Homebuyer's Guide

Making things easier for you by providing the information you need to make an informed decision

Neighbourhood
Dominion Lending Centres

FSCO #11764 - Independently Owned & Operated

Neighbourhood
DOMINION LENDING
CENTRES

At Neighbourhood Dominion Lending Centres, we are dedicated to being “Your Mortgage Expert for Life”. Through understanding your individual financial needs, we provide you with mortgage solutions customized specifically for you. Our team of professionals negotiate with the lenders on your behalf for the biggest investment of your life. By providing value, innovative products and quality service, we help you achieve your dream of home ownership.

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Did Your Landlord Thank You for Making His/Her Mortgage Payments?

Every renter who says they can't possibly take on the responsibility of a mortgage is in for a pleasant surprise because they are already making a monthly mortgage payment. It just happens to be their landlord's payment and it's the landlord who is building up equity in his/her property – not the person making the payments.

Let me help you the way I've helped hundreds of New Home Buyers!

Almost any homeowner will tell you that the purchase of their new home was the best financial decision they ever made. Despite this, every day many prospective new homeowners fail to take the steps necessary to learn what they need to know in order to take that first step towards home ownership.

The examples noted below show how large a mortgage* your current rent would support with a downpayment of 5%.

Your Rent	Mortgage Amount	5% Downpayment	Potential Purchase
$800	$125,000	$6,600	$131,600
$900	$140,600	$7,400	$148,000
$1,000	$156,000	$8,200	$164,200
$1,200	$187,500	$9,900	$197,400
$1,400	$218,800	$11,500	$230,300
$1,600	$250,000	$13,200	$263,200
$1,800	$281,300	$14,800	$296,100

The Examples are based on a 25-year amortization, with a 5-year term at a rate of 6% interest and subject to CMHC guidelines. Municipal taxes not included in the above calculations

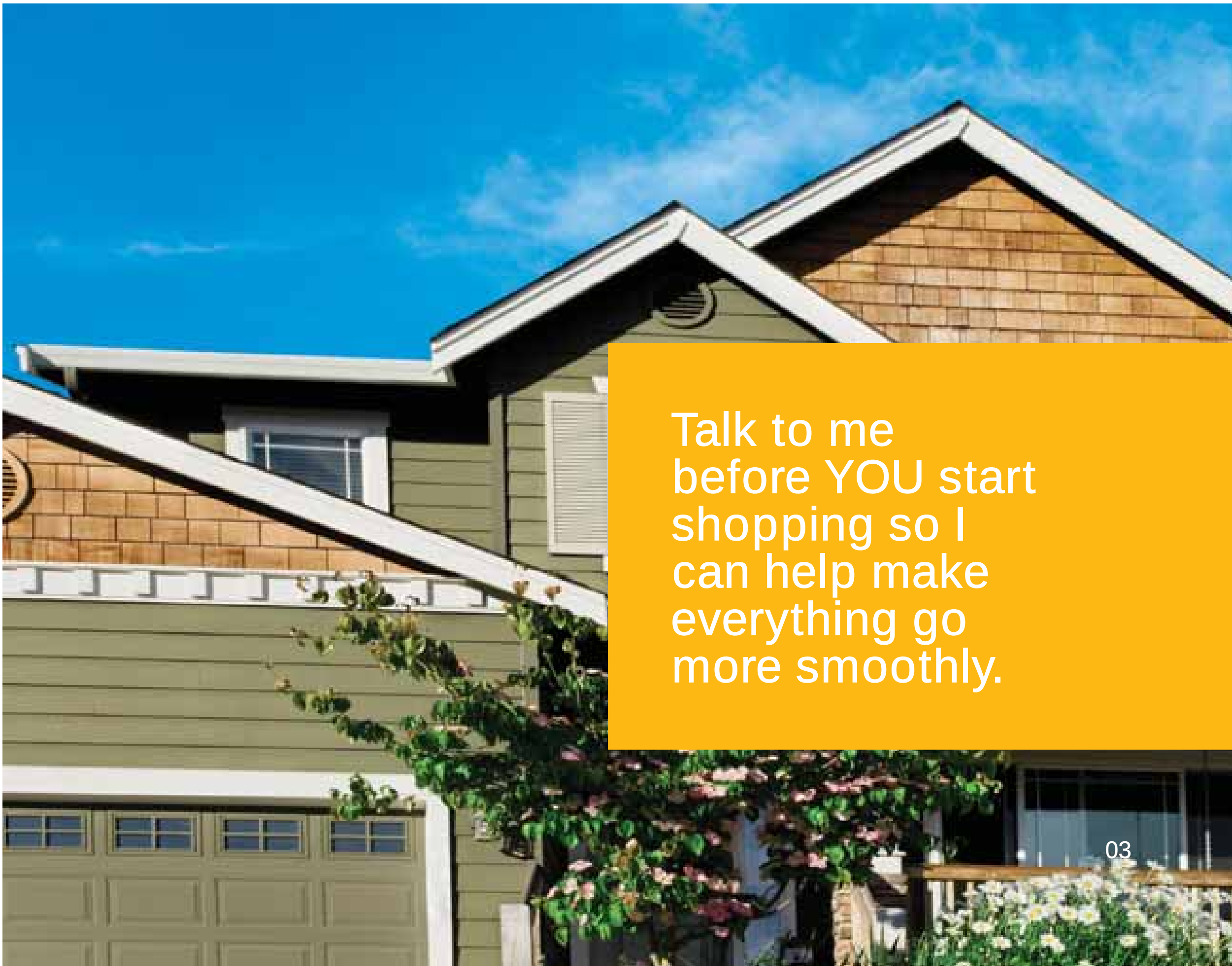
*All mortgage approvals are subject to qualification.

