Understanding Your Mortgage

MORTGAGE ARCHITECTS®

SwiftBrokers.ca

Why use a mortgage broker *or* agent vs a bank?

Going to the bank always feels good. You are greeted at the door, and you feel respected. They are some of the largest institutions in Canada so it's normal to think they always have your back. However, you must keep in mind the person working for the bank, works for the bank. **They always have the banks interest first.** The bank mortgage advisor will try to approve you and offer good rates, however sometimes they are not the best and you will have to try and deal with the person. They are also limited to what the bank sells and will not always be able to find you a mortgage if you have damaged credit. And finally, the loan amounts with banks may not be as high with other lenders. Sometimes you can get lucky and get a great deal but sometimes it is a struggle and can take time.

Now working with a mortgage broker or agent is a different experience that is for sure. It is like going to many banks and lenders, but you only must deal with one person. **The mortgage broker or agent works for you** and will shop around for the best options. If you have damaged credit, the mortgage broker will be able to find you a lender in most cases as they have hundreds of lending options via big banks, alternatives, credit unions and private lenders.

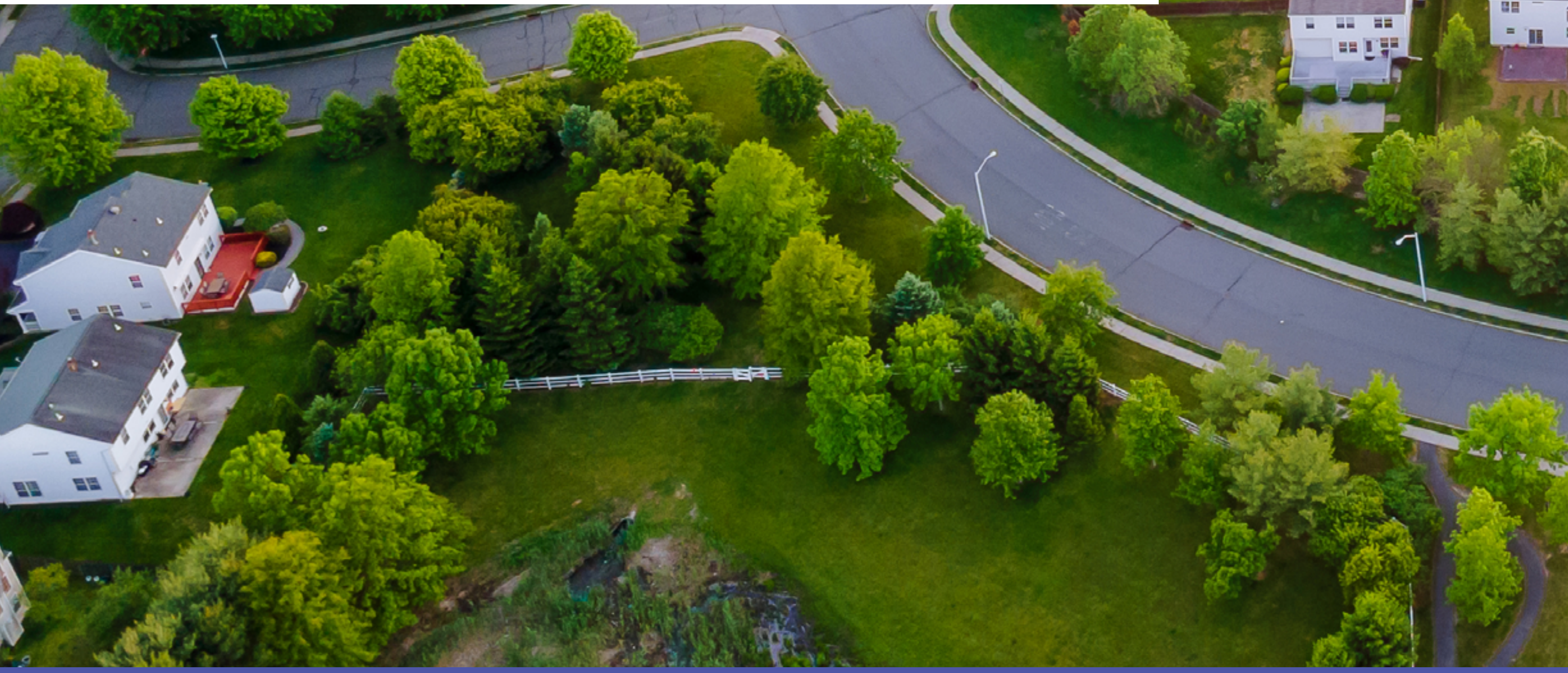
This profession is built on honesty, trust, and they should always offer the best solution the first time.

Even in the most difficult situations, a broker or agent should be able to find you a mortgage. And best of all, unlike most major banks, there is usually no haggling. This profession is built on honesty, trust, and they should always offer the best solution the first time.

Why Real Estate is a good investment?

