



Not Your Everyday Average Mortgage Brokers!

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Our Service Pledge to You...

Purchasing a home is one of the most stressful things that you will do in your lifetime. For most people, it's the single largest investment that they will make, period! This is why it's important to surround yourself with professionals who will not only offer you a tremendous amount of knowledge and support, but will also make the process as seamless as possible – keeping you informed every step of the way.

As your mortgage experts, we will show you that we care about your needs first and foremost. In fact, understanding your needs is a very important part of the mortgage process. By understanding your needs, we can save you possibly thousands of dollars in potential payout penalties, extra legal fees, etc.

We will communicate with you during the entire home-buying and mortgage financing process – and even after your mortgage has funded. We will send our newsletter to you on a monthly basis so that you are informed on what's happening in the mortgage market. Many people simply forget about their mortgage until the renewal date, but there are many reasons that it pays to be informed at all times.

Our goal is to give impartial advice on where the market is going (are rates going up or down or are there new products and features available?) so that you are equipped with information that will help you make informed financial decisions.

Honesty and integrity is the number one principle on which true mortgage experts build their businesses. We believe in earning business by cultivating many referrals, as it is an indication to new clients that their friends, family, realtors, financial planners, lawyers, accountants and so on have all had extremely positive experiences working with us. This package has been compiled to provide a complete guide encompassing the mortgage financing process, and it is our hope that you find it to be a very useful and informative tool.





Your Professional Team

Mortgage Professionals

The trend to move towards using mortgage brokers to arrange mortgage financing is increasing in staggering numbers. Each year, a 5-10% increase in market share is taking place. Why has this shift occurred? Well, very simply put, TOP-NOTCH SERVICE and UNBIASED ADVICE!

The banks are cutting back on staff and are centralizing operations to save money. This does not bode well for the consumer. Unlike individual banking representatives, who often move from one branch to another hoping to make advancement in the corporations, as your mortgage broker, it is our intention to create a lifelong relationship.

Today, many banks are buying out smaller trust companies to expand their portfolios. Most major banks lend out money through these trust arms at reduced rates. If you just stick with your bank, you lose access to hundreds of other financing arms that may have better rates, products and packages to offer you – including offerings from multiple banks, credit unions and trust companies.

Mortgage brokers get paid from the lenders so their service is offered to you without charge. What else can you ask for? Better rates, personalized service, flexibility and products at no cost to you.

Some will say that the fee is built into the rate, but this is not so. It costs the banks approximately 40% less to generate a mortgage through a broker than a branch, as there is no overhead to pay if the bank does not get a client's business. Instead, the mortgage broker bears the entire cost of day-to-day business activity.



Realtors

Your realtor is an integral part of your team. Your realtor can give you access to properties that never make it to the MLS website. Many properties are sold in a matter of days, and it can often take longer to make it through the MLS process. Realtors gain access to information about homes that may come on the market before any listing is signed. More important, your realtor can tell you how to be successful in your bid for a desired property.

In today's competitive real estate market, it's very difficult to acquire any property without the help of a real estate professional. We have developed relationships with numerous realtors and will recommend a qualified realtor to help you through the home-buying process.

Lawyers and Notaries

Arrangements will need to be made for a notary or lawyer to draw up the mortgage documents and register them on file for you. Since the visit to your lawyer is the last step in the entire process, it's extremely important that this is handled with care.

We can recommend a qualified and professional lawyer or notary who specializes in real estate transactions that can help streamline this process.

Home Inspectors

This is probably the best \$300-\$400 you will ever spend. While a competitive situation may not enable you to have an inspection done, it is highly recommended. Whenever possible, have an inspection done so that you're completely informed about what you can't see behind the walls. There may be mould, old wiring or leaks that will cost you a lot to fix down the road. We can recommend a professional inspector to help set your mind at ease.



Types of Mortgages

Mortgages can be a confusing subject. Buying or selling a home is an emotional decision and can be very stressful. As mortgage experts, we will take the confusion out of mortgages and make the process as smooth as possible.

In Canada, there are two major categories that mortgages fall into, either closed or open. Most mortgages are closed, meaning that you can't pay out the mortgage in full prior to maturity without paying a penalty to the lender. You can, however, often make lump sum or extra payments each year.

