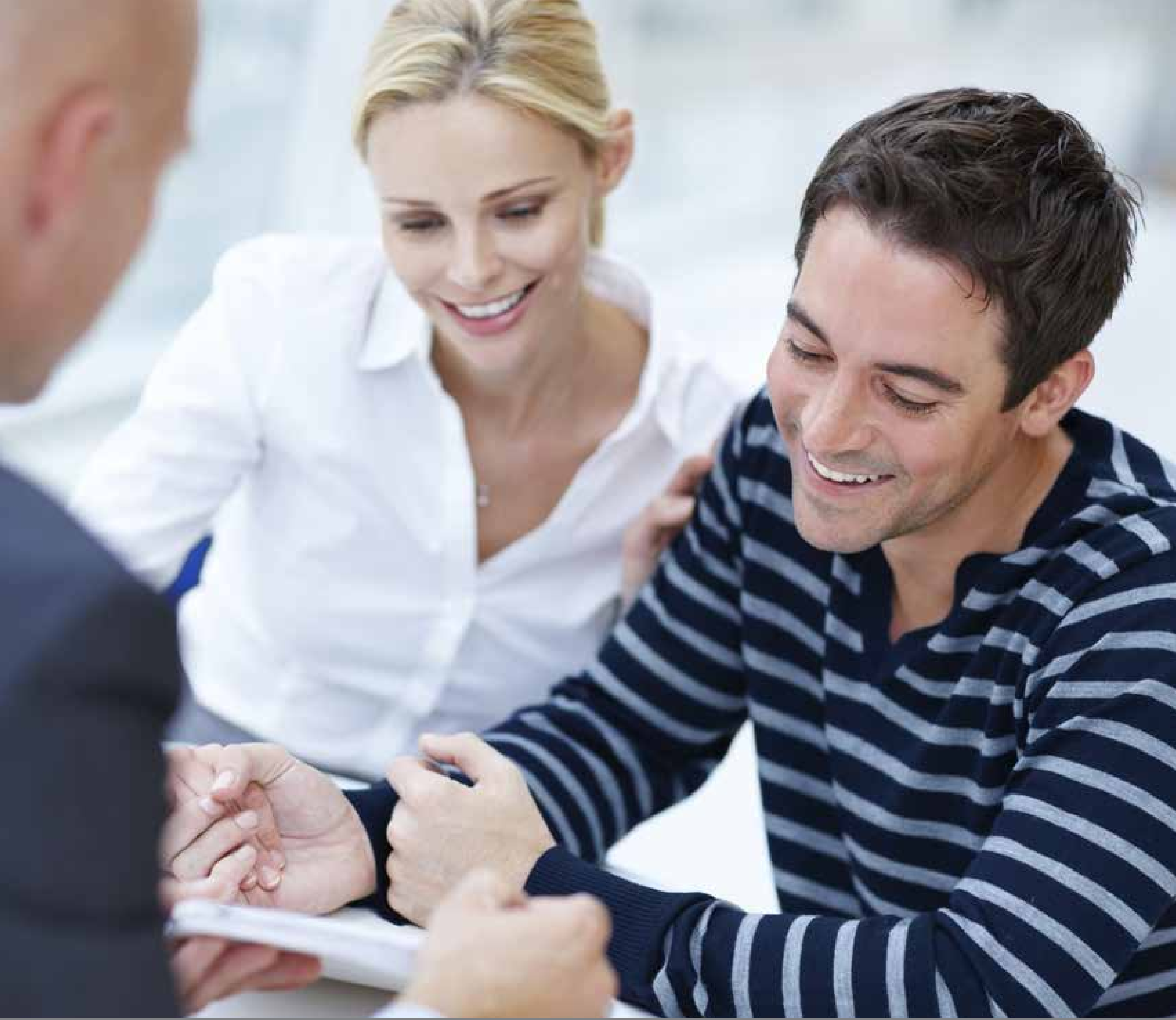

HOMEBUYER'S GUIDE

Verico Compass Mortgage Group

Natalie Wellings
Mortgage Broker

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WHY USE A MORTGAGE BROKER?

