HOME BUYER'S GUIDE

INFORMATION AND TIPS TO KICK OFF YOUR JOURNEY OF HOMEOWNERSHIP

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NOTES

WHY USE A MORTGAGE BROKER?

LET AN EXPERT TAKE CARE OF GETTING YOU A BETTER DEAL!

Mortgage Brokers are professionals whose primary knowledge and expertise is mortgages. Rather than working for one financial institution, we are independent and deal with many different financial institutions, including major banks, credit unions, trust companies and private lenders.

This allows us to offer you more choices and more competitive rates. It also means our advice is impartial and based on your best interests! While you may not enjoy negotiating with financial institutions, that's our specialty. We'll make sure you get the most attractive offer to suit your individual circumstances.

- We provide independent advice for you.
- We are not tied to one lender exclusively.
- You save time with one stop shopping, we deal with over 25 different lenders but work for you.
- We negotiate on your behalf.
- More choice means more competitive rates.
- We ensure you are getting the best rates and terms.
- Get expert advice! Our Brokers/Agents are licensed professionals and deal exclusively with home financing.
- We provide you with access to special deals and add-ons.
- We have access to traditional financing, 'B' lending or private financing where required.
- No additional costs to you.
- We provide you with ongoing support and consultation.

MORTGAGE BROKERS CITY LENDERS

Working with a Mortgage Brokers City professional gives you access to over 30 national lenders and hundreds of mortgage options!

Scotiabank
TD Canada Trust
strive
MCAN Home
B2B BANK
MAGENTA Because tomorrow matters
Advanced Mortgage Investment Corporation .com
WESTBORO MORTGAGE INVESTMENT CORP.
cmls
Manulife Bank For your future™
RFA
FIRST NATIONAL FINANCIAL LP
Alterna Savings
Equitable Bank
Centric mortgage provided by: The Mortgage Centre
HOME TRUST
BRIDGEWATER BANK
rmg MORTGAGES
Merix
MCAP
eclipse

WHAT IS THE RIGHT MORTGAGE FOR YOU?

CONVENTIONAL MORTGAGE

A conventional mortgage is one where the down payment is equal to 20% or more of the property's value/purchase price. A low-ratio mortgage does not normally require mortgage loan insurance.

OPEN MORTGAGE

An open mortgage allows the mortgagor to prepay all or part of the principal amount at any time without penalty. Open mortgages usually have shorter terms of six months or one year, but can include some variable rate/longer terms as well. Interest rates on open mortgages are typically higher than on closed mortgages with similar terms.

HIGH RATIO MORTGAGE

A high ratio mortgage is one where the borrower is contributing less than 20% of the value/purchase price of the property as the down payment. High ratio mortgages must be insured through Canada Mortgage and Housing Corporation (CMHC), Sagen or Canada Guaranty, the three mortgage insurance companies in Canada.

FIXED RATE MORTGAGE

A fixed rate mortgage is one where the interest rate is determined and locked in for the term of the mortgage. Lenders often offer different prepayment options allowing for quicker repayment of the mortgage and for partial or full repayment of the mortgage.

VARIABLE RATE / ADJUSTABLE RATE MORTGAGES

A variable rate or adjustable rate mortgage is one where the interest rate can increase or decrease during the term. The interest rate varies with changes in prime lending rates. How changes in the interest rate affect your payments will depend on whether your payments are fixed or adjustable.

FIXED RATE VS. VARIABLE RATE MORTGAGES

IS A FIXED RATE OR VARIABLE RATE BETTER FOR ME?

This largely depends on:
- Your current financial situation
- The stage you are at in your life cycle
- Possible/probable changes that your may expect in your future (children, job stability, retirement, etc.)
- Your risk tolerance

An easy way to look at the difference between the two terms is that you pay a premium on a fixed rate mortgage for the peace of mind of knowing your mortgage rate and payment amount are not going to change for the duration of your mortgage term.

The difference between the fixed and the variable rate mortgage is that the variable rate can fluctuate, directly affecting how much you pay. The cost of having a predictable mortgage payment (fixed mortgage) has varied widely over recent years even though rates have remained low. When determining your best mortgage choice, in addition to the other factors listed, you should also consider what the current cost of the more predictable fixed mortgage term is.

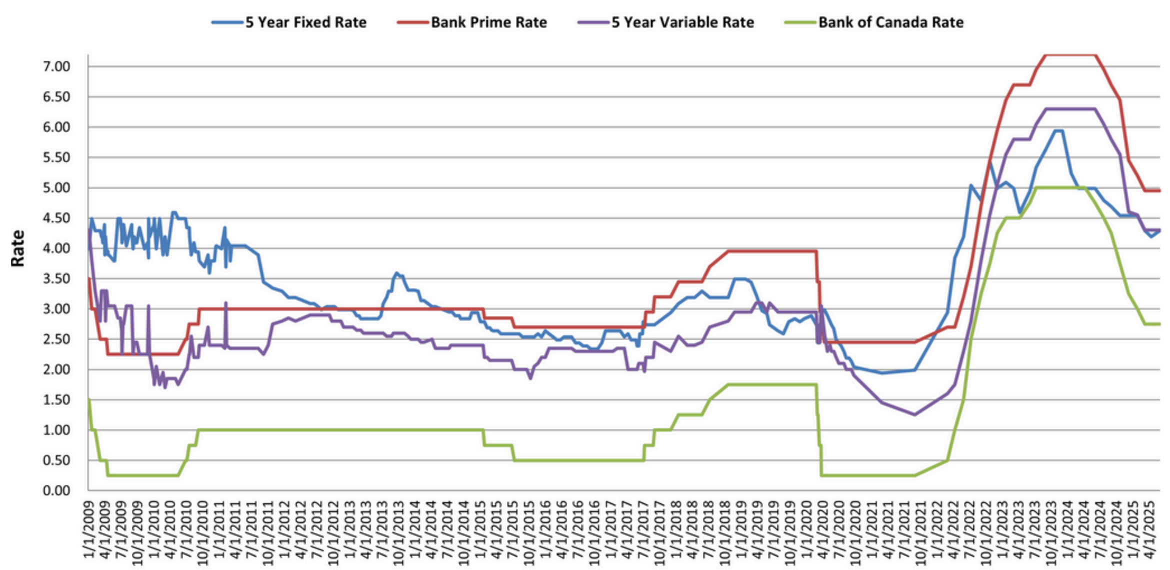
The BOC dropped their overnight rates to historic lows in 2020, brought on by the pandemic in a bid to keep the economy stable, this was not meant to be a lasting measure. As businesses started to regain sales growth and in consideration of the current inflationary levels, the Bank brought rates into a range more consistent with the current economic reality.

