mortgage options and highlight the features you may want based on your future financial goals.

Determine your purchasing power and review your potential pre-approval.

Your purchasing power is how much you can afford, based on your down payment, income, and debts. Depending on your situation, there are specific strategies to increase your purchasing power.

Income ✓ | Debts ✓ | Down Payment ✓

Submit required documentation.

Your pre-approval is contingent upon lenders having your income documentation, down payment confirmation, and your credit bureau.

Congratulations!

You are now pre-approved and you may shop comfortably knowing how much home you can afford.

Meet With Your Realtor

You and your Realtor will analyze your needs, wants and priorities for your new home.

Determine the type of home you are interested in purchasing. Your Realtor will help you find and rate properties based on criteria you create together.

Tour properties with your Realtor.

After looking at properties, you will find a home that fits your needs.

Make an Offer to Purchase

You and your Realtor decide on a desired purchase price.

The sellers will either accept, reject, or counter your offer. This process will go on until a mutual agreement is met.

Congratulations!

You now have a purchase contract!

Provide property information to *PinskyMortgages*

Submit your contract, MLS listing, Property Disclosure Statement and Form B with its attachements.

Mortage submission and your 3 Unique Mortgage Bids

With closing date in mind, we will be able to provide you with 3 competitive mortgage bids for your mortgage. Your intial pre-approval will be included in your options.

Property due diligence

Have the home inspected by a qualified home inspector, read the strata minutes (if applicable), and become acquainted with any other relevant property information. At this time, an appraisal may be required by the lender.

Congratulations!

You are now fully approved for your mortgage. You may now remove subjects.

Contact Your Closing Team

Make arrangements

Make arrangements with your:
- Conveyancing lawyer or notary
- Home insurance specialist
- Personal insurance specialist
- Movers or book your moving truck

Completion Day

On the completion day, your lawyer will handle the money and title transfer on your behalf.

Woohoo!

You are now the proud owner of your new home!

Your Mortgage Basics

Mortgage Term

The term is the length of a mortgage, after which a borrower renews its terms and conditions if the balance is not paid. Terms are from 6 months to 10 years, and the longer a term is, the higher the interest rate (generally). Your personal situation determines what term to choose in respect to your budget and future vision.

Closed or Open

A closed mortgage means that your rate is closed and not open for discussion over the term agreed upon. Closed mortgages generally have lower interest rates than open mortgages but have prepayment charges if you wish to renegotiate your interest rate prior to your term expiring.
Most closed mortgages do offer the ability to save interest through paying off your mortgage faster.
An open mortgage allows you to renegotiate or refinance your mortgage at any time. Because a closed mortgage has rate stability over an open mortgage, most mortgages chosen are closed.

Variable or Fixed Rate

This depends on your personal risk tolerance as well as the prevailing rates at the time. Regarding risk tolerance if, for instance, you're a first-time homebuyer and/or you have a set budget that you can comfortably spend on your mortgage, it's smart to lock into a fixed mortgage with predictable payments over a specific period of time. If, however, your financial situation can handle the possible fluctuations of a variable-rate mortgage, this may save you some money over the long term. Finally, there are also other mortgage options that enable you to split your mortgage into both fixed and variable portions.

Variable vs Fixed

Sometimes there is an easy answer between getting a fixed and getting a variable rate mortgage. Many times it can depend on the spread between the variable and fixed rates at the time of purchase and your risk tolerance.

Variable Payment

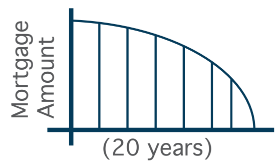
Your mortgage payment is set at the outset of your mortgage. However, if you have a variable rate and the prime rate increases, your payments will increase corresponding to the increase in interest rate.

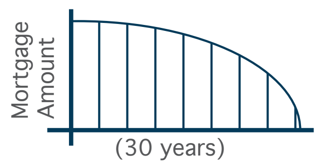
Amortization

Selecting your mortgage amortization period – the number of years it takes to pay off your mortgage – is an important decision that will affect how much interest you pay over the life of your mortgage.