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

1. Get independent advice on your financial options

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

2. Save time with one-stop shopping

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

3. I negotiate on your behalf

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

4. More choice means more competitive rates

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

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

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

6. Get access to special deals and add-ons

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

7. Things move quickly

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

8. Get expert advice

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

9. No cost to you

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

10. Ongoing support and consultation

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

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WHAT TO EXPECT FROM THIS GUIDE

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

The information in this guide will help you know who to ask, what to ask, and what to do every step of the way.

This guide will help make your homebuying experience exciting and rewarding!

Overview of the Buying Process

Generally, there are four stages in the buying process.

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

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

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

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

CONTENTS

Section 1.

Qualification Guidelines

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

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

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INCOME

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

Employment income

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

Self-employment

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

Seasonal income

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

Overtime

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

AISH and pension income

Guaranteed pension incomes are usually acceptable sources of income, although some lenders are hesitant to lend if a borrower's sole source of income is AISH(Assured Income for the Severely. Handicapped).

Child tax credit

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

DOWN PAYMENT

Down payment

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

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

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

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

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

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

However, in some circumstances, you may still require insurance despite having a 20% down payment. Speak to your broker for more information.

Mortgage Default Insurance

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

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

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

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

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

DOWN PAYMENT RULES FOR HOMES OVER $500,000

Down payment requirements for homes over $500,000

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

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

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

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

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

Down payment required = $45,000

Money saving tip

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

DOWNPAYMENT

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

Sale of another property

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

Savings

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

Registered Retirement Savings Plan (RRSP)

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

Gifted down payment

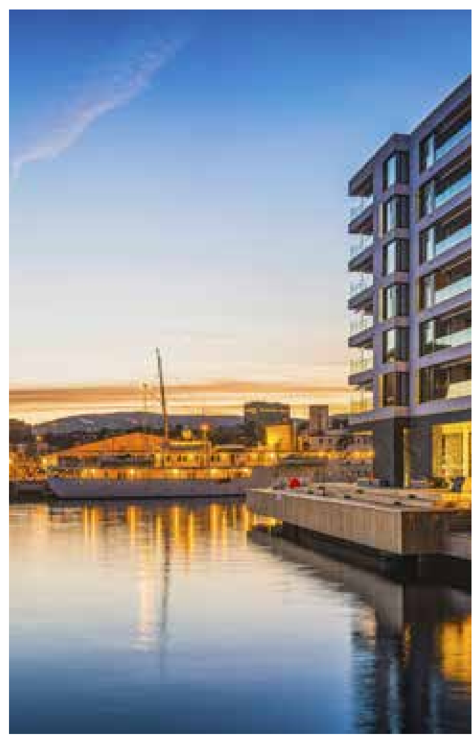
The lender will require a gift letter stating that the funds are a gift and are not repayable, and a deposit slip showing the gifted funds deposited into the borrower's account prior to closing.

GIC, mutual fund or term deposit

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

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

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



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Home Buyers’ Plan

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

If you are a first time homebuyer, you may be eligible to use up to $25,000 of RRSP savings toward the purchase of a new home under the HBP. By saving through your RRSP, you also receive a tax deduction that may give you a refund at tax time allowing you to add even more to your down payment savings pool. You may also withdraw funds from your RRSP for someone else if:

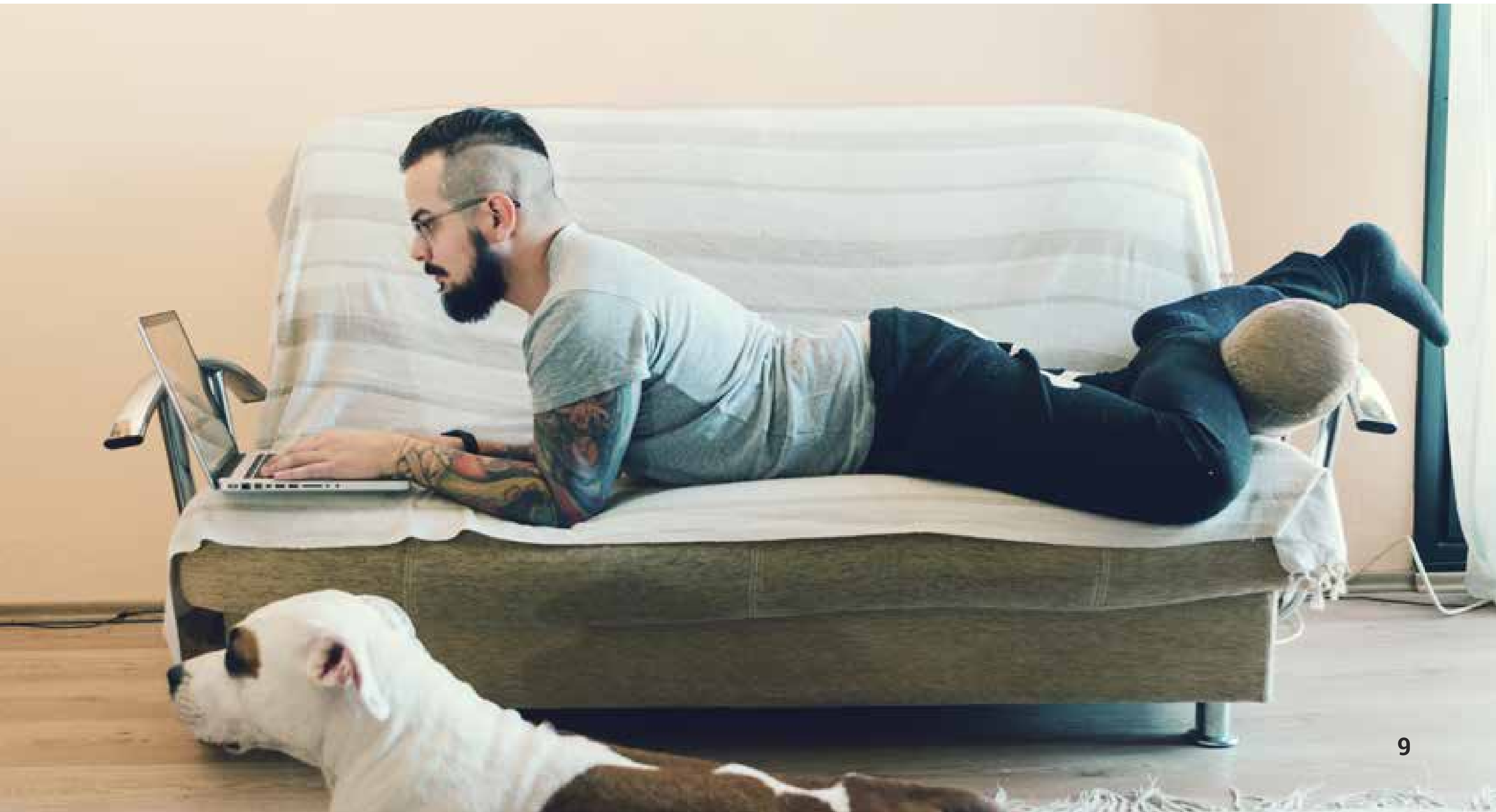
- you acquire a qualifying home for a related disabled person that is more accessible to or better suited to the needs of that person; or
- you provide the withdrawn funds to a related disabled person to acquire a qualifying home that is more accessible to, or better suited to the needs of that person.

Withdrawals that meet all applicable HBP conditions do not have to be included in your income, and your RRSP issuer will not withhold tax on these amounts. If you buy the qualifying home together with your spouse or common-law partner, or other individuals, each of you can withdraw up to $25,000.