Preapproved Mortgages

Lately, you've probably been hearing a lot of your friends and co-workers talking about getting their mortgages through a mortgage broker. The fact is, more and more Canadians are relying on mortgage brokers.

Brokers offer consumers several important advantages:

- Independent, unbiased advice
- More mortgage choices
- Best-available rates
- Fast, convenient local service
- Specialized knowledge
- Secure, established lenders



Talk to me before YOU start shopping so I can help make everything go more smoothly.

I never stop working to simplify YOUR home life

Dominion Lending Centres refers billions of dollars in mortgage business each year to Canada's largest banks, credit unions, and trust companies…so we have negotiating power to obtain top discounts.

Getting the Right Mortgage

You're off to a great start with a company that offers expertise, in-depth industry insight, exceptional resources, and exclusive access to a suite of innovative mortgage products. Access to some of the best mortgage experts in the business, at no cost to you.* A fee is charged only for the most challenging credit solutions, and it's especially under those circumstances that a Neighbourhood Dominion Lending Centres mortgage professional, with all of their lending contacts and expertise, can help when your bank cannot.

* On approved credit. Your mortgage expert is paid by the lender that funds the mortgage.

1. I’ll sit down with you, evaluate your needs and complete an electronic application form.

   Based on your application, we can identify various personalized mortgage proposals for you that outline the lenders’ best rates and product features.

2. Together we’ll decide which lender offers the most attractive package of rate and features for your specific needs.

3. I’ll then electronically forward your application to that lender.

4. Once approval is received – usually within a matter of hours – you simply sign the required forms and you’ve got your mortgage preapproval! Then, over the next few days and weeks, I’ll follow up with all supporting documents.

Call me today. Let me help YOU turn the tables on mortgage lenders! I will find the absolute best mortgage the industry has to offer – with precisely the rates, terms and options to meet your needs.

Your Home-Buying Team

Mortgage broker/agent:
This is a professional independent business person who negotiates on your behalf with financial institutions and private sources to help you secure the best available mortgage to meet your financial needs. As most financial institutions regard mortgage brokers/agents as an extended sales force, this professional counseling is often at no fee to you.

Real estate sales representative:
When you are ready to look for a home, you will need to choose a real estate sales representative. The choice is yours and it is important to choose someone you feel comfortable with and who you believe will fulfill your needs.

Your real estate representative should be there for you every step of the way, from showing you neighbourhoods and different styles of homes to anything else you may need to know to help you decide on the perfect home. Once you have found the home, your sales representative will help you negotiate the price, inclusions, building inspections and any other items needed to complete and sign the purchase agreement. Ask me for a referral if you don't have a real estate agent already.

Appraisers:
Appraisers are accredited independent individuals who estimate the value of a property to see if the purchase price is reasonable within that market. They will provide a written appraisal report for the lender as part of their service. This service may be required by the lender at the time your mortgage is approved on a specific property. The appraisal must be arranged by Neighbourhood Dominion Lending Centres to ensure that the appraisal is unbiased.

Inspectors:
For a fee, a building inspector examines a house to see how well it is built and what repairs are necessary now or in the near future (i.e. life expectancy of roof). A certified building inspector will provide you with a detailed, written report as part of the service. You can find an inspector by getting names of people in this business from a home inspectors' association in your area or ask me for a referral.

Lawyer:

Choose a lawyer who is experienced in real estate work by asking friends, neighbours, the local Bar Association or me for a referral. A lawyer is responsible for the following:

1. Draw up, amend or simply check and OK the purchase and sale agreement.
2. Do a title search to verify that the vendor actually owns the property and is free to sell it, and that it comes free of any hidden liabilities or obligations.
3. Draw up, review and register your mortgage(s).
4. Work out the adjustments – calculating who owes who for such expenses as municipal tax that may be paid by one but should be shared by both.
5. Arrange the payment of the provincial land transfer tax. Any taxes on chattels that come with the property, and if necessary, a survey or title insurance of the property.
6. Register the deed, which is the document that verifies you are the new owner.
7. Obtain a tax certificate, zoning compliance certificate, execution certificate, water and other utility certificates.
8. Obtain and review the condominium estoppel/status certificate and financial statements (when purchasing a condominium).
9. Request the mortgage funds from your lender to pay the vendor in order to close the deal and turn over possession to you.

Insurance agent/broker:

1. Arranges property and liability insurance (lenders insist on it!). They provide an insurance binder to the lawyer and if there is a claim, the lender's mortgage will have priority. The insurance policy must name the lender as a loss payee at the time of the purchase.
2. Mortgage life insurance is available through Dominion Lending Centres at competitive prices. For example: A 29-year-old with a $200,000 mortgage only pays $34.32/month for life and disability insurance.