We generally advise our clients to take the longest amortization possible for two main reasons. The first is that with almost all mortgages, you can pay off your mortgage sooner using prepayment options, effectively decreasing your amortization. Secondly, we always advise clients to be in the most flexible position possible. Longer amortizations mean lower required monthly payments. However, together we will determine the amortization period that best suits your needs.

Shorter Amortization Means Faster Mortgage Pay Off





Portability & Flexibility

We always advise our clients to go with a mortgage that has the most flexibility. Do you intend to move during your mortgage term? Make sure your mortgage allows you to "port" it to a different home.

Additional options for flexibility come with your mortgage features and these are highlighted on pages 13-15.

Focus on the Best Term

Choosing the mortgage term that is right for you can be a challenging proposition for even the savviest of homebuyers. By understanding mortgage terms and what they mean in dollars and cents, you can save the most money and choose the term that is right for you.

A longer term generally means a higher corresponding interest rate. While this generalization might lead you to believe that a shorter term is the best option, this is not always true. Sometimes there are other factors, either in the financial markets or in your own life, which you will also have to take into consideration when you select your mortgage term length.

The Mortgage Lenders

There are five types of residential lenders in Canada: big banks, monoline lenders, credit unions, B lenders and private lenders.

LARGE BANK

The Big Five Banks of Canada are widely known and provide roughly two thirds of all mortgages in Canada. Canadian banks lend money from their own savings which sometimes translates into relaxed lending criteria.

MONOLINE LENDER

Monoline Lenders are companies supported by financial institutions such as the big banks and pension funds, as well as individual investors. Monolines provide competitive interest rates and have extremely flexible mortgage products, but have the most stringent lending criteria.

We recommend Monoline mortgages for many of our clients due to their options and flexibility.

Interesting Fact

All major lenders are regulated in Canada. Banks, and monoline lenders are regulated federally, whereas credit unions are regulated provincially.

CREDIT UNION

A credit union is a not-for-profit financial cooperative that resembles a big bank but is locally owned, with profits invested back into the communities they operate in. Credit unions are also governed democratically with each member, or retail customer, having a vote.

Credit unions can be a good choice for clients whose needs may not fit with the banks and monline lenders.

B LENDER

If you have problems with your credit or cannot show satisfactory income documentation, B Lenders may be the route to go. B Lenders are increasingly becoming a solution to business owners as mortgage rules tighten up.

PRIVATE LENDER

These are private individuals or a group of investors who provide mortgages as part of a business. Private mortgages have the highest interest rates but generally do not require a client to have income or good credit.
Private mortgages can help finance a purchase or refinance and are seen as temporary solutions for complex financing needs.

Your Mortgage Bids

When you have a specific property in mind, we will be able to give you the choice from three unique mortgage bids.

Interest Rate is Important, But...

For many clients, rate is an important driving factor in their mortgage decision. However, in many cases, the mortgage options and flexibility that come with each lender's mortgage are more important. Actually, in ***most cases***, the penalties and inflexibility of some mortgages make them unattractive and more expensive in the long run.

Below is an examples of a mortgage bid showing attached features.
A full list of mortgage freatures is on the next few pages.

Scotiabank | Full Featured Mortgage

BLEND & EXTEND	Increase your mortgage, blend your rate, & get a new term. Approval at contract rate.
INCREASE & PAYOFF	Increase payments up to 220% per year & pay off up to 20% of the original mortgage per year.
BANK IRD PENALTY	~4% penalty of the outstanding balance if you cancel your mortgage within the term.

The Fine Print...

Some ultra low-rate mortgages can have distinct penalties and it is important to be aware of them, and ask if your mortgage has any.

Details to Consider

Mortgage lenders value some aspects of a mortgage file more than others. For instance, when you put less than 20% down, you may be provided with lower interest rates. This seems counterintuitive because lower down payments should mean higher risk for lenders, and therefore a higher rate for borrowers. However, when default insurance, or CMHC insurance is paid, the lender is insured against the borrower not paying, which makes the mortgage more secure and more desirable to the lender.