Real estate has always been one of the safest investments in the world. Afterall, everyone needs a house, right? As soon as you purchase your first property, you immediately start to pay towards the equity of the house. This means each payment will lower the amount of interest you pay and add equity in the property. This is much better than paying rent because paying rent will not create future wealth for you. Paying rent is like only paying interest and no principal.

When you make mortgage payments, you are paying both interest and principal towards your home. And moreover, the property will go up in value because the market increases over time. So, if you calculate both your principal payments, and your house value increase, this equals to a huge amount of money. And once you have enough equity in your property, there is nothing stopping you from refinancing and purchasing an investment property! **This is when the fun starts.**



What is the right mortgage product for you?

Fix rate mortgage

Fixed rate mortgage is when the interest rate is **locked in for the length of the term.** There are many payments options and features however if you payoff the loan before the end of the term, there will most likely be big penalties. This mortgage is recommended if you **plan on keeping the property for long term** and want to keep the interest rate the same. Fix rate mortgage are also excellent in uncertain times if the rates are expected to rise significantly.

Variable rate mortgage

A variable or adjustable mortgage is when the interest rate **can change over time** and is based on the lender's Prime rate. Often there is a discount to Prime. For example if a lender is offering Prime -.5 , and the Prime rate is **3%** , the rate would then be 2.5%. This mortgage is great if market rates remain low however if you are in an increasing rate market you might want to stick with fix. However, if you plan on selling the property or refinancing before the end of the term, the variable is usually the best way to go. The penalty is only 3 months interest and in most cases the fix will have a higher penalty. Investors that do **not plan on keeping the property long term,** or will want to refinance, variable is a great option.

Open Mortgage

The open mortgage allows you to **prepay part or all the principal amount** at any time with no penalty. The open mortgage has a short term of usually 6 to 12 months and is often used if you **do not plan to keep the property.** There will be no penalty however the interest rate is higher than a fix or variable. Therefore, you must calculate what is cheaper.

High Ratio vs conventional mortgage

These terms often sound confusing but are quite simple. High ratio means you have **less than 20% down payment.** You will be required to pay default insurance that is to cover the lenders in case you default. If you have 20% or more down payment, you can avoid this insurance cost. We suggest you get a conventional mortgage if you have the down payment as this will avoid the insurance cost. The rates will be remarkably similar but slightly higher on conventional (but still cheaper overall in most cases).

Alternative or Private mortgage (B or C)

These mortgages are especially useful if you have damaged credit. They are also extremely useful if you are self employed and don't declare enough income to qualify. Often, it's better to **pay less income tax and more on your mortgage payments.** Alternative mortgages still have great rates and are usually only 1 or 2 % more than banks. Private lenders however are much more expensive and only recommended in certain situations and when your credit is too bad for anything else. Private is also a great way to save your house if you are in a power of sale.

House equity line of credit

Imagine having a credit card with an interest rate that is close to a mortgage. Wouldn't that be nice? Well, if you own a property and have over 20% in equity, you can have this! A line of credit is usually a little over prime rate and is used like a credit card. You can pay back the debt, and **re borrow at any time with no penalties or hassle!** They can often be combined with a regular mortgage and as you pay your mortgage down, your line of credit will increase. This product is excellent and probably the best for investors. I would add this to your owner-occupied home and use it to purchase investment property or stocks. Some lenders will also offer this on a rental property. Please note that even if the mortgage or line of credit is on your owner-occupied home, you can write off the interest if the loan is used to purchase an investment.

Working With Our Team

Lower Rates,
More Choices!

Plans & Fees

RRSP's home buyer's plan

The RRSP Home buyer's plan is a federal plan that allows you to withdraw up to $35,000 from your RRSP to buy or build a property. **You need to be a first-time home buyer** to have access to this offer and you must start repaying the funds back into your RRSP starting the second year after you withdrawn the funds. You have up to 15 years to add back the money in the account. IF you want, you can repay the full amount at any time.

Land transfer tax

When you purchase property in Canada, expect to pay land transfer tax. If you are a first-time buyer, there is an incentive on the tax. Please visit this website for more details:

fin.gov.on.ca/en/tax/ltt/index.html

First-Time Home Buyer's Incentive

This is a new program that was created to help first time home buyers, and people that did not own a property for more than 4 years, secure financing. **The program will offer a 5% down incentive, and 10% for new construction homes** to add to their down payment amount. The maximum allowable qualifying income is $120,000 (gross income) and the maximum purchase price will be based on 4 times your annual household income plus the amount you have for down payment. So, the maximum purchase price cannot exceed $560,000. For repayment, this must be done either 25 years after the purchase, or if the property is sold first.

Mortgage title insurance

Title insurance is an insurance policy that is mandatory on all mortgage real estate transactions. **This policy will protect the lender against losses** related to the property's title or ownership. You may also apply for borrower title insurance and will also protect the borrower against losses due to problems with the title. What does this insurance cover exactly? The insurance covers the lender and or borrower for losses due to unknown title defects, existing liens against the property's title, encroachment issues, title fraud, errors in surveys and public records, and other title related issues that can affect your ability to sell, mortgage or lease the property in the future.