Buying with “Little” to “No Downpayment”

Good housing is fundamental to the Canadian quality of life. It’s essential to our economy as well. The housing industry directly or indirectly employs one in five Canadians. No other single industry in Canada has such a large impact on our economy.

Canada Mortgage and Housing Corporation (CMHC), Genworth Financial Corporation (Genworth), and Canada Guaranty play an important role in Canada’s housing industry. CMHC is a Crown Corporation and the administrator of the National Housing Act for the federal government. CMHC designs programs to help Canadians in need get adequate housing. Canada Guaranty and Genworth are privately owned firms that offer the same insurance service as CMHC.

Mortgage Loan Insurance:

Under the provisions of the National Housing Act, lending institutions cannot provide first mortgage financing in excess of 80% of the purchase price/appraised value of a home unless the mortgage is insured against default.

Lenders feel confident about making loans for up to 95% of the value of the property when borrowers qualify for and purchase mortgage loan insurance. An insurer of mortgage loans, such as CMHC, Genworth, or Canada Guaranty reduces the lender’s/investor’s risk of lending money to homebuyers.

More than 3 million Canadians own homes today because they were able to insure their mortgage loans with CMHC, Genworth, or Canada Guaranty and present themselves to lenders as low risk investments. Homebuyers who require mortgage loan insurance obtain it through the lender as part of the process of taking out a mortgage.

What if I don’t have a large downpayment?

There are some programs that allow 95% financing with an option of a 5% cash down payment or 100% financing with a borrowed downpayment. Your rate may be slightly higher but you will own your own home sooner. With as little as 5% for a downpayment, lenders will offer you their best-discounted rates. While your downpayment can be as low as 0%, keep in mind that the larger the downpayment, the less your home will cost over the long term – so it makes sense to put down as much as you can comfortably afford.

Putting more down, keeps your costs down.

For our example, we've assumed the following:

House price: $200,000
Mortgage Rate: 5.00%
Principal and interest payment: 5.014 per $1,000 (25yr Amortization)

	Scenario 1	Scenario 2
Mortgage	$200,000	$200,000
Less Down	$10,000	$25,000
Mortgage	$190,000	$175,000
Mortgage with insurance	$195,225	$178,500
Monthly Payment	$1,135.44	$1,038.16
Total interest paid over 25 Years**	$145,405.94	$132,950.85
Total Payments for 25 Years	**$340,630.94**	**$311,450.85**

** interest savings based on 5% rate not changing for 25 years

Ask me about using YOUR RRSPs for your downpayment!

What other $ do I need?

When purchasing a home and applying for a mortgage, the borrower incurs certain costs associated with that purchase. These costs include, but are not limited to the following:

Adjustments and Disbursements: On closing, your lawyer will make certain adjustments and disbursements to the purchase price. These are prepaid expenses, which will need to be pro-rated between the vendor and the purchaser. For instance, a typical adjustment deals with the property taxes paid to the city or municipality or oil/propane that is in holding tanks. The amount of prepaid taxes and fuel will be adjusted as of the closing date and one party will be required to reimburse the other.

Application Fee: Some lenders charge an application fee to process the mortgage application. These application fees are generally associated with non-conforming mortgages. These may be paid up front or deducted from the mortgage advance.

Appraisal Fee: An appraisal is needed to verify the value of the property being mortgaged. The lenders use an independent, certified appraiser to evaluate the property. This cost is payable by the borrower.

Building Inspection: This is required by the purchaser to ensure that the building does not have any hidden problems. The cost can vary so you should check with your broker for some references.

CMHC/Genworth/Canada Guaranty: The insurance premium is added to the mortgage amount as a one-time fee so that the borrower does not have to pay it out of their own funds. Interest is charged on the insurance premium at the same rate as the mortgage. If a provincial sales tax is charged on the insurance premium, this cannot be added to the mortgage.

There are two costs to buying mortgage loan insurance:

1. There may be an application fee as either an upfront cost or paid on the day of closing. The application fee is higher for non-owner-occupied properties.

2. The mortgage insurance premium can either be added to the mortgage or paid in a lump sum. It is based on a percentage of the mortgage amount and the nature of the use of the property (owner-occupied or rental). A higher premium can be paid where it is a self-employed applicant or there are non-traditional circumstances.

GST/HST: Goods and Services and/or Harmonized Sales Tax are only payable on newly constructed homes, vacant land (sold by a developer) and commercial properties, NOT on resale properties.

Land Transfer Tax: This is a sales tax on the transfer of ownership of your new home. The amount differs depending upon the province, but is a percentage of the purchase price and is payable to the province/municipality at the time of purchase.

Legal Fees: These fees are paid to your lawyer to register the mortgage and cover the lawyer's related costs (called disbursements). These disbursements vary and it is best to get a quote from your lawyer. The Land Transfer Tax is also payable as part of the disbursements on closing through the lawyer.

Mortgage Broker/Agent: If you are using a mortgage broker/agent to arrange your mortgage, check to see if the broker/agent is charging you for his/her services. Most brokers/agents do not charge to arrange your mortgage because they are paid a referral fee from the lender. A broker fee may be applicable under specific circumstances due to the nature of the applicant or property. Impaired credit, non-conforming properties and commercial properties are some examples where a fee may be charged.