The variable rate that you receive on a mortgage is based on a variance of plus or minus the lender's prime rate. Since 2009, that variance has been as low as prime minus 1.20% and as high as prime plus 0.80%. If the prime rate was 3.00%, that would be a variance from 1.85% to 3.80%, all without the rate itself changing. Why does the variance change? A number of factors including:
- Competitive pressure
- Contracting or expanding of lender risk tolerance
- Government policies
- Supply and demand of investment capital

Remember: if and when the prime rate changes, the variance to that prime rate is locked in for the term of your variable rate mortgage - so the rate will change, but the variance to prime will not.

FIXED RATE VS. VARIABLE RATE MORTGAGES (CONT)

We have done an analysis of our fixed term and variable rate interest rates dating back to January of 2009. This is proprietary rate data based on interest rates offered by the 30 or more lenders that we work with regularly on behalf of our clients.



DURING THIS PERIOD SOME INTERESTING FACTS EMERGED:

- Variable rates were as high as prime +0.8% and as low as prime -1.20% during this time period.
- The Bank of Canada dropped the overnight lending rate by 0.50% in March 2020, the first decrease since 2015.
- The Bank of Canada added a total of 4.75% in increases from March 2022 to July 2023 to fight inflationary pressures.
- In June 2024 we saw the first rate decrease since the pandemic. This indicated that the economy was stabilizing and a strict monetary policy was no longer mandatory.

PREPAYMENT PRIVILEGES

Prepayment privileges are important features of a mortgage. These are the particular circumstances under which you can make additional payments on your mortgage penalty free. Typically most lenders have the following types of prepayment options:

LUMP SUM PAYMENTS

- This is usually expressed as a percentage of the original principal of the mortgage that can be paid each year.
- Some lenders calculate this period to be from calendar year to calendar year, other lenders calculate this period from anniversary date to anniversary date.
- Usually the terms range from 10-20% of the original principal.

INCREASE IN REGULAR PAYMENTS

- This is usually expressed as a percentage increase of the contracted monthly payment.
- The increased allowable amount can range from 10-20%, or even up to 100% of the original payment.
- Most lenders also allow you to increase your payments by switching your payment frequency in addition to your prepayment privileges.

OTHER SPECIAL PROGRAMS

- Skip a payment.
- Double your payment.

PREPAYMENT PENALTIES

This is the penalty you will need to pay if you choose to break (payoff/transfer/refinance) your closed term mortgage before its maturity date. A few limited featured mortgage products with certain lenders do not allow you to break the mortgage at all unless you have sold the property. It is important that you know if your mortgage can be paid off prior to maturity or not.

These are the two most common methods for calculating a prepayment charge on a fixed rate mortgage; typically most lenders state that their penalty is the greater of:

1	Three months' interest: an amount equal to three months' interest on your outstanding mortgage balance.

OR

2	Interest rate differential (IRD): an amount based on the difference between two interest rates. The first is the interest rate for your existing mortgage term. The second is today's interest rate for a term that is similar in length to the time remaining on your existing term. For example, if you have three years left on a five year term, your lender would use the interest rate it is currently offering for a three year term to determine the second rate for comparison in the calculation.

NOT ALL LENDERS CALCULATE THEIR INTEREST RATE DIFFERENTIAL (IRD) CALCULATION THE SAME

1. Some lenders may use the posted (or advertised) interest rate at the time you signed your mortgage agreement and compare this to the current posted rate for the term remaining.
2. Other lenders may use your actual discounted interest rate but also apply the discount to the current rate for the comparison. In this case, the difference in rates remains the same as if posted rates were used and the results of the calculation will be very similar.
3. Some lenders may use your discounted interest rate for your existing term but will not apply the discount to the posted interest rate used for comparison. This will usually result in a lower prepayment charge.

Options 1 and 2 above, using the posted rate as the comparison rate or adding back the discounted rate both result in a higher cost to you if you break your mortgage. If all else is equal, we would usually recommend a mortgage from a lender where the prepayment penalty is based on the lower calculation method in option 3. Many factors are considered when choosing a lender, sometimes because of more beneficial interest rates or because of certain approval criteria, a lender with the 3rd method of calculation is the best choice for your mortgage. This is a good discussion to have with your Mortgage Brokers City Agent.

Most lenders calculate the prepayment penalty on a variable rate mortgage to be three months' interest.

STANDARD CHARGES AND COLLATERAL CHARGES

When we talk about a standard or collateral charge, we are talking about the legal instrument that is used to register the mortgage terms with the Provincial Government to legally record the encumbrance on your property. You usually complete this through your lawyer, but for the purpose of refinances, you can also use title insurance companies to perform this process. The mortgage terms such as the rate or amortization can be the same with either a standard charge or a collateral charge.

STANDARD CHARGE

With a standard charge, the specific details of the mortgage loan, such as the amount, term and interest rate, are included in the charge that is registered on the title to the property. A standard charge only secures the mortgage loan that is detailed in the document, and not any other loans you may have with your lender, such as a line of credit. The lender must provide all of the details of your mortgage, such as payment and prepayment privileges, in a separate credit agreement.

- A standard charge registers the actual amount of the mortgage specifically.
- A standard charge is therefore able to accommodate an additional or second mortgage if required.
- A standard charge can almost always be assigned or switched to another mortgage lender without requiring new legal work.

COLLATERAL CHARGE

With a collateral charge, the specific details of the mortgage loan might not be included in the charge that is registered on the title to your property. A collateral charge can be used to secure multiple loans with your lender, including a mortgage or a line of credit. A separate credit agreement contains the specific terms of the mortgage loan.

WHAT YOU SHOULD KNOW ABOUT STANDARD CHARGES

Switching lenders: If you want to switch your mortgage loan to a different lender at the end of your term without changing the loan amount, then it may be possible to do so by assigning your mortgage to your new lender. This is referred to as an assignment (or a subrogation in Quebec), the existing charge is assigned to the new lender rather than being discharged and replaced with a new charge.

STANDARD CHARGES AND COLLATERAL CHARGES (CONT)

WHAT YOU SHOULD KNOW ABOUT STANDARD CHARGES

Registration amount: The charge can be registered for an amount that is higher than your actual mortgage loan. For example, if you require a mortgage loan of $240,000 to buy a home that costs $300,000, the lender may register the charge for $300,000 (or more). Talk to your lender for more details. You only have to make payments and pay interest on the money you actually borrow, not on the amount of the registered charge.