Understanding mortgage rates

The way lenders offer mortgage rates has changed greatly over the last few years. **The rates you will have access to will depend on your credit rating and repayment history,** the amount of down payment you can provide, the type of mortgage transaction (purchase, refinance), the type of property, length of the term, rate type (fix or variable), amortization (25/30 years), mortgage product. Also, you have to keep in mind, when you have less than 20% down payment, the rates will be slightly better however you are paying an insurance premium. These are all factors to take into consideration for the rates offered.

What professionals you should use when purchasing a home?

Real estate agent

To help you write an offer and purchase the property.

Insurance agent or broker

To cover the property against fire damage and other damage.

Lawyer

To register your mortgage and house title.

Appraiser

To determine the value of the property.

Home inspector

To make sure there are no problems with the property.

Mortgage broker or agent

To secure cheap financing and great service.

Expected upfront costs.

There are many costs that you must take into consideration when purchasing a home. These costs might have to be paid at time of purchase, during the mortgage process or upon closing. Here is a quick list of what you might need to pay for:

- **Home inspection fee**
- **Water potability test**
- **Deposit on purchase**
- **Appraisal fee**
- **Down payment**
- **Land transfer tax**
- **Prepaid property taxes**
- **Title insurance**
- **Legal fees and disbursements**

And on some transactions the lender may charge a fee and the broker as well. These additional costs are usually only for bad credit files, and alternative files. When dealing with Prime lenders, there are typically no lender/broker fee unless the file was extremely difficult and time consuming.

(We have many more, but these are the favourites)

Our Preferred lenders

BLUEPRINT FINANCIAL SERVICES

Blueprint: This is an excellent lender and one of our favorites. They offer great rates and great products. They also offer extremely competitive renewal rates.

CMLS Financial®

CLMS: Founded in 1974 and remains one of Canada's top lenders. We work closely with CMLS as they offer some of the best rates on the market. Whether its residential or commercial, CMLS has your back.

First National: This is probably the biggest non-bank lender in Canada. They focus solely on mortgage financing and offer some of the most competitive rates and product. This lender has a double up payment feature that you can always double your payment to add more to principal. They also offer other repayment features, payment frequency change and many more options. The penalties are usually much smaller with this lender VS Big Banks.

TD Canada Trust:T D is the second big bank lender we work with after Scotiabank. They offer great rates and are recommended when they have competitive offerings, and they also offer a great line of credit if requested.

Home Trust: Home Trust is one of our go to especially for alternative lenders when the Big Bank says no. They have extended ratios for approval and still offer great B rates. One thing we love about Home Trust is the secured VISA. It is a low interest credit card that can be registered in second position behind your mortgage. This lender also has great A rates, and we will certainly be a good choice in many situations.

Haventree: This is another great alternative lender if the bank says no. They have excellent B rates and offer unique stuff such as second mortgages at great rates.

IC Savings: IC savings is one of our go to lenders if the big bank says no. They offer no credit products, great B rates and increased qualifying ratios. IC Savings for the win!

Scotiabank: Great lender offering versatile products such as the STEP HELOC (house equity line of credit). This will allow you to add multiple mortgage products on a single registration. For example, you will be able to have a line of credit, and a fixed mortgage if you want all on the same registration/ charge. The amount you can borrow on the line of credit will increase as you pay down your mortgage. Great for investors and you can repay and reborrow with no penalties like a credit card.

RMG: RMG has been around for many years and are no strangers to the Canadian mortgage industry. They are one of our most used lenders and offer unique features such as cash back to help pay for closing costs, furniture, and renovations. They also offer bridge financing and have other great products.

Steps when purchasing a home

Step1: Complete a preapproval application

Our team will fully analyse your file and give recommendations and your maximum purchase price.

Step 2: Home research

Time to go look around for a home with your realtor!

Step 3: Mortgage Submission

When you find a property and have an accepted offer, we will send for a full mortgage approval at the rate and product you requested. Once approved we will go through the signing process.

Step 4: Waive your conditions

After you have satisfied all conditions on your offer, you may waive the conditions.

Arrange home insurance: Once the closing date approaches, it's time to shop around for home fire insurance. There are plenty of companies to choose from and you can find them online by searching on google for Canadian home insurance.

Step 5: Meet with your lawyer

A few days before the close of the transaction, your lawyer will have you come in and sign documents and verify identification. Once you are signed at the lawyer's office, you can just sit back and wait for your house keys!

Christopher Robinson

Mortgage Broker | Team Leader
FSRA M15002429

Tel: 613-863-8785
Fax: 613-701-4242
christopher@swiftbrokers.ca

5675 Whittle Rd
Mississauga, ON L4Z 3P8
Office License FSRA12728

Philippe Paquette

Mortgage Agent
FSRA M22000157

Tel: 352-223-9194
Fax: 613-701-4242
phil@swiftbrokers.ca

5675 Whittle Rd
Mississauga, ON L4Z 3P8
Office License FSRA12728