An open mortgage allows you to pay out the mortgage anytime without penalty. But you typically pay a higher rate than when opting for the same closed version. Open mortgages may have an administration fee that is higher than a closed mortgage if you do, in fact, decide to fully pay off the mortgage. This is partly why it is so important to read the fine print and ask about these charges. In most cases, it's better to take the closed product if you do not intend to fully pay out the mortgage in a short period of time.

Closed mortgages are offered in terms starting at six months. The interest rate is fixed during that term. (The term should not be confused with the amortization. Amortization is the time period it would take to fully pay off the mortgage by making regular payments.) Variable-rate mortgages, on the other hand, have a rate that floats with the prime rate and are often closed mortgages.

Let us help you make one of the biggest decisions in your life by providing options and advising you on the best scenario for your specific needs.



The Mortgage Financing Process

The number one question a homebuyer often has is “What does the mortgage process entail?” In very simple terms, following is an outline of the process upon which you are about to embark:

- a) **Get pre-approved:** Avoid any hiccups or obstacles before you begin the home shopping process. Being pre-approved helps in the following ways:
 - Determines price range – it will help you understand what your monthly costs will be and determine your price range.
 - Guarantees the rate – from 90-120 days. And we will automatically adjust your rate down with any market reductions.
 - Allows you to put in a competitive offer – become a successful bidder with a short subject to financing requirement.

- b) **Put in an offer:** Once you have found the property that meets your needs, you will put in an offer that will be accepted or countered. This may go back and forth until you reach an acceptable price with the vendor.

- c) **Offer is accepted:**
 - Send us a copy
 - An appraisal is ordered (if necessary)
 - Send in any remaining documents required for financing (income confirmation, down payment confirmation, etc)
 - Send an inspector in (if applicable) – we can help you arrange this
 - Receive the lender’s approval on property and final approval letter

- d) **Remove Subjects:** At this point, your financing is in place and you are ready to proceed with the purchase of the property this is when you will be required to put a deposit down, this is held in trust by the lawyer or notary and will be used to form part of the down payment.

- e) **Lawyers’ / Notary’s Office:** You will be asked to provide any money that is to be used as your down payment, which is not already on deposit with your realtor. Typically, you will go in 1-2 days prior to the completion date.



What Does a Lender Consider When Looking at Your Mortgage Application?

- **Income and Job Stability** – Your income determines how much you may borrow. In most cases, 35% of your gross income for salaried, non-self-employed or commissioned people is used to determine how much you can borrow to cover the cost of the mortgage payments, taxes and any applicable maintenance. All other debts (eg, car loans, credit cards and lines of credit, etc) must not exceed an additional 7% of your gross income. Lenders will allow the greater of your 2 year average of the same industry or same job or your salary/guaranteed wage. This can be useful if you do not have 2 years on the job as long as probationary period has passed we can use your guaranteed income today rather than wait until you have 2 years in the position.
- **Credit History** – Your credit score must show that you pay your bills on time, this includes cell phone bills as they are also now reported on the credit bureau. If not, you may still be approved, but the interest rate may be higher than expected.

What you need to supply to the lender:

- a) **Income Confirmation** – For salaried individuals: letter of employment and your most recent pay stub combined with most recent NOA from Canada Revenue showing no taxes owing. For individuals who are casual labor or hourly employees without guaranteed hours or salary position you will be required to provide Job letter, recent pay slip, and most recent 2 years Notice of Assessments from Canada Revenue (the summary paper you receive in mail after filing taxes showing total income).
- b) **Down Payment Confirmation** – The lender will require that you prove the source of your down payment. You will have to send in bank statements, statements showing RRSPs, stocks etc. You must show a three-month history of your accounts. If there are any large lump-sum deposits, you are likely to be asked to show where the deposit originated. For mortgages where your down payment is less than 20% of the purchase price, you will also be asked to demonstrate that you have access to 1.5% of the purchase price in your bank account. You must be able to show this through a credit card, line of credit, gift from family or savings in case closing costs run higher than expected.
- c) **Contract of Purchase and Sale** – This is a copy of the accepted offer of the home you intend to purchase and a copy of the MLS listing sheet.