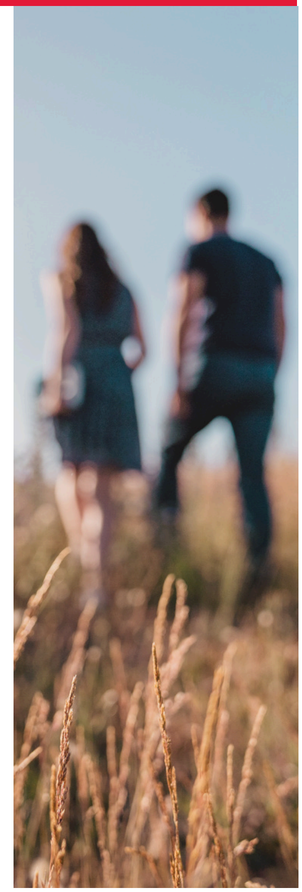
Borrowing additional funds: If you want to borrow more money from your lender afterwards, you may be able to do so without having to discharge your current charge, register a new charge and pay the associated legal and other costs. This is possible because the charge might have been registered for an amount higher than your original mortgage loan or because you have paid down your loan and it can now go back up to the higher amount set out in the charge. Access to additional funds is not automatic. You will need to apply for the additional funds and re-qualify based

	STANDARD CHARGE	COLLATERAL CHARGE
Registration Amount	Amount registered is the same as the actual amount of your mortgage loan.	Amount registered may be higher than the actual amount of your mortgage loan.
Borrowing additional funds at the end of the term	You will need to register a new charge. There may be legal, administrative, discharge and registration costs.	You may not need to register a new charge if the total amount of all loans is equal to or less than the registered amount of the charge. There may not be any legal, discharge or registration costs.
Switching lenders at the end of the term (without borrowing additional funds)	Typically, at the end of your term, other lenders will accept an assignment at little or no cost to you.	Other lenders may not accept an assignment. You will likely need to discharge your existing charge and register a new charge with the new lender. All loan agreements secured by the collateral charge, such as a line of credit, must be repaid in full or transferred to the new lender. There may be legal, administrative, discharge and registration costs.

RRSP HOME BUYER'S PLAN - FIRST TIME HOME BUYERS

The RRSP Home Buyer's Plan is a federally instituted government program that allows you to withdraw up to $60,000 from your RRSP to buy or build a qualifying home.

To participate in the HBP, you must meet both the HBP eligibility conditions and RRSP withdrawal conditions.



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 person lives in the qualifying home as his or her principal place of residence.

DIVORCE AND SEPARATION

You may qualify for the Homebuyers' Plan after breakdown of a marriage or common law partnership if the following requirements are met:

- You must have been living separate and apart for at least 90 days due to a marriage or relationship breakdown
- You must be living separate and apart at the time the withdrawal is made and began to live separate and apart in the year in which the withdrawal is made, or any time in the four preceding years
- You will be required to dispose of the previous principal place of residence no later than two years after the end of the year in which the HBP withdrawal is made. *This requirement will be waived if you buy out the share of the residence owned by your spouse or common law partner. The existing rule that individuals may not acquire the home more than 30 days before making the HBP withdrawal will also be waived in this circumstance.
- In the case where your principal place of residence is a home owned and occupied by a new spouse or common-law partner, you will not be able to make a Homebuyers' Plan withdrawal under these rules. In all cases, if you have previously participated in the HBP, you may be able to do so again if your repayable HBP balance on January 1 of the year of the withdrawal is zero and you meet all the other HBP eligibility conditions.

RRSP HOME BUYER'S PLAN (CONT)

AM I A FIRST-TIME HOME BUYER?

You are considered a first-time home buyer if:

- The borrower has never purchased a home before; and
- In the last 4 years, the borrower has not occupied a home as a principal place of residence that either they themselves or their current spouse or common-law partner owned; and
- The borrower recently experienced the breakdown of a marriage or common-law partnership.

DO I MEET THE RRSP WITHDRAWAL CONDITIONS?

- You have to be a resident of Canada at the time of the withdrawal.
- You have to receive or be considered to have received, all withdrawals in the same calendar year.
- You cannot withdraw more than $60,000.
- Only the person who is entitled to receive payments from the RRSP can withdraw funds from an RRSP. You can withdraw funds from more than one RRSP as long as you are the owner of each RRSP.
- Your RRSP issuer will not withhold tax on withdraw amounts of $60,000 or less.
- Fund withdrawal is typically not allowed from a locked-in RRSP.
- RRSP contributions must remain for at least 90 days before withdrawal under the Home Buyers' Plan (HBP) to be deductible.
- Neither you nor your related persons can own the qualifying home more than 30 days prior to withdrawal.
- You must buy or build a qualifying home for yourself or a related person with a disability by October 1 of the year following the withdrawal.
- Form T1036 must be completed for each eligible withdrawal under the HBP.

WHEN DO I START MAKING REPAYMENTS?

Your first repayment starts the second year after the year you withdrew funds from your RRSPs for the HBP. Generally, you have up to 15 years to repay to your RRSP the amounts you withdrew from them under the HBP. However, you can repay the full amount into your RRSP or PRPP at any time. Each year, the CRA will send you a Home Buyers' Plan (HBP) Statement of Account, with your notice of assessment or notice of reassessment.

For more detailed information visit the CRA site at https://www.canada.ca/en/revenueagency/services/tax/individuals/topics/rrsps-related-plans/what-home-buyers-plan.html.

FIRST HOME SAVINGS ACCOUNT (FHSA)

The First Time Home Buyers Savings Account (FHSA) in Canada is a type of account that offers tax benefits and helps first-time homebuyers save money towards their first qualifying home purchase. Contributions made to the FHSA account are tax-deductible, similar to an RRSP, and qualifying withdrawals for purchasing a first home are non-taxable, similar to a TFSA. However, with an FHSA and unlike the Home Buyers' Plan, the funds do not need to be paid back.

ELIGIBILITY

Individuals who are 18 years or older, Canadian residents and first-time homebuyers are eligible to open an FHSA account.

PARAMETERS

The account can stay open for 15 years, until the end of the year that you turn 71, or at the end of the year following the year in which you make a qualifying withdrawal from an FHSA for the first home purchase, whichever comes first.

CONTRIBUTIONS AND DEDUCTIONS

1. Annual contributions to the account are capped at $8,000, with a maximum lifetime contribution of $40,000.
2. Unused contribution room can carry forward to the following year up to a maximum of $8,000.
3. Individuals would be able to claim an income tax deduction for contributions made in a particular taxation year.

If the savings in the account are not used for a qualifying home purchase, they can be transferred to an RRSP or RRIF account on a non-taxable basis. The funds transferred to an RRSP or RRIF will be taxed upon ultimate withdrawal. If not transferred but instead withdrawn, FHSA funds would be subject to taxes.

FIRST HOME SAVINGS ACCOUNT (FHSA) (CONT)

WHAT IS A QUALIFYING WITHDRAWAL?