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

DO I MEET THE HBP ELIGIBILITY CONDITIONS?

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



GROSS DEBT SERVICE RATIO AND TOTAL DEBT SERVICE RATIO

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

Gross Debt Service Ratio

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

- mortgage payments
- property taxes
- heating
- 50% of condo fees

Example:

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

GDS Ratio calculation

$1,115.59 / $3,500 =.318
GDS Ratio 31.8%

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

To qualify for a mortgage, most lenders traditionally require that your GDSR is at or below 32%. As of October 2006, the insurers and some lenders will allow a GDSR of up to 35% and, in some cases where a borrower's credit is exceptionally strong, may allow for a GDSR of up to 39%. This, coupled with the option of extended amortizations, significantly increases the consumer's borrowing power. Extended amortizations are not available for insured mortgages.

Total Debt Service Ratio

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

- credit card payments
- car payments
- lines of credit
- student loans
- any other debts

Example:

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

TDS Ratio calculation

$1,365.59 / $3,500 =.3902
TDS Ratio 39.02%

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

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

Compare the results with the estimated costs for your new home

Estimate what the costs will be for your new home, including all the ones described in the GDS and TDS ratios. If the total costs you estimate are lower than the maximum amounts you calculated, you will probably qualify for a mortgage loan with the lender.

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Section 2.

Credit

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

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

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CREDIT RATING

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

What is a credit report?

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

What is reported?

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

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

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What is a credit bureau?

There are two major consumer credit bureaus in Canada, Equifax and Trans Union.

Rebuilding your credit

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

What is a credit score?