Survey: Generally, a lender will require a survey to confirm that the house does not encroach or cross over the property lines. A vendor will often already have a survey, especially if the vendor had a mortgage on the property. If the survey is up-to-date and acceptable to the lender, it will not be necessary to get a new one.

Title Insurance: In lieu of an up-to-date survey, some lenders will accept title insurance. Their commitment is to insure your mortgage is obtained through your solicitor. All costs in obtaining such insurance will be your responsibility. The estimated cost is $350 plus GST/HST. Ask about coverage for yourself, not just the lender.

Home Buyers’ Plan allows people to retain savings, have a downpayment and get a tax refund

The Home Buyers’ Plan allows singles or couples to withdraw up to $25,000 each, without penalty, from an RRSP when used towards the purchase of a first home. The program has advantages and disadvantages, but it rates as one of the best ways to get that first home sooner.

Pros/Cons of the Home Buyers’ Plan

- Few things in life are free and the withdrawn amount must be repaid in incremental amounts over 15 years. The repayments start a couple of years after the purchase date of the home.
- While the money is outside the RRSP it is not earning interest. Weighed against that, however, is the consideration that the value of the home is most likely increasing and the higher your down payment, the lower your mortgage payment.

Conditions of the Home Buyers’ Plan

- Under Canada Revenue Agency regulations, RRSP funds are subject to tax if withdrawn within 89 days of contribution, so it is necessary to plan the transfer and withdrawal carefully.
- There are stipulations on withdrawing RRSP funds, depending on whether the funds are applied to a resale property (house or apartment) or a new construction.
- Buyers of existing homes must make their RRSP withdrawals in the same calendar year or within 30 days after the closing date.
- Generally, new-home buyers must buy or build their home before October 1 of the year following the year of the first withdrawal.
- Someone who has not owned a home at any time during the previous four years and does not have an existing Home Buyers’ Plan under repayment is considered a first-time buyer for the purpose of the RRSP program.

While there are exceptions to these rules, it is essential buyers follow the guidelines to avoid penalties and obtain the full benefit of this program.

Choosing the Right Mortgage

Armed with all of this information, how do you decide which mortgage is best for you? Some questions to ask yourself would include:

Long Term vs. Short Term

Am I planning to live in this house for a long time or do I hope to upgrade in a few years?

If you are planning on living in this home for many years to come, then you might consider a long-term mortgage to avoid rate fluctuations and the cost of renewing your mortgage at regular intervals.

What payments can I afford?

Do I have room in my budget to allow for increases in my mortgage payments if rates rise drastically – even if only for a short term? If yes, then you might consider a short-term or variable-rate mortgage to take advantage of the lower short-term rates. This is not advised for people who will lose sleep over payment fluctuations or will not be able to afford a dramatic increase in their payments.

If rates appear to be on a downward trend, you might consider a convertible or variable mortgage, which allows you the flexibility of enjoying a short-term rate with the option to lock in if rates increase.

If rates are on the rise, you may want to lock in to a long term if the rise looks permanent. If the rise in interest rates appears to be a “glitch” in the market, you might consider riding it out by taking a short-term or convertible mortgage so that you can lock in to a long term when rates come back down.

How do I know if rates are going up or down?

Talk to me - as your mortgage broker I cannot predict the future, but I will be able to give you an informed opinion of current trends.

Are there costs associated with going short term?

Most lenders charge a renewal fee for clients to renew their mortgage. This ranges from $75 to $250. If a client wants to take advantage of short-term rates by taking consecutive 6-month terms, the fees can add up to a considerable amount.

Considering Prepayment Privileges

Prepayment privileges are options, which allow you to make extra payments on your mortgage. But how much weight should you put on prepayment privileges when deciding which mortgage is best for you?

Is my key concern to have the best interest possible?

If yes, you may not need to consider the prepayment privileges. In fact, some lenders have mortgage products with very limited prepayment privileges, but offset this with a slightly lower rate.

Am I a saver by nature?

Will I be paying my mortgage off as quickly as possible? If yes, then you will want the most flexible prepayment privileges possible.

Notes

The Home-Buying Checklist

- [ ] You've made the decision to become a homeowner and not pay rent anymore.
- [ ] Consult with your mortgage broker at Dominion Lending Centres for a preapproved mortgage with a financial institution.
- [ ] Make a "wish list" of features you want in a new home (i.e., neighbourhoods, 2-car garage, nearby schools, finished basement, etc.).
- [ ] Select a real estate agent to find homes that fit your "wish list" for you to view.
- [ ] Negotiate a price – make an "Offer to Purchase" subject to approval of property and satisfactory financing through your real estate agent or lawyer. **You must have everything in writing to make the document legal and binding.**
- [ ] Meet conditions of mortgage approval. Do a building inspection. Hire a lawyer.
- [ ] Arrange homeowners insurance.
- [ ] Waive conditions of "Offer to Purchase".
- [ ] Arrange move, phone, cable, hydro, etc.
- [ ] Lawyer notifies you to bring downpayment and closing costs to his/her office (afew days before closing).
- [ ] Lawyer registers deed & mortgage, gives you the keys to your new home, and you are now a new homeowner.