1. Must be a first-time homebuyer and a resident of Canada at the time of the withdrawal to the acquisition of the qualifying home.
2. You must have a written agreement to buy or build a qualifying home located in Canada before October 1 of the year following the year of withdrawal.
3. You must also intend to occupy the qualifying home as your principal place of residence within one year of buying or building it.

HOW IS THE FHSA DIFFERENT FROM THE HOME BUYER'S PLAN?

With the current Home Buyers' Plan, Canadians can withdraw up to $35,000 from their RRSP subject to eligibility and conditions, then pay back the funds to their RRSP over 15 years.

Unlike the Home Buyers' Plan, with an FHSA, the funds do not need to be paid back.

Our brokers are here to guide you on which investment option, or combination of options, will help you reach your home ownership goals.

HAVE QUESTIONS?

CONTACT YOUR MORTGAGE BROKER TODAY!

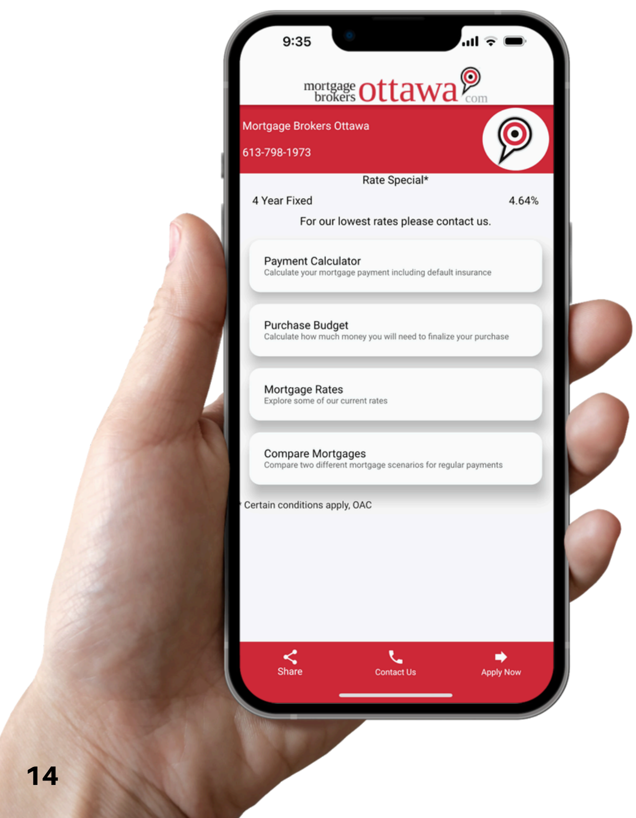
LAND TRANSFER TAX

When you buy land or an interest in land in Ontario, you pay land transfer tax. First time home buyers of an eligible home may be eligible for a refund of all or part of the tax. For more information on land transfer tax, visit the following website: http://www.fin.gov.on.ca/en/tax/ltt/index.html.

LAND TRANSFER TAX RATES

- 0.5% on amounts up to and including $55,000.
- 1.0% on amounts exceeding $55,000, up to and including $250,000.
- 1.5% on amounts exceeding $250,000, up to and including $400,000.
- 2.0% on amounts exceeding $400,000.
- 2.5% on amounts exceeding $2,000,000, where the land contains one or two single family residences.

The Province proposed to restrict eligibility of the first time home buyers refund program to Canadian citizens and permanent residents, which also came into effect as of January 1, 2017.



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FIRST TIME HOME BUYER'S REFUNDS

HOW MUCH MONEY COULD I RECEIVE?

The amount of refund you could receive varies depending on the cost of your home. To help Ontarians buy their first home, the Province will provide a maximum refund for first time home buyers of $4,000. With the increased maximum, no land transfer tax would be payable by qualifying purchasers on the first $368,000 of the value of consideration for eligible homes. For example:

COST OF HOME	TAX PAYABLE	TAX REFUND	NET TAX PAYABLE
$200,000	$1,725	$1,725	$0
$300,000	$2,975	$2,975	$0
$400,000	$4,475	$4,000	$475

If the refund is claimed at the time of registration, it may offset the land transfer tax ordinarily payable. If not claimed at registration, the refund may be claimed directly from the Ministry of Finance within 18 months after the transfer. No interest is paid on this refund. For more information, visit the following website: http://www.fin.gov.on.ca/en/refund/newhome/.

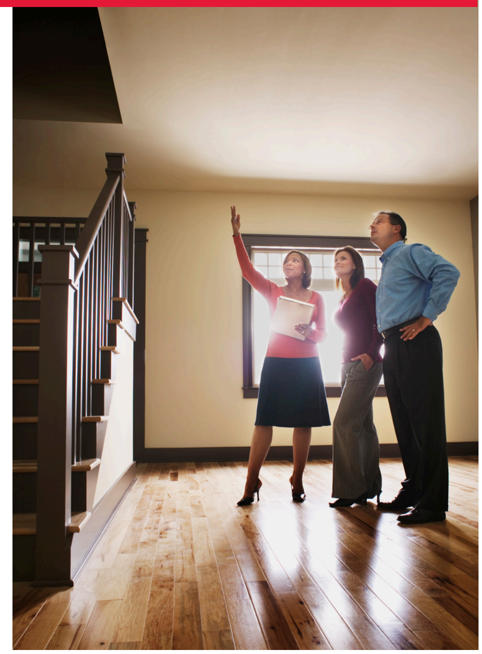
DO I QUALIFY?

To get a land transfer tax refund, you:

- Must be at least 18 years old.
- Must occupy the home as your principal residence within nine months of the date of transfer.
- You cannot have ever owned an eligible home, or an interest in an eligible home, anywhere in the world.
- If you have a spouse, your spouse cannot have owned an eligible home, or an interest in an eligible home, anywhere in the world while being your spouse.
- You must apply for a refund within 18 months after the date of the transfer.

To read more about refunds for first time home buyers and land transfer tax, visit the following website: http://www.fin.gov.on.ca/en/bulletins/ltt/1_2008.html.

FIRST TIME HOME BUYER'S TAX CREDIT



WHAT IS THE HOME BUYER'S TAX CREDIT?

The Home Buyer’s Tax Credit is a non-refundable tax credit, based on an amount of $10,000, for certain home buyers that acquire a qualifying home after January 27, 2009.

AM I ELIGIBLE FOR THE HOME BUYER'S TAX CREDIT?

You will qualify for the Home Buyer’s Tax Credit if:

- You or your spouse or common-law partner acquired a qualifying home.
- You did not live in another home owned by you or your spouse or common-law partner in the year of acquisition or in any of the four preceding years.