Below are some other file aspects that can affect lender choice and rate:

- Time to Complete
- Condominiums
- Rentals
- Unconventional Income
- Credit Score
- Property Health
- Down Payment
- Amortization

Mortgage Features

Mortgages come with a range of features and options. Based on your specific needs, we will provide you with mortgage recommendations using the available features and options.

Flexibility

PORTABLE

When moving, you may take your mortgage with you.

ASSUMABLE

You may have your mortgage taken over by another party.

CONVERTIBLE

Your variable mortgage may be converted to a new fixed rate mortgage during your term.

HIP MORTGAGE

Allows you to finance home renovations through your mortgage at the time of purchase.

BLEND & EXTEND

The lender provides you with a brand new term and blends in your current rate and a new rate. This allows you to get a new 5-year fixed rate within your term without breaking your mortgage.
This usually occurs when porting but can also help with consolidating debt or taking advantage of continued low interest rates.

BLEND TO TERM

The lender provides you with an increased mortgage amount and blends your current rate with a new rate. This usually occurs in conjunction with porting.
The number of months or years remaining on your mortgage stay the same.

Blend & Extend VS Blend to Term

It is Canadian regulation that you have to be approved at the "benchmark rate" if you are to get a mortgage that is not a 5-year fixed rate. The benchmark rate can be as high as double the 5-year fixed rate. If you have a blend to term and you could not afford your new mortgage based on a doubled rate, the lender would require you to cancel your mortgage, pay the penalty, and then get a new 5-year fixed rate mortgage. Blend and Extend can protect against this affordability scenario.

COLLATERAL MORTGAGE

Allows you to use your home for security for more than just your mortgage. This may allow for HELOCs or other mortgage segments. When it comes to mortgage transfers, this mortgage must be fully discharged and a full new mortgage must be registered.

MORTGAGE SEGMENTS

The lender will allow you to get more than one "segment" for your mortgage. This will allow you to take advantage of having different mortgage types, terms and rates, all under one collateral mortgage.

SKIP A PAYMENT

You may skip a payment if required.

HELOC AVAILABLE

You will be able to apply for a Home Equity Line of Credit in the future without registering title.

Restrictions

BANK IRD PENALTY

This is the early breaking penalty for your fixed rate mortgage. Typical bank IRD penalties are about 4% of the outstanding mortgage amount.

LOW IRD PENALTY

Breakage penalties for most monoline or credit union mortgages are typically about 0.7% of the outstanding mortgage amount.

3 MONTH INTEREST PENALTY

Variable prepayment penalties are 3 times your current monthly interest payment.

DISTINCT RESTRICTION

Your mortgage may have unique restrictions. These may be no porting clauses, the inability to refinance within the term or larger penalties.

Focus on Total Mortgage Cost

The most important factor you should consider when it comes to choosing a mortgage is total mortgage cost. **Total mortgage cost is different from your mortgage's interest rate** as your cost can increase drastically based on distinct penalties or due to the absence of mortgage flexibility or mortgage options.

Mortgage Features cont.

Prepayment

The most important features you can have for your mortgage are prepayment options. The prepayment options on your mortgage directly correlate to your mortgage strategies which allow you to pay off your mortgage sooner, saving you thousands of dollars over the life of your mortgage. All prepayments go directly to the principal balance owing on your mortgage.

20/20 INCREASE & PAYOFF

Extra Payments Against Principal

Although all financial institutions offer some form of prepayment privilege, the amount and how it can be applied varies from one to another.
The most restrictive lenders only allow you to prepay up to 10% of your original balance, once per year, and only on the anniversary date of your mortgage. Other lenders offer prepayments as high as 20% per year, in any increment (over $100) and as many times as you want as long as the total prepayment does not exceed 20% of the original outstanding balance per year.

Mortgage Strategies

Each one of our clients receive a personalized mortgage strategy guide that takes advantage of prepayment options provided by the lender. Turn to to the next page for more information.