Conventional Versus High-Ratio Mortgage

Whenever possible, it's advisable to try to put a 20% down payment into the new home. Most individuals are unable to do this, so their mortgage needs to be insured by either Canada Mortgage and Housing Corporation (CMHC), Genworth Financial or Canada Guaranty. This is the case because the Bank Act will only allow financial institutions to lend up to 80% of the price without mortgage default insurance.

The mortgage is insured so that if you default on your payments, the lender is paid out in full and the insurer is left to deal with the borrower. The insuring companies charge an insurance premium. However it is included in the monthly mortgage payments. Online CHMC calculators are often the easiest way to see how the premium affects the payment. The premiums are based on the loan to value ratio (LTV), which is the amount of the loan versus the value of your home.

Loan to Value (LTV)	Insurance Premiums
Up to and including 65%	0.60% of the loan amount
Up to and including 75%	0.75% of the loan amount
Up to and including 80%	1.25% of the loan amount
Up to and including 85%	1.80% of the loan amount
Up to and including 90%	2.40% of the loan amount
Up to and including 95%	3.60% of the loan amount

You may borrow up to 95% of any price for an owner-occupied purchase, in most urban areas. If you are buying a property for investment purposes, the maximum loan amount is 80% and the insurance premium is higher than shown above.

As of February 2016

For CMHC-insured mortgage loans, the maximum purchase price or as-improved property value must be below \$1,000,000.

You will typically have a minimum down payment starting at 5%. For a purchase price of \$500,000 or less, the minimum down payment is 5%. When the purchase price is above \$500,000, the minimum down payment is 5% for the first \$500,000 and 10% for the remaining portion.



Down Payment Options

The main reason many renters feel they can't afford to purchase a home has to do with saving for a down payment. But there are many solutions available today that can help first-time buyers with their down payments.

Many lenders will allow for a gifted or in some cases a borrowed down payment. And of those lenders that will not provide this alternative, many offer cash-back options that can be used to pay down debt or for personal use after mortgage completes.

In 2009, a \$5,000 increase was made to the RRSP Home Buyers' Plan, meaning first-time homebuyers can now withdraw up to \$25,000 from their RRSPs for a down payment – tax- and interest-free.

And if you're part of a couple making a home purchase together, you can each withdraw up to \$25,000 from your RRSPs.

If, for instance, a renter is currently paying \$800 per month, with that same payment (including taxes) they could afford to buy a \$120,000 home. And assuming real estate values increase 2% per year over the next five years, the new homeowner would have accumulated \$27,000 in equity in their home. If they continue renting, however, this \$27,000 has generated equity in someone else's home.





Closing Costs

The following is a list that will help to assist you in calculating your true costs in purchasing your new home:

- a) **Property Transfer Tax** – This is a tax that is charged whenever a property is purchased. The tax will vary from jurisdiction to jurisdiction. In BC it is 1% of first \$200,000 and 2% of balance above that for anyone who has not owned before. First time buyers are exempt from this tax as long as all applicants on title are first time buyers and the purchase price is under \$475,000.
- b) **GST**– Tax is only charged on new homes. Please contact you lawyer/notary for more detailed information. In BC if you are purchasing new property under \$750,000 and the GST is applicable, the property transfer tax is waived
- c) **Legal Fees** – Your lawyer or notary will charge you a fee for drawing up the mortgage and conveyance of title. The amount of the fee will depend on the individual that you use. The typical cost is in the range of \$1200-\$1500.
- d) **Title insurance /Survey**- most lenders will allow title insurance in place of a land survey which is a fraction of the cost. Contact your notary for this cost, range \$250-300 depending on the Lawyer/Notary and is charged in the legal fees





Special Financing Programs

Business-for-Self (BFS) Financing:

Several programs are available to assist people who are self-employed. Lenders recognize the fact that what is shown on a BFS tax return may not truly reflect the actual income earned for that party. We have several programs where qualification is based on stated income instead of taxable income. You will be required to have clean credit and supply us with the last three years' tax assessments from Revenue Canada confirming that you have filed as self-employed and that you are up-to-date with your taxes.