Our service does not stop here I'm here when you need me! Contact me anytime. Your Mortgage Expert for life!

Mortgage Application Checklist

The following is the basic information needed to complete a mortgage approval. The information required may vary depending on the lender of choice. Also included is who would be responsible to provide the information through your mortgage broker to the lender (as indicated in brackets):

- [ ] Signed application **(mortgage broker & borrower)**

- [ ] Lawyer's name **(borrower)**

- [ ] Verification of downpayment **(borrower)**
  - written verification of downpayment coming from own resources and not borrowed funds (i.e., photocopy of bank book showing accumulation of funds for a minimum of three months, RRSP statements, GICs, etc.)
  - gifted downpayment is acceptable (gift letter is available through your mortgage broker). Verification would include a gift letter and proof that the gift-giver had the resources available to give the gift (three months bank statements, GICs, etc.) The gift must come from immediate relatives to qualify under most programs.

- [ ] Verification of income & employment **(borrower)**
  - a letter from your employer on company letterhead stating how long you've been there, how much you make, your job title and whether permanent, contract or part-time.
  - sometimes lenders also require a pay-stub or T-4 to supplement the above.
  - for self-employed individuals, speak to me about the requirements as they vary greatly from lender to lender.

- [ ] Feature/Highlight sheet on property and the Agreement of Purchase & Sale **(real estate agent/borrower)**

- [ ] Application/appraisal fees **(borrower)**. A mortgage appraisal is ordered by the lender/mortgage broker but paid by you. (The cost is approximately $250-$350).

- [ ] Water potability test (**real estate agent**) & septic certificate **(lawyer)**

- [ ] Survey/Title Insurance **(real estate agent or lawyer)**

Moving Checklist

The weeks leading up to the day you take possession of your new home can be as exhausting as they are exciting. Here's a suggested calendar of events to keep you on track as you count down to closing day.

- [ ] **Two months before**
    - Give rental notice
    - Select a moving company
    - Planning to do-it-yourself? Begin packing items you won't need during this time
    - Sell or give away unneeded items. There are many charities that will come to your door to pick up unwanted items free of charge

- [ ] **Six weeks before**
    - Make records of belongings/valuables – insure if required
    - Make arrangements to store items if necessary
    - Obtain copies of personal records (i.e, medical, dental, academic) if you will be switching providers
    - Notify phone providers of change of address – arrange for connection at new address

- [ ] **Four weeks before**
    - Notify post office of change of address – send change of address cards
    - Change of address can be done via the Internet
    - Notify utilities of change of address – arrange for connection at new address
    - Confirm details with mover
    - Obtain boxes from mover – continue packing items as appropriate

- [ ] **Two weeks before**
    - Draw up floor plan of new home – provide to moving company with instructions on locating furniture. Label furniture and all boxes accordingly
    - Check in with your Dominion Lending Centres broker to confirm final financing is arranged and learn if there is any rate adjustment
    - Arrange for babysitting/pet-sitting on moving day
    - If discarding bulky items, do so according to municipal requirements
    - Arrange necessary move and related insurance costs

☐ **One week before**

- Take down any fixtures that you plan to bring with you
- Pack a move-day travel bag with essentials (i.e, change of clothes, toiletries, and especially toilet paper, paper towels and a box of tissues)
- Label items to be moved in the car, if appropriate
- Have your lawyer/notary advise you of the exact amount owing

☐ **Moving day**

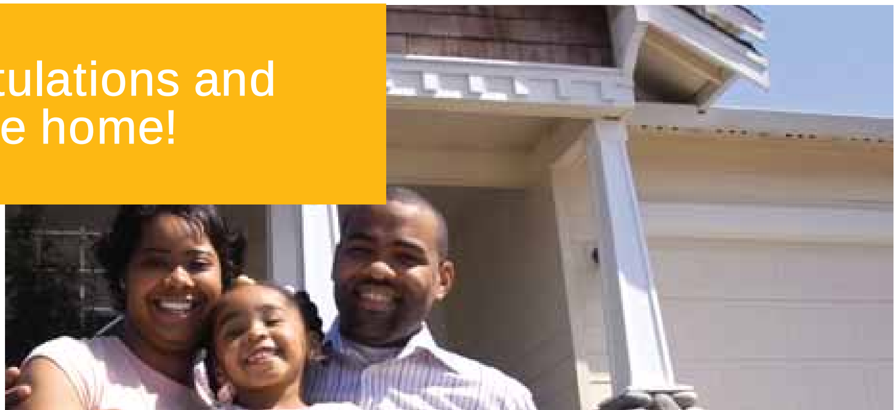
- Review directions with mover
- Save all copies of moving documentation
- Before leaving, check each room carefully: close windows, turn off water and appliances, lock doors (do not completely shut off your heat in the winter. You will be responsible for any damage caused by frozen pipes)
- Notify landlord that property is vacant
- Leave forwarding information

☐ **Closing day (or the day before)**

The day you've been waiting for has finally arrived. Here's what you can expect to take place on closing day:

- All the appropriate documentation should be with your lawyer/notary
- With your lawyer/notary, review the statement of adjustments that details the exact amount you owe the vendor on closing
- You should have a certified cheque or bank draft payable to your lawyer/notary to cover these costs as well as your legal fees and disbursements
- Your lender will provide your mortgage funds to your lawyer/notary, who will issue payment to the vendor
- Your lawyer/notary will arrange for you to pick up your keys

Congratulations and welcome home!