Increase Your Regular Payment

Additionally, most lenders allow you to increase your scheduled (weekly, bi-weekly, semi-monthly or monthly) payment by 10%-20%.

ACCELERATED PAYMENTS

Some banks advertise accelerated payments as a means of paying off your mortgage faster. Accelerated payments are 26 bi-weekly payments, having payments match each regular semi-monthly payment. This means that you will pay one more month's payment over the course of each year. Although this strategy is useful, we find that it does not go far enough. Your personalized mortgage strategies will be more effective than accelerated payments.

x2 DOUBLE UP

On any regular payment date, you can double your payment.

Mortgage Strategies

Every one of our clients receives a personalized mortgage strategy. Following our strategy guide will reduce your overall mortgage costs and mitigate against rising rates!

"Getting a low rate mortgage is only the first step... the advice that comes with the low rate is far more valuable!"

Personalized Strategies

Based on our meeting and your ability to pay down your mortgage, we will create payment strategies for you using your prepayment options specific to your mortgage.

What Happens at Renewal?

When your mortgage is at the end of its term, your renewal interest rate is subject to prevailing interest rates. Slight increases in interest rates may cause large increases to your monthly mortgage payment. "Payment Shock" is the unexpected increase in mortgage payment based on an increase in the renewal interest rate.

The graph on the left shows what happens with the payment of a 3% interest mortgage renewing with a 1%, 2%, and 3% higher interest rate. Interest rate swings such as this were not uncommon in the past.

Getting Rid of "Payment Shock"

Implementing our tried and true mortgage strategies will drastically reduce or negate Payment Shock completely.

Your Credit Bureau

There is a lot of misinformation floating around about credit reports and credit scores – not only that, but a large amount of the clients we work with have never even seen their credit report or score before! When you meet with us, we will go over the details of credit reports and also your own personal credit report with a fine-tooth comb, making sure you are fully aware of everything affecting your credit score.

Keeping Your Credit Healthy

There are a number of ways that you can actively ensure that your credit score is kept high.

Have Credit

It's surprising to think about it, but your credit score goes up the more credit that is available to you. Think twice the next time you say no to an increase in your credit limit - it may just help increase your credit score.

Pay Your Bills

Pay your credit cards and other debts on time – this includes bills like your cell phone or even parking tickets. Many clients don't realize that unpaid tickets can affect your credit score drastically.

Bad Credit?

It is not uncommon to forget about, or be late on your payments...
Late payments is the key contributor to a low credit score. Don't panic! There are fixes and we're here to help. Please don't hesitate to ask us how we can improve your credit score.

Start Now

The longer you have a clean record of paying your credit card, loans, or other credit facilities, the better your credit becomes.

Keep a Low Balance

One of the least known ways to hurt your credit is to have high utilization. What this means is that if you use a high proportion of your credit card on a monthly basis, your credit score may decrease.
It is best practice to pay off your card every couple of weeks or you can increase your available credit so that you use a third or less of your available credit monthly.

DOs

- ✓ Do work with a reputable real estate agent. For a list of trusted Realtors, please ask us.
- ✓ Do make a list of the top five things you enjoy about your current living conditions and five things you dislike.
- ✓ Do look into insurance. Mortgage life and disability insurance, also known as creditor insurance, insures your mortgage and mortgage payments should something tragic happen to you. We can offer you creditor insurance to cover your new mortgage. Speaking with an insurance professional is highly encouraged.
- ✓ Do ask to review your credit report and check for any discrepancies. You might be surprised to find odd charges on your credit report or old debts. By clearing them up now, you'll save time processing your loan.
- ✓ Do increase your buying power and be in a stronger negotiating position by getting pre-approved.
- ✓ Do call your mortgage experts at Pinsky Mortgages at 778-990-8950 with any questions you have!