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

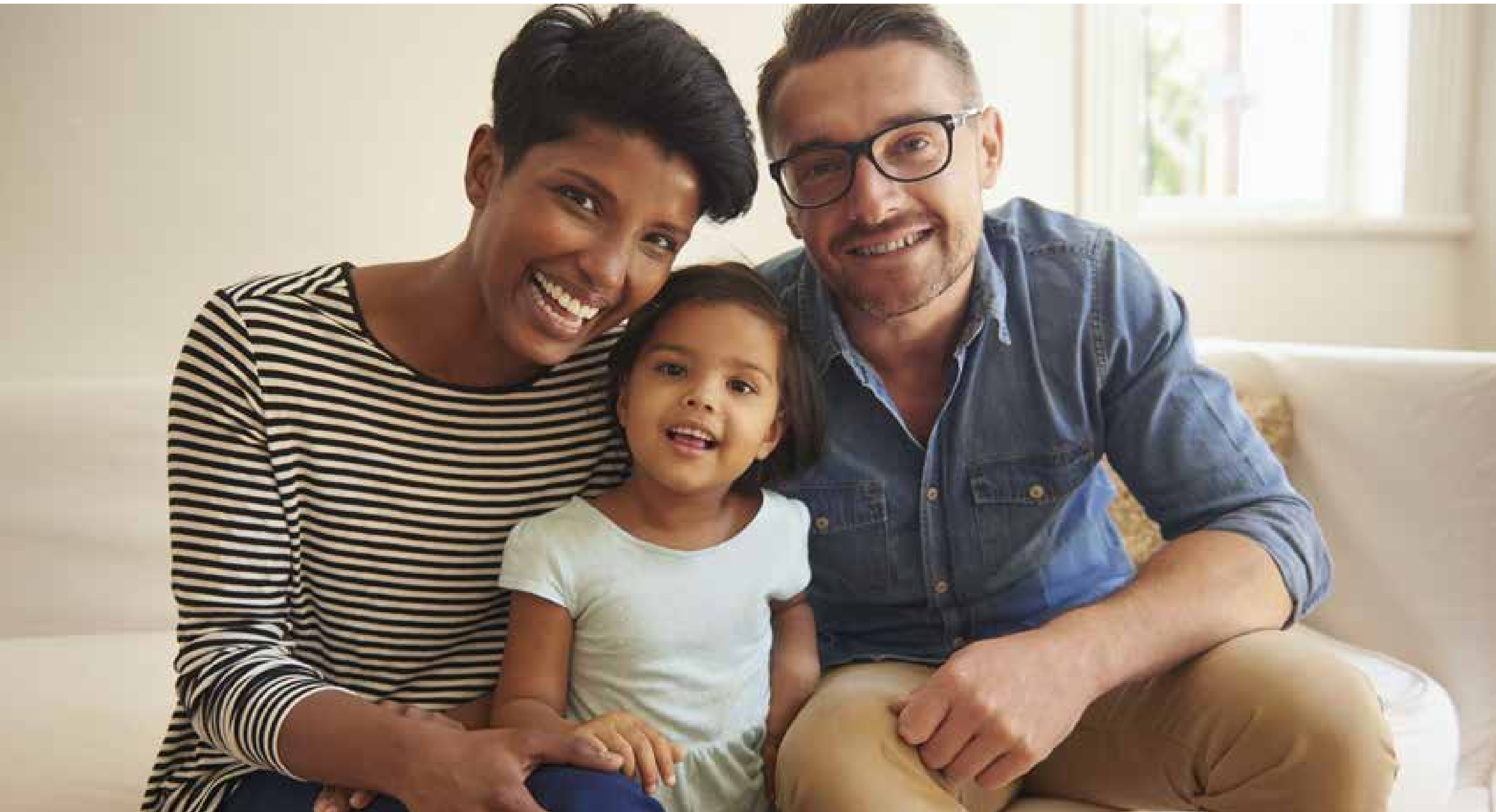
Improving your credit score

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

Credit rating

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

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



Section 3.

The Approval Process

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

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

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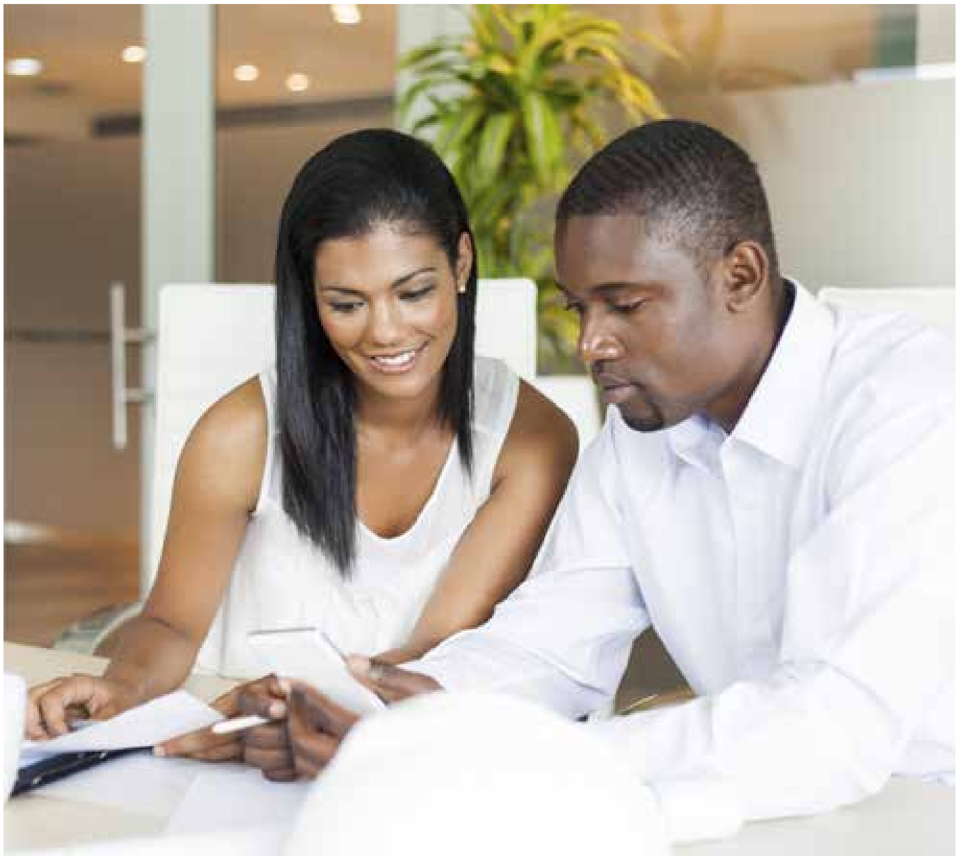