If you are a person with a disability or are buying a house for a related person with a disability, you do not have to be a first time home buyer. However, the home must be acquired to enable the person with the disability to live in a more accessible dwelling or in an environment better suited to the personal needs and care of that person.

WHAT IS A QUALIFYING HOME?

A qualifying home is a housing unit located in Canada. This includes existing homes and those being constructed. Single-family homes, semi-detached homes, townhouses, mobile homes, condominium units, apartments in duplexes, triplexes, fourplexes or apartment buildings all qualify. A share in a co-operative housing corporation that entitles you to possess and gives you an equity interest in a housing unit located in Canada also qualifies. However, a share that only provides you with a right to tenancy in the housing unit does not qualify.

Also, you must intend to occupy the home or you must intend that the related person with a disability occupy the home as a principal place of residence no later than one year after it is acquired.

30 YEAR AMORTIZATION FOR FIRST TIME BUYERS

In the 2024 Budget the Government of Canada announced that they will be introducing 30 year amortizations for first-time home buyers on all properties, and 30 year amortizations for anyone purchasing a new build. Effective August 1st, 2024, the Canadian Mortgage Charter will help Canadians unlock the door to their first home by allowing first-time buyers of newly built homes to have an additional five years to pay off their mortgage, resulting in lower monthly payments.

PARAMETERS

Borrowers that satisfy the following requirements will be eligible for up to 30 year mortgage amortizations:

FIRST TIME HOME BUYER

At least one of the borrowers on an application must be a first-time homebuyer. To be considered a first-time homebuyer, a borrower must meet one of the following criteria:

- The borrower has never purchased a home before;
- In the last 4 years, the borrower has not occupied a home as a principal place of residence that either they themselves or their current spouse or common-law partner owned; or,
- The borrower recently experienced the breakdown of a marriage or common-law partnership. On this point, the regulations will follow the approach that the Canada Revenue Agency has taken with respect to the Home Buyers' Plan.

NON-FIRST TIME HOME BUYERS

If you are not a first time home buyer, you are still eligible for a 30 year amortization if you are purchasing a newly constructed home. To be considered a newly constructed home, the new home must not have been previously occupied for residential purposes. This requirement is not intended to exclude newly constructed condominiums where there has been an interim occupancy period.

EFFECTIVE DATE

This measure will be available for mortgage insurance applications that lenders submit to mortgage insurers on or after August 1, 2024. The government expects lenders will begin offering 30 year mortgages to eligible first time buyers as soon as August 1.

- This measure will only apply to high-ratio mortgages (mortgages where the loan amount exceeds 80 per cent of the home price) on owner-occupied properties.
- All other eligibility criteria for government-guaranteed mortgage insurance will remain in place.

NOTES

DOWN PAYMENT AND MORTGAGE DEFAULT INSURANCE

For most people, the hardest part about buying a home (especially the first one) is saving for the down payment. Many people will not have 20% of the purchase price saved for a down payment. With mortgage loan insurance you can put as little as 5% as a down payment.

Mortgage loan insurance protects the lender from default; most Canadian lending institutions are required by law to have it. If the borrower defaults (fails to pay) on the mortgage, the lender is reimbursed by the insurer. The cost for this coverage is in the form of an insurance premium which is often added to the mortgage, or you can choose to pay in a single lump sum at the time of closing. Canada Mortgage and Housing Corporation (CMHC), Sagen and Canada Guaranty are three major providers of this type of insurance in Canada. CMHC premiums are as follows:

LOAN-TO-VALUE RATIO	STANDARD PREMIUM
Up to and including 65%	0.60%
Up to and including 75%	1.70%
Up to and including 80%	2.40%
Up to and including 85%	2.80%
Up to and including 90%	3.10%
Up to and including 95%	4.00%
90.01% to 95% - Non-Traditional Down Payment	4.50%
30 Year Amortization	Please add 0.20% to Standard Premium.

MINIMUM DOWN PAYMENT: HOMES OVER $500,000

This applies to home buyers who have a down payment of less than 20% and thus require mortgage default insurance. The minimum down payment is 10% for the portion of a house price that exceeds $500,000.

To break this down, the minimum down payment for a $600,000 home would be $35,000. That's 5% on the first $500,000 ($25,000) and 10% on the next $100,000 ($10,000) in price. That would be a blended down payment of 5.8%.

UNDERSTANDING THE MORTGAGE RATE ENVIRONMENT

Working with a Mortgage Brokers City professional gives you access to over 30 national lenders and hundreds of mortgage options!

Those changes made a number of mortgage categories ineligible for default insurance (CMHC/ Sagen/Canada Guaranty), including non-owner occupied rentals, refinances, mortgages with amortizations greater than 25 years, and homes over $1,000,000. Almost all mortgages end up being insured at some point. Banks and large deposit holders insure their mortgage portfolios with default insurance for the purpose of securitization (to move the mortgages as assets into investments such as mutual funds). Other mortgage lenders obtain their funds through investors who often require the mortgage portfolio
to be insured for the same reason. In these last scenarios, the mortgages are insured through what is called "bulk insurance". This is insurance paid by the lender for the insurance coverage provided, but at a reduced rate to the premiums that borrowers pay.

In cases where the insurance is already paid (such as homeowners with less than 20% down payment), the lender does not have to incur the cost of insuring the portfolio. In that case, many of the non-bank lenders pass the savings on to home owners in the form of a reduced interest rate for mortgages with less than 20% down payment.

LOWEST

- 80% LTV or higher, customer paid default insurance
- Purchases/ Previously Insured Transfers
- Max 25 year amortization
- Property value less than $1MM
- 2-4 unit owner occupied rentals

HIGHER

- 80% LTV or lower, lender paid default insurance
- 65% LTV or lower
- Purchases/ Previously Insured Transfers
- Max 25 year amortization
- Property value less than $1MM
- 2-4 unit owner occupied rentals

HIGHEST

- 80% LTV or lower, no default insurance
- Refinances/Purchase/Tran sfers
- Max 30 year amortization
- Property value over $1MM
- Single unit rentals

Consider two couples looking to purchase the same house with a purchase price of $400,000. Both sets of clients have excellent credit history and great job stability. Bob and Barbara are looking to put a down payment of 5%, giving them a loan to value of 95% which is a high ratio mortgage. Shawn and Steve will be putting a down payment of 20%, giving them a loan to value of 80% which is a conventional mortgage. In terms of who gets the better rate, Bob and Barbara with less down payment and a high ratio mortgage will get the lower rate of the two couples.