DON'Ts

- ✗ After your pre-approval, don't make any changes to your employment without first checking with us. Changes to your income can dramatically impact your ability to qualify for a home.
- ✗ After your pre-approval, don't buy anything that will create debt such as cars, furniture, electronics, computers, vacations, jewelry, appliances.
- ✗ Don't modify your debts such as getting new loans without first consulting us to see how it will affect your approval. Even small transfers or consolidations can have an impact on your credit scores.
- ✗ Don't always focus on rate. It's easy to get caught up in the idea that comparing mortgage rates will guarantee you get the best bang for your mortgage buck. While this may be true for particular situations, there are many scenarios where this strategy is not effective.
- ✗ Don't panic! The process of buying a home does not have to be painful or frustrating. We are here to help!

Use a Good Realtor!

Before you begin searching for a home, it's always helpful to think about your needs both now and in the future. A good Realtor will ask you the right questions to narrow down your home search, so you can spend time focusing on choosing the best property.

Home Selection Criteria

The following are some questions your Realtor will go over with you when you're deciding which type of property to buy:

Location

Do you want to live in a city, town or in the countryside? How long will your commute to work be? Where will your children attend school and how will they get there? Are you close to amenities?

Size Requirements

Do you need several bedrooms? Do you need more than one bathroom, space for a home office, or a two-car garage?

Special Features

Do you want air conditioning, storage or hobby space, a fireplace, a swimming pool? Do you have family members with special needs? Do you want special features to save energy, enhance indoor air quality and reduce environmental impact?

Lifestyles and Life Stages

Do you plan to have children? Do you have teenagers who will be moving away soon? Are you close to retirement? Will you need a home that can accommodate different stages of life?

A Good Realtor

A good Realtor is important to your home buying needs because he or she provides the knowledge, direction, and skills necessary to ensure that you end up finding the right home for you and your family at the right price.

New Homes vs Existing Homes

A Realtor will also be able to advise you on the new vs resale/existing homes that are in the market. Your Realtor will go over:

New Home: Modern design with personalized choices. These homes will have up to date codes and standards and generally have lower maintenance costs because everything is new and still under warranty. However, these homes may also have some extra costs for additions. There is also the added tax (GST) that goes into new homes.

Resale Homes: You can see exactly what you're buying, there are no hidden fees/costs, a home inspector can detect issues, and you don't have to wait until the property is finished being built to move in.

Recommended Realtors

There are thousands of Realtors to choose from. We've been lucky enough to work with many great Realtors and can recommend one that fits your needs and has the skills and knowledge to help you get a great new home!

Deciding Between Home Types

Detached Home

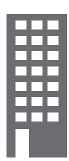
Free-standing home for one family, not attached to a house on either side. Detached homes come with land and are more expensive.

Semi-Detached Home

Also known as a duplex. It is attached to another home on one side. You own your land and your side of the built home.

Row House or Townhouse

Usually purchased as a strata lot. You own your home and you may have a yard. There will be rules and regulations for the common spaces.



Condominium

Apartment-style strata lots. These units are generally smaller with several units per floor. Common space includes corridors and amenities such as pools and gyms.

Readvanceable Mortgages

A readvanceable mortgage lets you reborrow the principal amount paid off each month to a maximum of 80% of the value of your home.

The readvanceable mortgage is a combination of one or more mortgages (segments) and home equity lines of credit (HELOC). Mortgage segments within a readvanceable mortgage are treated as a standalone mortgage, each can have different terms, amortizations and rates. Readvanceable mortgages always have at least one HELOC segment.

Readvanceable Mortgage Approvals

These flexible mortgages are tougher to get approved than standard mortgages.

Approved Amount

Mortgage approvals are for a specific maximum loan amount. As you pay down the mortgage, the available HELOC increases such that the total available HELOC and mortgage always equal your maximum approval amount.

HELOC and Mortgage Segment Examples

You purchase a $500K home with a $400K readvanceable mortgage. At the outset, your mortgage balance is $400K. Each month, you pay your regular mortgage payment, and as you pay down your balance, your HELOC starts to accumulate available credit, where at the beginning:

Readvanceable Mortgage		Mortgage		HELOC
$400K approved $400K balance	=	$400K balance	+	$0 balance $0 available

After two months, since you have been paying down your mortgage, your balance may be $397K and your available credit line would now be $3K.