Notes

Other Resources

There are many experts you can turn to for advice at various stages in your home-buying process including:

- Canada Mortgage and Housing Corporation: 1-800-668-2642; www.cmhc-schl.gc.ca
- Genworth Financial Insurance Corporation: 1-888-genworth; www.genworth.ca
- Canada Guaranty Mortgage Insurance Company: 1-866-414-9109; www.canadaguaranty.ca
- Canadian Home Builders' Association: 613-230-3060; www.chba.ca
- Canadian Real Estate Association: 613-237-7111; www.crea.ca
- Insurance Bureau of Canada: 1-800-387-2880; 416-362-2031; www.ibc.ca
- Credit Bureau Enquiries: Equifax: 1-877-227-8800 | TransUnion: 1-800-663-9980

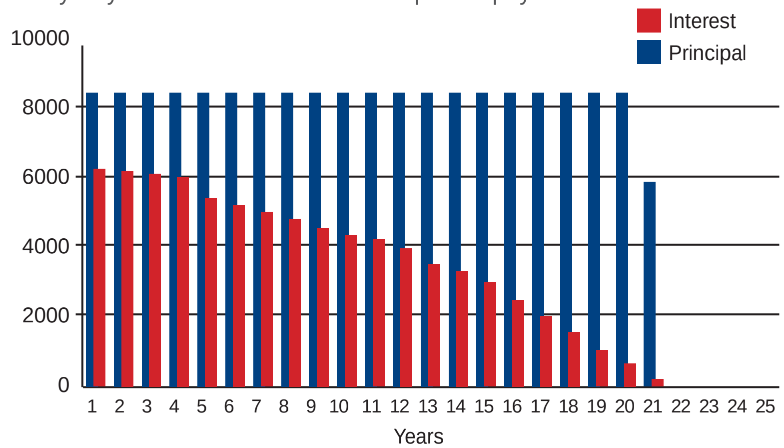
Sit back and relax while I work to get the best mortgage for you!

Notes

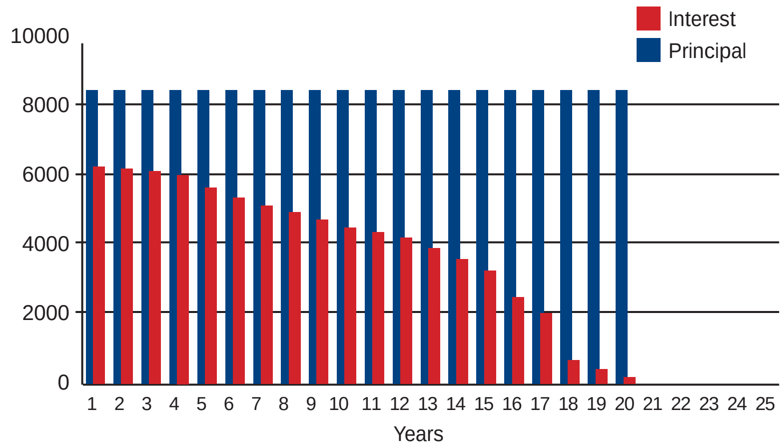
Interest vs. Principal

The following graphs illustrate the effect of using your prepayment privileges.

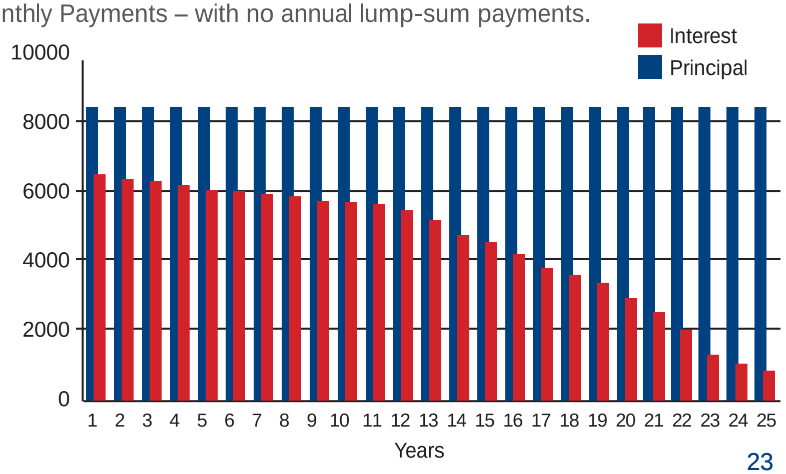
Bi-weekly Payments - with no annual lump-sum payments.



Monthly Payments - with $1,000 annual lump-sum payments.



Monthly Payments – with no annual lump-sum payments.



