MORTGAGES

THE ULTIMATE ROADMAP TO GETTING APPROVED

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INTRODUCTION

Welcome and thank you for downloading the Ultimate Roadmap for Getting Approved!

Buying a home is an exciting time, but many f home buyers feel overwhelmed when it comes to the mortgage process.

Use (and refer back to) this guide to make qualifying for your mortgage an easy and seamless experience.

The Roadmap will guide you through the process and help you with:

- setting a monthly budget
- determining affordability
- lender document checklist
- down payment options
- and SO much more!

I am excited to be on this journey with you.

Let's get started!

Stephanie

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THE ROADMAP

START HERE

STEP ONE
MONTHLY BUDGET

Determining – and sticking to – a budget helps ensure you'll be able to afford your new mortgage payment, while staying on top of your other expenses.

STEP TWO
DETERMINE AFFORDABILITY

Lenders are looking for a few key indicators of a worthy borrower. The 2 most important factors are your GDS and TDS ratios.

STEP THREE
PRE-APPROVAL

This sets your home purchase budget, shows buyers you are serious, and speeds up processing time for a smoother closing. During this time, we will collect employment information, check credit history and verify down payment.

STEP FOUR
DOWN PAYMENT

Determine the amount you want to use for your down payment. This can come from savings, a gift letter, RRSPs or equity from your home.

STEP FIVE
OFFER TO PURCHASE

Once your offer is accepted, we'll submit your application to your chosen lender. They will verify the details of property and may order an appraisal to confirm the value and condition of the home.

STEP SIX
CLOSING DAY

When your mortgage is fully approved and conditions have been met you'll meet with your lawyer. You will sign mortgage documents and will be responsible for closing costs

YOUR MONTHLY BUDGET

INCOME

Total Take Home	
Pension/Disability	
Spousal Support	
Other	
TOTAL INCOME	

When you apply for a mortgage, your lender will approve you for a maximum monthly mortgage payment. Determining, and sticking to a budget helps ensure you'll be able to afford your new mortgage payment, while staying on top of your other expenses.

EXPENSES

Total Rent/ Mortgage	
Child Support/ Alimony	
Health Insurance	
Life Insurance	
Car Payments	
Car Insurance	
Other Loans	
Utilities	
Credit Card Payments	
Groceries	
Clothes/ Personal	
Medical/ Dental	
Prescriptions	
Household Goods	
Child Care	
Education	
Dining Out	
Entertainment	
TOTAL EXPENSES	

TOTAL INCOME	
(-) MINUS	
TOTAL EXPENSES	
(=) EQUALS	
DISPOSABLE INCOME	

DETERMINING AFFORDABILITY

Lenders are looking for a few key indicators of a worthy borrower.
The two most important factors are your **GDS** & **TDS RATIOS**.

DETERMINING AN AFFORDABLE GDS RATIO OF 39% OR LESS

A GDS (Gross Debt Service Ratio) considers the affordability of payments associated with your household. A percentage of **less than 39%** is typically what lenders will look for to ensure you are able to carry your mortgage.

GDS = Monthly Mortgage Payment
+ Monthly Property Taxes
+ Monthly Heating Costs

Your Monthly Gross Income

Example

$2300 + $250 + $100 x 100

$8000 (gross monthly income)

= 33.13% GDS

AN ACCEPTABLE GDS RATIO

BELOW 39%!

DETERMINING AN AFFORDABLE TDS RATIO OF 44% OR LESS

A TDS (Total Debt Service Ratio) is used to estimate how much you can afford to put toward your mortgage while considering other debts. A percentage of **less than 44%** is typically what lenders look for to ensure you are able to carry your mortgage.

TDS = Monthly Mortgage Payment
+ Monthly Property Taxes
+ Monthly Heating Costs
+ Other Debt x 100

Your Monthly Gross Income

Example

$2300 + $250 + $100 + $450 x 100

$8000 (gross monthly income)

= 38.8% TDS

AN ACCEPTABLE TDS RATIO

BELOW 44%!

PRE-QUALIFIED VS PRE-APPROVED

A **pre-qualification** is a quick snapshot for homebuyers.