Readvanceable Mortgage		Mortgage		HELOC
$400K approved $400K balance	=	$400K balance	+	$0 balance $0 available

If you are a rate-sensitive buyer, you may structure your readvanceable mortgage to take advantage of the lower rates that come with a variable mortgage and a 1-4 year fixed rate term. For example, you could do this:

Readvanceable Mortgage		Fixed 5-year 4.50%		Fixed 3-year 3.80%		Variable 5-year 3.00%		HELOC 3.50%
$400K approved $400K balance	=	$200K balance	+	$100K balance	+	$100K balance	+	$0 balance $0 available

Readvanceable Mortgage Registration

A lender registers an amount on your property that is "owed" to them. This is usually the amount of money that is loaned. However, a readvanceable mortgage can be registered at a higher amount than is actually loaned. This is important when you expect your home's price to increase in the future and you want to "unlock" extra equity in your home without having to reregister with costly lawyer fees.

For Investments

Segmenting your readvanceable mortgage into various mortgages and a HELOC allows flexibility when it comes to future planning. With each mortgage or HELOC, you are provided separate accounting from your lender. This means you can designate for different needs such as home renovations, a new car, vacations, RSPs loans, investments, etc. And, since any interest charged on money used for investment purposes is tax-deductible, you are providing yourself with a tax-deductible way to invest.

Let's say that after 3 years you have paid down your mortgage to $200K. You would now have $200K available in your HELOC. This amount can be used for any purpose you want, such as a new home or investment opportunity.

You now put $200K from your home's equity to purchase an investment by locking in that balance into a new 5-year fixed rate. You have used this $200K for an investment and therefore the interest is now tax-deductible.

Collateral Charge

Readvanceable mortgages are registered as collateral mortgages. This can have negative and positive effects.

Readvanceable Mortgage	=	**Fixed 5-year 2 Years Left**	+	**New Fixed 5-year**	+	**HELOC**
$400K approved $400K balance		$200K balance		$200K balance		$0 balance $0 available

Tax Deductible Mortgage Strategy

In Canada, interest on money borrowed for investments can be tax-deductible. However, using readvanceable mortgages, there are ways to also make your primary residence's mortgage interest tax-deductible while paying off your mortgage faster. Ask us how!

FAQs

Q: What is mortgage default insurance?

A: Mortgage default insurance is a government-sponsored program that allows buyers to purchase homes with less than 20% down payment. Any property purchase with less than 20% down payment must have default insurance. This insurance is a percentage of the mortgage amount and is usually added to the mortgage.

Q: How much money do I need for a down payment?

A: In most cases, the minimum down payment required is 5% of the purchase price of the home and 10% of the purchase price of the value over $500,000.

Q: How does the Home Buyers' Plan (HBP) work?

A: Each purchaser can use up to $25K from their RRSPs under the Home Buyers' Plan. Couples can pool their RRSPs together and put down $50,000. This is one of the only ways for you to take money out of your RRSPs tax-free, and this program is available to first time home buyers only. Repayment of the funds back to your RRSP can be made over a 15-year timespan on equal 1/15 payments. You also have a 2 year grace period before your 15 years start.

Q: If I have mortgage default insurance, do I also need mortgage life and disability insurance?

A: Maybe. Mortgage life insurance is a life insurance policy for a homeowner, which will allow your family or dependents to pay off the mortgage on the home should something tragic happen to you. Mortgage default insurance is something lenders require you to purchase to cover their own assets.

Mortgage life and disability insurance is meant to protect the family of a homeowner and not the mortgage lender itself. Mortgage life and disability insurance is extremely important in many circumstances but it is not crucial in others. We analyze your specific situation when it comes to insurance and together we will come up with a plan best-suited to your needs.

Q: What's the best rate I can get?

A: Your mortgage term plays the biggest part in the interest rate of your mortgage. Your credit score also influences the interest rate and the more stable you appear as a borrower, the lower your rate may be. Please refer to page 12 to see what other aspects may influence your interest rate. Rate is definitely not the most important aspect of a mortgage, though, as many rock-bottom rates often come from no-frills mortgage products. In other words, even if you qualify for the lowest rate, you may have to give up other things such as prepayments and porting privileges when opting for the lowest rate product.