UNDERSTANDING THE MORTGAGE RATE ENVIRONMENT (CONT)

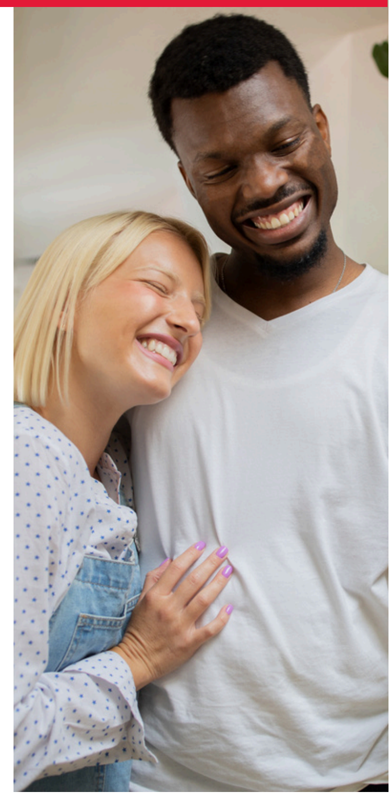
Here are few other scenarios with couples who have larger down payments, more equity and will obtain higher rates for their mortgages.

- Mary and Martin are looking to purchase a rental property to add to their financial portfolio and purchase a property for $400,000 with a down payment of $100,000. They will be in the highest rate category.
- Peter and Patricia have paid off their home and are now mortgage free. They have decided that some home improvements are in order and want to refinance to take out a mortgage of $200,000 on their $400,000 home. Their mortgage rate will be in the highest category.
- Tom and Tracey have decided to move to a new home. Their new home has a purchase price of $1,200,000 and they have a whopping $1,000,000 as a down payment. The new loan to value on their home will be 17% yet they have the highest rate category.

CLIENTS	PURCHASE PRICE/ HOME VALUE	EQUITY	LOAN-TO-VALUE	MORTGAGE AMOUNT	RATE CATEGORY
Bob & Barbara	$400,000	$20,000	95%	$380,000 plus client paid default insurance	Lowest
Shawn & Steve	$400,000	$80,000	80%	$320,000	Higher
Mary & Martin (1 Unit Rental)	$400,000	$100,000	75%	$300,000	Highest
Peter & Patricia (Refinance)	$400,000	$200,000	50%	$200,000	Highest
Tom & Tracey	$1,200,000	$1,000,000	17%	$200,000	Highest

As you can see, the same house, with customers who have the same profile, excellent credit, good income, great job stability, can all have different rates depending on the type of mortgage and amount of down payment.

PURCHASE PLUS IMPROVEMENTS



The Purchase Plus Improvement program allows the home buyer(s) to purchase a property and include the cost of the improvements in their mortgage financing. Improvements such as kitchen and bathroom renovations, hardwood floors, windows, painting, etc. all qualify. Generally anything that will improve the value of the home is acceptable. This program is also very good for homes that might require improvements that are more functional in nature, such as a new roof or a new septic system.

- Eligible for home buyers with as little as 5% down payment.
- Eligible for conventional mortgages with 20% down payment or more.
- Eliminates the need for a purchaser to obtain financing after the purchase to do the work, which can often be at a higher interest rate and/or higher payment.
- Allows a purchaser to look at homes which they might not have considered otherwise i.e. older homes in established neighbourhoods that may require updating.
- Allows the purchaser to put their own stamp on a property.

PROCESS

The Purchase Plus Improvement program requires the buyer to obtain quotes which are submitted to the lender for approval. When negotiating the terms of the purchase of the property, it is important that you include the ability for a contractor or trades person to have access to the property for the purpose of supplying a quote. The lender will then review the quote and the improvements as part of the approval process. All of the numbers are based on the improved value. The maximum increased amount is 10-20% of the original purchase price depending on the lender and the insurer, but there can be some flexibility.

Example: Purchase price is $300,000. Improvement estimate is $30,000. Mortgage numbers are based on $330,000. If the client requires 95% financing the 5% down payment would be $16,500 (5% of $330,000) not $15,000 (5% of $300,000).

There are no advances until the work is completed and this is very important for the buyer to understand. If the contractor requires a deposit or interim payments, the buyer will need to have access to those resources until the work is complete and the mortgage funds are advanced. The funds are held back by the lawyer. Lenders typically require the work to be done within 120 days. Receipts are not always required (this depends on the lender) and an appraiser is sent out once the client confirms completion. The inspection by the appraiser will cost the client in the neighbourhood of $200.

REPAYMENT OPTIONS

Increasing your payment frequency to biweekly accelerated can save you a significant amount of interest over the term of your mortgage and help you pay your mortgage off faster.

Most lenders offer the following payment options:

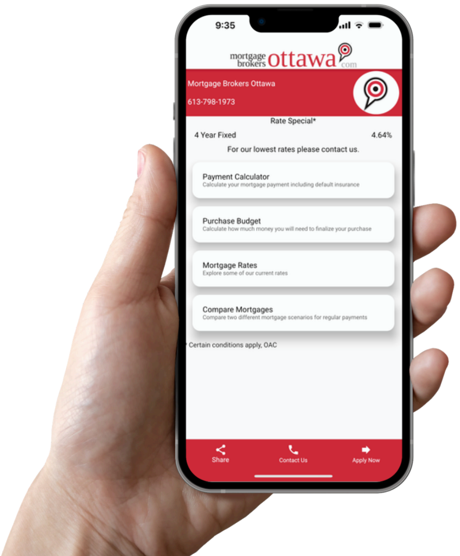
- Monthly
- Semi-monthly
- Biweekly
- Biweekly accelerated
- Weekly
- Weekly accelerated

HOW DO BIWEEKLY ACCELERATED PAYMENTS SAVE YOU INTEREST OVER THE LIFE OF YOUR MORTGAGE?

Let's look at an example. If your monthly mortgage payment was $1,000/month, the table below demonstrates monthly, biweekly and accelerated biweekly payment options.

FREQUENCY	PAYMENT		TOTAL ANNUAL PAYMENTS
Monthly	12 x $1,000		$12,000
Biweekly	$12,000/26 = $461.59	26 x $461.59	$12,000
Biweekly Accelerated	$1,000/2 = $500.00	26 x $500.00	$13,000

You save money with a biweekly accelerated payment plan because you pay the equivalent of 13 monthly payments per year. On this schedule over the life of your mortgage you will reduce your mortgage amortization from **25 years** to **22 years and 3 months.**

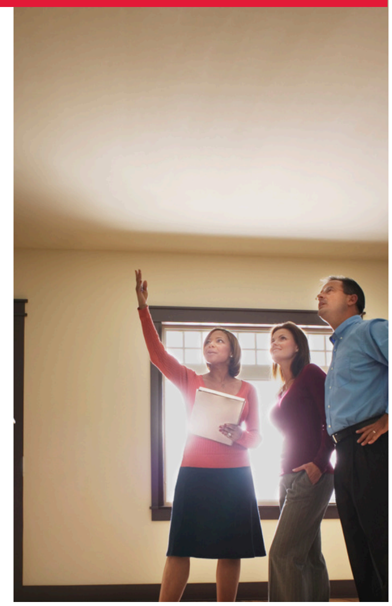


DOWNLOAD OUR MOBILE APP!