Online mortgage calculators are great to help give you an idea about budget, but they are missing some important considerations.

A **pre-approval** is a more formal, accurate process and one most realtors require before they will show you homes. Getting a pre-approval is one of the best things you can do to simplify buying a home.

During this process we will verify your employment, check credit history and verify down payment. You will have a solid idea around budget and having a pre-approval in place shows buyers you are serious.

AVOID THESE MISTAKES AFTER YOUR PRE-APPROVAL

- do not apply for new credit
- leave or change employment
- make large purchases
- co-sign a loan

DOCUMENT CHECKLIST

Having these documents ready will help speed up your pre-approval.
Missing documents/information is the main reason behind delayed approvals.

DOCUMENT	SALARIED	SELF-EMPLOYED
☐ Offer to Purchase	✓	✓
☐ Firm sale on current home	✓	✓
☐ MLS Sheet	✓	✓
☐ Gift letter	✓	✓
☐ Mortgage Statement	✓	✓
☐ Letter of Employment	✓	
☐ Current Pay stub	✓	
☐ 2 years T4s	✓	
☐ Copy of Home Insurance	✓	✓
☐ Notice of Assessments		✓
☐ T1 Generals		✓
☐ Down payment history	✓	✓
☐ Verification of Business		✓

In some cases, further documentation not listed here may be required

DOWN PAYMENT

DOWN PAYMENT REQUIREMENTS

$500,000 or less = 5% of the purchase price

$500,000 to $999,999
5% of the first $500,000 10% for the balance

$1 million or more 20% of the purchase price

SAVINGS

If you've saved for your down payment, you'll need to show 90 days banking history. Deposits over $1000 (outside of pay) will need to be accounted for.

GIFT LETTER

Gifted funds from an immediate relative requires a Gift Letter stating the gift is not repayable. Funds need to be in your account at least 15 days prior to closing.

RRSP HOME BUYERS PLAN

First time home buyers can take advantage of this plan. You can borrow up to $35,000 from your RRSP to buy or build your principal homes. The money you withdraw is not subject to tax, but must be repaid over a 15 year period.

PROPERTY SALE

When your down payment comes from a property sale you must provide a firm offer to purchase, along with a mortgage statement showing the balance owing.

RRSP HOME BUYERS PLAN

HOW DOES THE PLAN WORK?

If you are a first time homebuyer, the Home Buyer's Plan (HBP) allows you to borrow up to $35,000 from your RRSPs for a down payment, tax-free. If you're purchasing with someone who is also a first time homebuyer, you can both access $35,000 from your RRSPs for a combined total of $70,000. You must pay the full amount back within 15 years, through regular payments, starting no later than the second year after withdrawal.

ELIGIBILITY

- You must be a Canadian resident
- The home must be used as your principal residence
- RRSP funds you borrow need to be in your account for at least 90 days prior to withdrawal
- You have entered into a written agreement to buy or build a qualifying home
- You cannot have owned a home within the previous 4 years
- If you're buying with a spouse (or common law partner) who is not a first time homebuyer, you cannot have lived in a house they owned for 4 years

IS THE PLAN RIGHT FOR YOU?

The RRSP Home Buyer's Plan is an excellent way to increase the size of your down payment.
The downside of withdrawing the money however, is that you'll miss out on the compound interest.
And, if you fail to make a repayment, that money is considered RRSP income and will be taxed accordingly. It's always a good idea to talk with a mortgage professional to see if the Home Buyer's Plan is right for you.

FIRST HOME SAVINGS ACCOUNT (FHSA)

HOW DOES THE PLAN WORK?

You are able to make annual contributions of up to $8,000 with a lifetime contribution limit of $40K towards the down payment of a new home.

The plan is similar to the Home Buyers Plan where you withdraw from your RRSPs in that you will still receive a tax deduction for your contribution. However, under this plan, you aren't limited to a $35K withdrawal limit and you're not required to pay the money back.