PRE-APPROVAL

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

With a pre-approval, you can:

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

A pre-approval does not guarantee that you will get the mortgage loan.

Once you have a specific home in mind, the lender will want to verify that the home or property meets certain standards (ie. the condition or market value of the home) before approving your loan. At that point, the lender could decide to refuse your mortgage application, even though you had been pre-approved for a certain amount.

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

What you will need to get pre-approved:

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

THE APPROVAL PROCESS

1. APPLICATION TAKEN

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

2. CREDIT REVIEW

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

3. DOCUMENTS COLLECTED

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

4. PRE-APPROVAL COMPLETE

4. Once the application and credit report have been submitted to determine the amount of mortgage for which you qualify, I will help you select an appropriate lender.

5. INSURERS AND APPRAISAL

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

6. MEETING FINAL CONDITIONS

6. Once your mortgage has been approved by both the lender and, if applicable, the default insurer, your file will go through the underwriting process. This involves the lender reviewing your financial documents for accuracy. At this time they will also contact your employer to verify the details of your employment. During this period, you will also sign the mortgage commitment with your Mortgage Broker.

7. SIGN THE DOCS

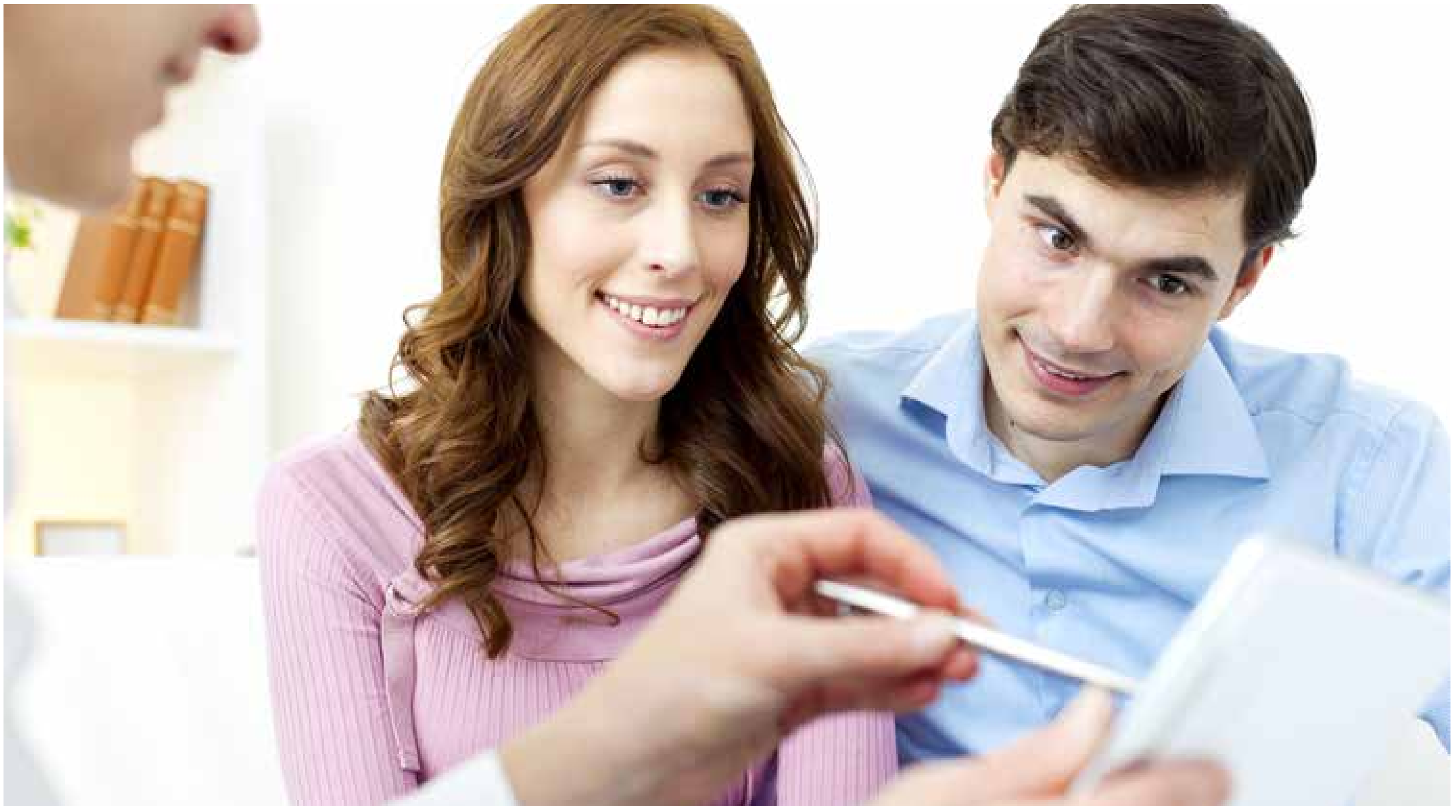
7. Once you have met the lender's conditions you will contact your Real Estate Agent to remove the financing condition on your offer. Around the same time, you should arrange home and life insurance if you haven't already done so.