CALCULATE YOUR MORTGAGE PAYMENTS ON THE GO WITH OUR FREE MOBILE APP!

QUESTIONS ABOUT CREDIT?

WHAT IS A CREDIT SCORE?



A credit score is a statistical formula that translates personal information from your credit report and other sources into a three-digit score. Credit scores can range between a low of 400 to a high of 850. In general, the higher your score, the more creditworthy you are to the lender and the less likely you will become delinquent on credit extended to you.

Credit scores are one of the primary tools a lender uses when determining the risk in lending money to you. Creditors use credit scores, among other things, to determine whether or not to grant you a mortgage (or credit) and if so, how much credit and at what rate.

WHAT CAN I DO TO IMPROVE MY 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.

TRY NOT TO RUN YOUR BALANCES UP TO YOUR CREDIT LIMIT.

Keeping your account balances below 50% 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. However, most scoring formulas will not penalize you if, for example, you are shopping for the best car loan rate or mortgage rate.

WHICH PROFESSIONALS SHOULD YOU CALL ON?

Because purchasing a home is probably the biggest investment you will ever make, you will definitely want a team of professionals working with you throughout the process. Let a Mortgage Brokers City trusted Mortgage Broker lead the way. Here are some suggestions of other professionals to help you along the way.

REAL ESTATE AGENT

Your real estate agent will:

- Help you find the ideal home.
- Write an Offer of Purchase.
- Negotiate on your behalf to help you get the best possible deal.
- Provide you with important information about the community, arrange and coordinate the home inspection and essentially save you time, trouble and money.

HOME INSPECTOR

You should consider having any home you are thinking of buying inspected by a knowledgeable and professional home inspector. The home inspector's role is to inform you on the property's condition. He or she will tell you if something is not functioning properly, needs to be changed or is unsafe.

LAWYER/NOTARY

You will need a lawyer (or a notary in Quebec) to protect your legal interests and process the legal work necessary to transfer title.

INSURANCE AGENT/BROKER

An insurance agent/broker can help you with your insurance needs. Lenders insist on property insurance because your property is their security for your loan. Property insurance covers the replacement cost of your home, so premiums may vary depending on its value.

APPRAISER

Having an independent appraisal done on a property when you make an offer is a good idea. It will tell you what the property is worth and help ensure that you are not paying too much. Your lender may also ask for an appraisal by a recognized company in order to complete a mortgage loan.

UP-FRONT COSTS

PST ON MORTGAGE LOAN INSURANCE FEE AND PREMIUM	If you have a high ratio mortgage (less than 20% down payment), you may need mortgage loan insurance. The lender will add the mortgage insurance premium to your mortgage or you can pay it in full upon closing.
APPRAISAL FEE	The mortgage lender may require that the property be appraised at your expense. An appraisal is an estimate of the value of the home. The cost is usually between $350 and $450.
DEPOSIT	This is a part of your down payment and it must be paid when you make an offer on a property. The cost varies depending on the area, property and real estate environment.
DOWN PAYMENT	A minimum of 5% of the purchase price is required for a high ratio mortgage and at least 20% of the purchase price is required for a conventional mortgage.
HOME INSPECTION FEE	A home inspection is a report on the condition of the home and may cost over $450 depending on the complexities of the inspection. For example, it may be more costly to inspect a home that has large square footage, one that is expensive or one where contaminants such as pyrite, radon gas or urea-formaldehyde are suspected.
LAND TRANSFER TAX	You may have to pay this provincial or municipal charge upon closing in some provinces. The cost is a percentage of the property's purchase price and may vary. Check with your lawyer/notary to see what the current rates are.
PREPAID PROPERTY TAXES AND/OR UTILITY BILLS	You may need to reimburse the vendor for pre-paid costs such as property taxes, filling the oil tank, etc.
SURVEY OR CERTIFICATE OF LOCATION COST	The mortgage lender may ask for an up-to-date survey or certificate of location prior to finalizing the mortgage loan. If the seller does not have one or does not agree to get one, you will have to pay for it yourself. It can cost in the $1,000 to $2,000 range. A survey may be replaced by a requirement for Title Insurance for a lesser amount.
WATER QUALITY INSPECTION	If the home has a well, you will want to have the quality of the water tested to ensure that the water supply is adequate and the water is potable. You can negotiate these costs with the vendor and list them in your Offer to Purchase.
LEGAL FEES AND DISBURSEMENTS	Must be paid upon closing and cost a minimum. Your lawyer/notary will also bill you direct costs to check on the legal status of your property.
TITLE INSURANCE	Your lender or lawyer/notary may suggest title insurance to cover loss caused by defects of title to the property.

HOW MUCH WILL IT REALLY COST?

Once you have determined the price range you can afford and the type of mortgage you qualify for, you will need to calculate all of the associated costs of the transaction to make sure you are financially ready.

Up-Front Costs

It's wise to plan ahead to cover the many up-front costs of buying a home. Timing is important to help make sure things go smoothly.

COSTS AT TIME OF PURCHASE

HOME INSPECTION FEE	$
WATER POTABILITY TEST	$
DEPOSIT	$
APPRAISAL FEE	$
TOTAL	$

COSTS AT TIME OF CLOSING

PST ON MORTGAGE INS PREMIUM	$
DOWN PAYMENT (LESS YOUR DEPOSIT)	$
LAND TRANSFER TAX (CALCULATE ON OUR MOBILE APP)	$
PREPAID PROPERTY TAXES (IF APPLICABLE)	$
TITLE INSURANCE (IF REQUIRED OR DESIRED)	$
LEGAL FEES AND DISBURSEMENTS	$
TOTAL (THIS IS THE AMOUNT YOU NEED TO BRING TO YOUR LAWYER)	$

NOTES

WHAT ARE THE STEPS INVOLVED?