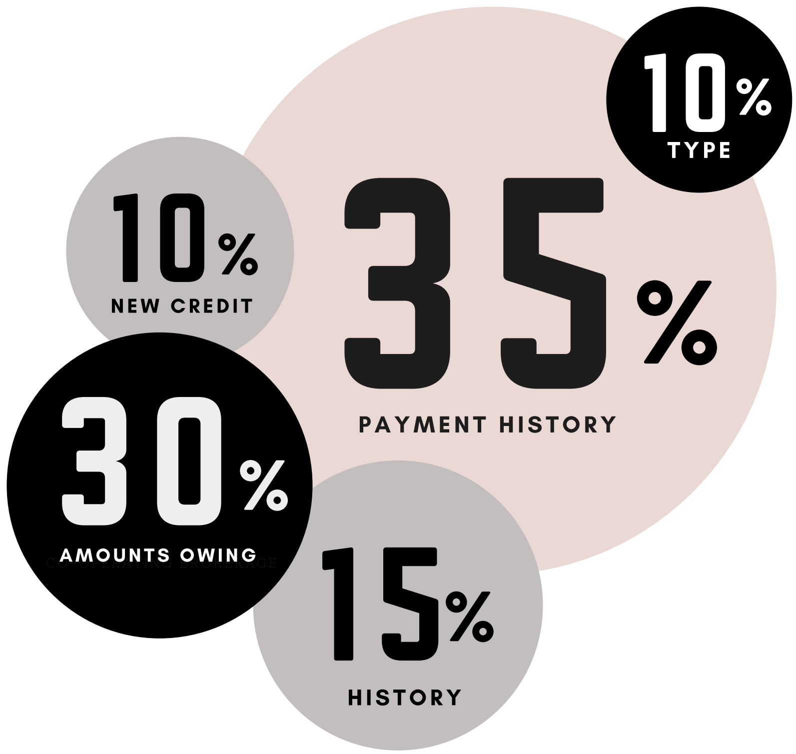
ELIGIBILITY

You Must be a first-time homebuyer and a resident of Canada and you must intend to occupy the home as your principal residence. The plan can stay open for 15 years and the money can be transferred to an RRSP if you don't end up buying within that time frame.

IS THIS PLAN RIGHT FOR YOU?

I believe this plan would be especially helpful for newly employed people who don't have a lot of RRSP contribution room and don't want to wait to take advantage of the tax savings

CREDIT



DID YOU KNOW having a credit score of **680 and above** gives you the best opportunity at qualifying for a mortgage?

Your credit score is a snapshot of your past financial history. This helps lenders evaluate how likely you are to repay a loan. The ability to pay your bills on time makes up 35% of your overall credit score and is the most important factor that influences your score. Missing just one payment (over 30 days late) can knock up to 150 points off, and the longer the payment is overdue, the worse the impact on your credit score.

Having a good credit score is one of the more important factors for mortgage approvals.

There are a few **free options** online to check your own credit:

https://borrowell.com/
https://www.consumer.equifax.ca/personal/
https://www.creditkarma.ca/

FIXED VS VARIABLE

What's the difference?

A **fixed rate** mortgage gives you confidence that **your payments will not change** for the entire length of your mortgage term.

Fixed rates offer you stability and consistency with your payments.

Payout penalties for breaking a fixed rate mortgage before it's maturity can be heafty.

A **variable rate** mortgage typically has a lower interest rate than a fixed rate mortgage. **As prime rate changes so can your monthly payments**.

Payout penalties for breaking a variable rate mortgage are much less and equivalent to 3 months interest.

Historically, variable rate mortgages have been a better option for Canadians.

WHAT'S IN A MORTAGE PAYMENT

01 **PRINCIPAL**

Mortgage principal refers to the outstanding balance of your mortgage.
As monthly mortgage payments are made, the mortgage principal is reduced.

02 **INTEREST**

The amount of interest owed is calculated as a percentage of the total amount of the mortgage. The majority of a borrower's payment goes toward mortgage interest in the earlier part of the loan.

03 **MORTGAGE LOAN INSURANCE (HIGH RATIO)**

Mortgage insurance provides default or high ratio insurance that protects the lender against the risk of lending to homebuyers who have less than a 20% down payment. You, the borrower, pay this premium, which is added to your mortgage principal and protects the lender in the event the mortgage is not paid. This is not the same as creditor insurance

04 **PROPERTY TAXES**

With most lenders you have the option to either have your property taxes collected with your mortgage payment or you can choose to remit them yourself.