8. MEET WITH LAWYER

8. Approximately one week prior to taking possession of your new home, you will meet with your lawyer to sign the legal documents. You will be asked to bring the funds for the balance of your down payment.

9. CLOSING DATE

9. On possession day, you will get the keys and ownership of the house. Congratulations!



YOUR MORTGAGE AGREEMENT

Information to consider

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

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

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

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

Section 4.

Mortgages and Insurance

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

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MORTGAGE TYPES

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

Open Mortgages

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

Closed Mortgages

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

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

THE MORTGAGE TERM

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

SHORT TERM VS. LONG TERM

SHORT TERM

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

LONG TERM

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

MORTGAGE INTEREST RATES

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

Fixed interest rate mortgages

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

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

Variable interest rate mortgages

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

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

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

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

TIP : Hybrid mortgages

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

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

TIP : Purchase Plus Improvement Mortgage

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

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

MORTGAGE DEFAULT INSURANCE

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

Application of the Mortgage Rate Stress Test for High Ratio Loans

Effective, October 17, 2016, all insured mortgage applications must comply with the new mortgage rate stress test requirement. The mortgage must be qualified for using an interest rate which is the greater of the contract interest rate, or the Bank of Canada's conventional five-year fixed posted rate. The mortgage rate stress test must be applied at the time of mortgage loan insurance application.

How much are the premiums?

The premium (the cost of Mortgage Default Insurance) will vary depending on the down payment: the bigger your down payment, the lower your Mortgage Default Insurance premium. Usually, Mortgage Default Insurance premiums vary from 0.6% to 4.00% of the borrowed amount.

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

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

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

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

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

Who offers Mortgage Default Insurance?

Mortgage Default Insurance is provided by insurers such as:

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

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

Section 5.

Resources

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WORDS TO KNOW WHEN BUYING A HOME

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

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

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

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

Notes

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PROFESSIONAL REAL ESTATE FINANCING

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The information contained in this guide is subject to change at any time.