1	COMPLETE A APPLICATION	Work with your Mortgage Brokers City Agent to complete an application. Obtaining a prequalification will allow you to be the most prepared for your home buying experience.
2	HOME SEARCH	Once you receive your pre-approved mortgage amount, work with a Real Estate Agent to find the best home for you within your price range.
3	MAKE AN OFFER	When you find the home you are interested in, your Real Estate Agent will provide you with the expertise and information you need to make the right offer and protect you from any potential risks or concerns through this process. We recommend that you include a financing condition and your Real Estate Agent will likely recommend additional conditions such as a home inspection and other items depending on the property itself. At this point you will likely be asked to provide a deposit with your accepted offer.
4	GET APPROVED FOR YOUR MORTGAGE	Once you and the vendor have come to a conditional agreement, you will likely have a certain number of days to waive a financing condition. For an approval, we will require a copy of the accepted offer as well as the MLS listing of the property. While you are already pre-approved, it is important that you get a committed approval from a lender to ensure that both you and the property are approved for financing. This process may require an appraisal to be completed on the property - your Mortgage Agent will inform you of this based on the approval.
5	WAIVE YOUR CONDITIONS	After you have satisfied all of your conditions including the financing condition, you will work with your Real Estate Agent to determine if you are going to waive your conditions and finalize the sale.
6	SIGN YOUR MORTGAGE DOCUMENTS	Depending on the length of time of your financing condition, you may sign the mortgage documents before or after you waive your conditions. This is something you will discuss with your Agent/Broker during the approval process.
7	WAIT	This is the hardest part! After a flurry of activity in finding the right home, the waiting period from the time you confirm your purchase until the time you move in can seem like a long time. For the mortgage, your work is usually complete at this point. Your Mortgage Brokers City Agent may be following up with you on documentation required to complete the file with the lender.
8	ARRANGE HOME INSURANCE	The mortgage lender will require that you have home insurance on your property, and your lawyer will need to show proof of that to the lender as part of the requirements.
9	MEET WITH YOUR LAWYER	Your lawyer will usually arrange for you to come to his or her office 2 or 3 days before the close date of your home purchase. Your lawyer will provide you with the amount of the cheque that you will need to bring which will be payable to your lawyer in trust. Please see the upfront costs table in this guide for more on the costs you should expect at time of closing.

MOVING CHECKLIST

MORE THAN 14 DAYS BEFORE MOVING

- [ ] Get boxes and moving supplies
- [ ] Take unwanted items to charity or dump
- [ ] Dispose of household chemicals properly (old paint, caustic cleaners, etc.) and take them to the local Toxic waste centre
- [ ] Arrange phone service at your new home
- [ ] Set up mail-forwarding with Canada Post
- [ ] Arrange the return of any cable tv equipment
- [ ] Arrange (new policy or to transfer existing policy) for contents and tenant liability insurance

COMPLETE NECESSARY CHANGES OF ADDRESS FORMS:

- [ ] Drivers license, health cards, insurance
- [ ] Employer, doctor, dentist
- [ ] Magazine subscriptions and other mailings
- [ ] Memberships
- [ ] Bank accounts, credit cards and tax office

IF NECESSARY, DO THE FOLLOWING:

- [ ] Make travel arrangements and reservations
- [ ] Notify kids' schools, transfer records
- [ ] Register at new school
- [ ] Get copies of medical and dental records
- [ ] Arrange new car insurance and license plate

8 TO 14 DAYS BEFORE MOVING

- [ ] Return borrowed items
- [ ] Retrieve loaned items
- [ ] Rrrange for major appliances to be moved
- [ ] Arrange connection of utilities at new place
- [ ] Arrange disconnection of utilities at old place
- [ ] Dispose of all flammable materials

2 TO 7 DAYS BEFORE MOVING

- [ ] Determine what you can bring with you if traveling by car, plane, train, or bus
- [ ] Prepare "installed items" that you're bringing (tv antenna or shelves)
- [ ] Pack a suitcase with the clothes and toiletries that you'll need the first day in your new home
- [ ] Pack a special box with other essentials you'll need for the first few days and label "don't move"

THE DAY BEFORE MOVING

- [ ] Take down curtains and curtain rods
- [ ] Empty, defrost and clean refrigerator; clean the stove and other appliances
- [ ] Pack your personal belongings; except your alarm clock, necessary clothes, jewelry and bedding

MOVING DAY

- [ ] Keep paperwork accessible
- [ ] Strip and dismantle beds
- [ ] Final walk through - closets, cabinets, etc
- [ ] If using a moving company, walk about with supervisor and sign inventory forms
- [ ] Clean premises that you are leaving, inspect with landlord
- [ ] If using a moving company, confirm the new address and delivery time with the driver
- [ ] Know how to reach your new landlord or superintendent
- [ ] Collect all keys; keep them in a safe place

WHAT DOCUMENTS ARE REQUIRED FOR MY MORTGAGE APPROVAL?

PROOF OF INCOME

SALARIED EMPLOYEES:

- [ ] A paystub dated within the last 30 days
- [ ] A signed an dated letter from your employer on letterhead confirming that you are full time permanent and your current salary level, start date, probation completion (If new to position)

COMMISSION INCOME/PART TIME/SELF EMPLOYED

- [ ] A copy of your last 2 years' Notice of Assessments from CRA
- [ ] Often we will also require a copy of your last 2 years' T1 General Tax Returns with statement of business activities
- [ ] For self employed individuals, we will often require a copy of your Master Business Licence or another document showing your business name and existence such as an HST statement or Articles of Incorporation.
- [ ] A signed and dated employment letter on letterhead confirming rate of pay, start date and number of guaranteed hours

PROOF OF DOWN PAYMENT

OWN RESOURCES OR SAVINGS:

- [ ] Three months history on the savings/investment/RRSP account(s) that you are using for your down payment. Documents must display your name(s) for proof of ownership. All transactions must be included and no redactions

GIFTED DOWN PAYMENT:

- [ ] You will require a gift letter signed by the person gifting you the money indicating the funds are a gift and no repayment is required. Most lenders have a specific letter that they want you to use - we will provide you with that letter

SALE OF AN EXISTING PROPERTY:

- [ ] We will require the firm purchase agreement and MLS listing for the property being sold and confirmation that the sale proceeds have been deposited into your account.
- [ ] We will also require a mortgage statement on that property so that the lender is able to determine the proceeds that you will receive from the sale. Also used to confirm bridge requirements if applicable

RENTAL PROPERTIES OR SECONDARY HOME

IF YOU CURRENTLY HOLD RENTAL PROPERTIES, WE WILL REQUIRE THE FOLLOWING:

- [ ] A current mortgage statement and tax bill for each rental.
- [ ] A current lease from each rental if applicable
- [ ] Previous T1 with statement of real estate rentals

OTHER

- [ ] A void cheque from the account that you want the funds to come from.
- [ ] Picture identification (drivers license or passport).
- [ ] The name of the lawyer you will be using to complete your transaction. If you do not currently work with a lawyer, your Mortgage Brokers CAgent would be happy to provide you with some options.
- [ ] CRA child tax benefit income statement, confirming amount received and ages of children

HOME BUYER'S GUIDE

INFORMATION AND TIPS TO KICK OFF YOUR JOURNEY OF HOMEOWNERSHIP

HEAD OFFICE

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