There are essentially two types of self-employed or BFS borrowers – those who can prove their income and those who cannot, and must instead use a stated-income mortgage product. By providing the required documentation, you're much more likely to be approved for a mortgage if you qualify based on your income. The trouble is that if you cannot prove your income, you pose a higher risk in the eyes of lenders.

If you have been self-employed more than two years, you can use a stated-income mortgage product up to 90% loan to value (LTV) – meaning the down payment can be as low as 10% of the purchase price. Please note that the insurance premium is higher than with qualified income as this is seen as a greater risk to the insurers.

And if a BFS individual wishes to refinance an existing mortgage, the maximum loan amount is 80% of your home's value.

Private Mortgages:

If you do not qualify for traditional financing all is not lost, since you may be eligible for alternative – or private – funding. We have access to private investors who are willing to lend money to BFS individuals looking to obtain mortgages. Although you will pay a higher interest rate, this route may enable you to acquire funds to purchase a home.

It's also important to note that there are added fees involved with private funding because the deals involve a higher degree of risk and take longer to get approved. The combined lender/brokerage fee will depend on the specific deal and the risk it poses, but the figure will be disclosed upfront so you know exactly what you'll be expected to pay for these services.

Another key point to consider is that private financing is equity based, meaning that the lender's decision will be based on a specific piece of real estate (as opposed to conventional deals that focus on the personal credit of the borrower). Private lenders want to know that the property is marketable and that they will be able to easily sell it should the mortgage go into foreclosure.

**New to Canada:**

Many of the available New to Canada mortgage products apply to new immigrants who have been in the country for up to 36 months. We can help set the home financing process in motion by securing a mortgage rate guarantee and pre-approval, and figuring out what supporting paperwork you need to provide to purchase a home in Canada – even before you move.

In most cases, Canadian mortgage lenders and insurers want to see employment letters that prove your offer of employment and salary in Canada. You must also have at least a 5% down payment for the home from your own resources – which means it has to be your own money, not borrowed or gifted. So, for instance, if you're selling your home in another country and using some of the proceeds as a down payment on a home in Canada, you must be able to prove this.

Lenders and insurers also want to see that you have a solid credit history. Although requirements for this proof varies based on which insurer and lender your mortgage is funded through, we will be able to tell you exactly what documents you'll need to provide. Often, an international credit bureau is sufficient to prove your credit history. If this is not available, you can also provide 12 months' worth of bank statements, mortgage or rental payment receipts, utility or telephone bills and so on. Again, there are several options from which to choose and we will be able to specifically tell you what a particular lender and insurer want to see.

You must also apply for landed immigrant status to get the ball rolling on securing your social insurance number (SIN), which is required before you begin working in Canada.

We can also put you in touch with a trusted real estate agent to help this process run even more smoothly.

Purchase with Improvements:

This program allows you to add into your mortgage the costs for renovating your new property. It is offered for mortgages where the down payment is less than 20%. For situations where your down payment exceeds 20%, you would simply set aside a portion of money that was meant for the down payment to be used for the renovations.

The lender will require that you supply a list of work to be done and a quote from a contractor. Once the work is complete, the lender will send the appraiser back into the property to verify that the work has been completed, and then your lawyer or notary will release these funds to you. This is important to note, as you will essentially have to pay for the renovations in advance and then be reimbursed.

~Discover your Financial Balance~



Harmony Mortgage paper work checklist

- 2 most recent years Notice of Assessments from Canada Revenue
- Job letter and pay slip (must be no older than 30 days)
- 90 history of down payment funds via bank statement; for gifted funds gift letter (will be provided by lender) and proof of deposit
- Proof of 1.5% purchase price for closing costs (no history needed)
- Void cheque for account you wish mortgage payments to be auto debited from

Lender reserves the right to request additional paperwork if the above does not satisfy their guidelines

****For self-employed individuals additional paperwork will be required and will be determined on case by case basis**

Immediately upon acceptance of your offer we will need from your realtor

- Fully signed Copy of Contract of Purchase and Sale for new home
- Copy of full realtor MLS Listing for your new home
- If condo or townhouse – Lender may request Strata Documents