Monthly Budget

Monthly Income:

Salary (NET) Applicant 1

Salary (NET) Applicant 2

Support

Other

Total Income

Monthly Expenses:

Mortgage

Property Taxes

Heating

Electricity

Phone/Internet

Cable/Internet

Water

House Insurance

Loan Payments

Credit Card Payments

Groceries

Health & Beauty

Clothes

Entertainment

Children’s Allowances

Car, Gas

Car, Maintenance

Car, Insurance

Life Insurance

Other Home Maintenance/Renovation

Other Vacation/Emergency

Other

TOTAL Expenses:

Savings/Shortfall

Notes

Terminology

At Neighbourhood Dominion Lending Centres, we have put together some basic information on mortgage terminology, mortgage costs and some tips on how to make an informed decision on your mortgage needs. While this is not an all-inclusive list, I hope it will help you find the right mortgage for your needs.

Agreement of Purchase and Sale: A contract by which one party agrees to sell and another agrees to purchase.

Amortization: A mortgage is amortized over a period of years. This amortization period is the length of time it takes to pay off the mortgage in full. The usual amortization period is 25 years, however, this can be accelerated to pay off the mortgage more quickly (see chart on back cover).

Appraisal: Process by which the mortgage lending value of a property is determined.

Assumable: Some mortgages are assumable with qualification. This means that should you sell your house before the term of the mortgage is completed, the purchaser can take over your mortgage if they qualify. This allows you to avoid paying a penalty to break your mortgage.

Blend and Increase: The ability to increase your existing mortgage or the term of the mortgage, with only the increased amount or term at today's interest rate. The interest rate for the existing mortgage is combined or blended with the interest rate of the increased amount. This is advantageous if you have a good rate on your existing mortgage or if you want to avoid a penalty to pay out an existing mortgage.

Bridge Financing: Interim financing to bridge between the closing date on the purchase of the new home and the closing date on the sale of the current home.

Broker: An intermediary between the buyer and seller who is licensed to carry out such activities.

Commitment Letter: A notice from the mortgage lender to a prospective borrower that states the lender will advance mortgage funds of a specific amount if certain conditions are met. (All conditions must be met prior to the lender advancing funds.) The standard conditions include, but are not limited to: receipt of an appraisal, income verification by way of job letters and income tax returns.

Condition: A condition in a contract calls for the happening of some event or performance of some act before the agreement becomes binding.

Conditional Offer: An offer to purchase subject to specified conditions. These conditions could be the arranging of a mortgage, or the selling of a present home. Usually a time limit in which the specified conditions must be met is stipulated.

Conventional Mortgage: A mortgage loan of up to a maximum of 80% of the lending value of the property for which a lender does not require loan insurance.

Deed: A legal document that conveys (transfers) ownership of a property to a buyer.

Deposit: The amount of money paid by the purchaser at the time of making an offer to purchase. It is usually held in trust by the real estate agent or lawyer/notary until the sale closes.

Discharge: For reasons, planned or unplanned, the borrower may need to sell before the end of the mortgage term. Discharge fees vary widely between lenders, which may result in thousands of dollars in penalties. Worse yet, if the discharge policy is “No Discharge”, the borrower may be locked in for the entire term of the mortgage.

Downpayment: The amount of money put down by the purchaser towards a house purchase. It usually represents the difference between the purchase price of the house and the amount of the mortgage loan.

Early Payout Penalty: Many people don’t think about breaking their mortgage when they are in the midst of arranging it, however, this possibility cannot be overlooked. An individual’s circumstances can change – transfer of employment, marriage breakup, etc. Some mortgages are fully closed and cannot be broken under any circumstances. Other mortgages have a sales clause allowing for early payout of the mortgage upon an arm’s length sale of the property, subject to a penalty (for example, three months interest). Some mortgages allow the borrower to break the mortgage, for any reason, upon payment of a penalty.

Easement: The right acquired for access to or over another person’s land for a specific purpose, such as for a driveway or public utilities.

Encumbrance: A legal claim registered against a property.

Estoppel Certificate: See Status Certificate.

Fixed-Rate Mortgage: A mortgage for which the rate of interest is fixed for a specific period of time.

Foreclosure: A legal procedure where the borrower loses their right to redeem their mortgage and the lender obtains ownership of the property after the borrower has defaulted on their mortgage payment(s).

High-Ratio Mortgage: Loan that exceeds 80% of the property lending value, and which is insured through a mortgage insurance plan.

Interest Adjustment Date: This may apply to mortgages that close on any day other than the requested day of payment. For instance: since some lenders want monthly payments to be made on the first day of the month, they will adjust the interest due on closing so that interest on your mortgage is paid up until the first of the coming month. If you close on the 20th of the month (and the month has 30 days), you will have to pay interest for 11 days so that you are paid up until the first of the coming month. Then your first full mortgage payment will be due on the first of the following month.

Interest Rate: The rate of interest is a key consideration when arranging your mortgage. The interest is the payment to the lender for the use of the mortgage money.

The interest rate can be fixed (where the rate remains constant for the term) or floating (where the rate changes at regular intervals). Short-term or convertible terms usually have lower interest rates and can be used to a borrower’s advantage in an unstable market. These mortgages allow you to ride out a fluctuating or falling rate market until rates reach a level where you wish to “lock in” to a longer term. On the other hand, long-term rates offer stability and eliminate the need to monitor rates daily.