05 **CREDITOR INSURANCE**

Some people prefer to take creditor life and disability insurance if it's available from their lender to ensure their family is protected financially should something happen to them. Others feel they have enough life insurance already to cover the cost of their mortgage in the event of their death, or they prefer to obtain this insurance through another source.

CLOSING COSTS

You're near the end of your journey now!

Closing costs are expenses you incur on top of your mortgage. It's best to set aside 1.5-4% of the purchase price of your home to cover these costs due at your closing appointment.

These are some of the final costs between you and your new home:

- Legal Fees
- Home Inspection
- Property Taxes
- Appraisal
- Home Insurance
- Condo Fees

THE TEAM

STEPHANIE PASUTTO
MORTGAGE PLANNER

Hi, I'm Stephanie and I am excited to be working with you!

Purchasing a home is one of the biggest decisions you will ever make and I'm here with you on this home buying journey.

The right mortgage is a critical factor determining long-term savings. The value of a professional mortgage broker comes from having someone who objectively works for you and is not limited to mortgage product offerings from one source; like a bank.

Whether you are purchasing, refinancing or need a review of your current mortgage, I am here to help. There is no cost for our services as the I am paid by the lender that funds your mortgage.

MORTGAGE ARCHITECTS®

Mortgage Architects is an established national Mortgage Brokerage led by a seasoned management team and supported by a network of experienced and caring Mortgage Brokers.

We help homeowners ask the right questions, compare mortgage rates and privileges, design a mortgage based on their needs, and understand how to make their mortgage work for them.

We have access to more than 50 lending institutions, including major banks, credit unions, trusts and other national and regional lenders to ensure we are able to provide just the right mortgage solution for you needs today and tomorrow.

NEXT STEPS

It's always a great idea to consult with a mortgage professional about your goals. Having a solid financial plan in place before you begin is key.

Now that you've mapped out your mortgage process basics, we're ready to get started! I'm excited to be on this journey with you!

Stephanie

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GLOSSARY OF TERMS

ADJUSTMENTS
Common expenses, if any, such as property taxes or utility bills, that have been prepaid by the vendor are pro-rated and paid by the purchaser to the vendor on closing.

ADJUSTABLE (variable) MORTGAGE
A mortgage whose interest rate and payments are changed at an agreed upon frequency based on a plus/minus adjustment to the prime lending rate. It may be converted to a fixed rate mortgage for a term equal to or greater than the remaining term.

AMORTIZATION
The time over which the mortgage is to be completely repaid, assuming equal payments.

CMHC INSURANCE
If you want to buy a home with a down payment of less than 20%, you'll need mortgage loan insurance. This protects your lender in case you can't make your payments.

CONVENTIONAL MORTGAGE
A mortgage of up to a maximum of 80% of the lending value of the property.

CONVERSION
A feature that allows borrowers to fix the rate of their variable rate mortgage to a term equal to or greater than the remaining term with no penalty.

FIXED TERM MORTGAGE
A mortgage with a fixed rate for a specific term.

HIGH RATIO MORTGAGE
A mortgage loan that exceeds 80% of the lending value of the property, and which is insured through a mortgage insurance program. (less than 20% down payment)

LOAN TO VALUE (LTV)
The loan-to-value (LTV) ratio is a measure comparing the amount of your mortgage with the appraised value of the property. The higher your down payment, the lower your LTV ratio.

PENALTY
A sum of money paid to a lender for the privilege of prepaying a mortgage in part, or in full, before the mortgage matures.

PORTABILITY
A feature that allows an existing mortgage to be transferred to a new property (generally with credit approval and property appraisal).

PREPAYMENT
Full or partial payment of all or part of the principal amount owing. A separate payment from regular payments allowed in a mortgage agreement.

PRINCIPAL
The amount of the loan owed to the lender at any specified time, not including interest.

TERM
The length of the current mortgage agreement.

TITLE
Right of ownership of property, including evidence of such ownership.

TITLE INSURANCE
A contract by which the insurer, a title insurance company, agrees to pay the insured a specific amount for any loss