Q: Can I refinance my home to pay off debts?

A: Yes, by refinancing now and paying off your debt, you can put yourself and your family in a better financial position. It's very important to not rack up your credit cards after refinancing, however, so set your goals and budgets, and stick to them! Ask us if this is the right strategy for you.

Q: What's the maximum mortgage amount I can qualify for?

A: To determine the amount for which you will qualify, there are two calculations you'll need to complete. The first is your Gross Debt Service (GDS) ratio. GDS looks at your proposed new housing costs (mortgage payments, taxes, heating costs and strata/condo fees, if applicable). Generally speaking, this amount should be no more than 35% to 39% of your gross monthly income. For example, if your gross monthly income is $4,000, you should not be spending more than $1,560 in monthly housing expenses. Second, you will need to calculate your Total Debt Service (TDS) ratio. The TDS ratio measures your total debt obligations including housing costs, loans, car payments and credit card bills. Generally speaking, your TDS ratio should be no more than 40% to 44% of your gross monthly income. Before falling in love with a potential new home, you should obtain a pre-approved mortgage with us. This will help you stay within your price range so you can spend your time looking at homes you can confidently afford.

Q: How much am I supposed to pay my mortgage broker?

A: Great news!! You don't pay a cent. We are paid by the lender we secure your mortgage with. In special circumstances, especially for commercial mortgages, a fee may be charged but this is always disclosed at the beginning and would be transparent.

Q: How long does the mortgage process normally take?

A: If you are able to submit the necessary documentation right away, we may be able to get an approval in as little as 24 hours. Keep in mind, the longer it takes for us to receive your documents, the longer your approval will take to secure. However, timing is also contingent on lenders – some lenders are much faster in their approval process than others. We will be able to properly advise you on timing once we choose which lender to go with.

Q: Why is an appraisal necessary?

A: Most purchases with conventional mortgages that include a minimum 20% down payment require an appraisal because the mortgage is uninsured. Lenders want to see that your purchase price is in line with the property's fair market value. Lenders want to make sure you are purchasing a quality property and that they will be able to recuperate the full amount if you default on the loan.

Q: Mortgage Broker vs My Bank

A: OK… It's not really a question, but still a popular comparison amongst home buyers.

When you work with your bank, you get one choice - the one they offer you. But there are plenty of other lenders out there that may be able to offer you a product or rate better suited to your unique needs. Every bank says they have the best product or rate, but it's just not possible for everyone to have the right fit for you.

We are an independent mortgage brokerage and we work for you. Because of our network of lenders, we're able to present you with a range of choices, allowing you to select the best option. Lenders compete for your business, so you get the best deals. Best of all, you'll have an experienced mortgage broker to help you make sense of your choices and understand the variety of products and how each one could benefit you.

Why PinskyMortgages

There are generally two ways to get a mortgage in Canada: Through a bank, or through licensed mortgage professionals like ourselves.

While a bank offers products only from their particular institution, licensed mortgage professionals send billions of dollars in mortgage business each year to Canada's largest banks, credit unions, and trust companies, offering their clients more choice, and access to hundreds of mortgage products!

As a result and through choice, clients benefit from the confidence of knowing they are getting the best mortgage for their needs.

We work for you, and not the banks; and therefore, we work in your best interest. From the first consultation to the signing of your mortgage, our services are almost always free to you. A fee is charged only for the most challenging credit solutions, and it's especially under those circumstances that we can do for you what normal lenders cannot.

Whether you're purchasing a home for the first time, taking out equity from your home for investment or pleasure, or your current mortgage is simply up for renewal, it's important that you are making an educated buying decision with our professional unbiased advice.

Thank you for reading our Home Buyers' Mortgage Guide. We look forward to helping you with your home financing needs!

PinskyMortgages
YOUR EXPERT TEAM

Thank You!

The highest compliment we receive is the referral of your friend, family or business associate. Thank you in advance!

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