Interim Financing: When the purchase of your new home closes in 60 days but the sale of your current home closes in 90 days, you will need interim financing. This is because for 30 days, you will own both properties and, of course, have not received the equity out of your old property. If the lender you choose cannot provide you with interim financing, you may find getting it from other lenders will be very expensive (also known as bridge financing).

Mortgage: A contract between a borrower and a lender, where the borrower pledges a property to a creditor as security for the payment of a debt. “Charge” is another word for mortgage.

Mortgagee: The entity that lends the money (lender).

Mortgagor: The entity that borrows the money (borrower).

Mortgage Insurance Premium: A premium that is added to the mortgage and paid by the borrower over the life of the mortgage. The mortgage insurance insures the lender against loss in case of default on the part of the borrower.

Mortgage Life Insurance: Life insurance that pays off the balance of the mortgage in the case of the borrower's death (i.e., if a spouse dies, the remaining spouse would not have to worry about mortgage payments – it would be paid in full).

Mortgage Payment: The amount of money that the purchaser pays to the lender on an established, regular basis to repay the principal and pay interest on the mortgage loan.

Offer to Purchase: A written contract setting forth the terms under which a buyer agrees to purchase a property. Upon acceptance by the seller, it forms a contract, which will form the basis for the final document to be prepared by a lawyer or notary. It includes the legal and/or municipal description (this may consist of lot numbers as well as street address), purchase price, closing date, mortgage and terms of repayment, and lists specific items included as part of the sale.

Open Mortgage: A mortgage that can be prepaid or renegotiated at any time and in any amount without interest penalty.

P.I.T: Principal, interest due on a mortgage and property taxes due on a home.

P & I: Principal and interest due on a mortgage.

Payment Frequency Options: You will often have the choice of making payments on your mortgage on a monthly, semi-monthly, bi-weekly, or weekly basis. Increasing the payment frequency, i.e., bi-weekly instead of monthly, can shorten the amortization of your mortgage and save you a considerable amount of interest.

Most mortgages are registered as having monthly payments. Any change to this is done as an amendment to the mortgage. This amendment is a privilege and can be revoked in the event of NSF payments.

Penalty: A sum of money paid to a lender for the privilege of prepaying a mortgage in part or full.

Portable: If you have a good mortgage rate and a number of years remaining on your term, you may want to take your mortgage with you to a new home when you move. This can be done if the mortgage is portable. The property you are moving to will have to be reviewed and approved by the lender before you can "move" the mortgage to the new property.

Power of Sale: The right of a mortgagee (lender) to force the sale of the property without judicial proceedings should default occur.

Preapproved Mortgage: Preliminary approval by the lender, which usually involves the lender doing a credit bureau on the borrower, based on the borrower's application for a mortgage to a certain maximum amount and rate.

Pre-authorized Chequing/Debit: In this computer age, mortgage payments are normally made by pre-authorized chequing or debit where the lender takes your regular monthly, semi-monthly, bi-weekly, or weekly payment out of a predetermined bank account automatically.

Pre-Qualification for a Mortgage: Some lenders will tell you the amount of mortgage you qualify for without doing a credit bureau. If you have any challenged credit the lender may not give you the mortgage they "pre-qualified" you for.

Prepayment Privileges: Prepayment privileges allow you to make extra lump-sum payments, double your payments or increase your regular payments. Prepayment privileges vary from lender to lender. If you want to be able to pay your mortgage off quickly, check the flexibility of your prepayment privileges. (See graphs Interest vs. Principal, page 23.)

Principal: The amount of money borrowed for a mortgage.

Purchaser: Buyer of real estate property.

Rate Guarantee: The period of time, prior to closing of your house purchase ("the completion date"), that a lender will guarantee that the interest rate they have offered will not rise. This is usually for a period between 60 and 120 days – although longer rate holds are available under special conditions. The commitment letter will also state under what conditions (if any) that they will decrease the interest rate if and when rates in general drop prior to your completion date.

Rollover Mortgage: A mortgage loan where the interest rate is established for a specific term. At the end of this term, the mortgage is said to "roll-over" and the borrower and lender may agree to extend the loan. If satisfactory terms cannot be agreed upon, the lender's entitled to be repaid in full. In this case, the borrower may seek alternative financing.

Status Certificate: Condominium corporations are required to provide a status (formerly called estoppel) certificate on request to anyone who pays the fee, which can be $100 and greater, depending on the provincial guidelines. The certificate contains information on important topics, such as:

- common expenses
- a copy of the current declaration, by-laws and rules
- a copy of the current budget
- a list of agreements entered into by the corporation, information about the most recent reserve fund study, any plans to increase the reserve fund, and information about insurance policies.

Survey: A document providing details of a property's boundaries, measurements and structures. It also describes any easements, right-of-ways, or encroachments made by either your property or adjoining properties.

Tax Holdback: When property taxes are included with your mortgage payments, your lender will hold back funds from your mortgage proceeds to cover interim or final property taxes payable to the municipality. The amount depends on the month the mortgage was funded and on the dates when interim and final taxes are due. Holdbacks are used to pay for the current year's taxes, while your monthly tax installments are accumulated in the account to pay for the next year's taxes.

Term: This is the period of time for which the interest rate and the loan are contracted. Terms can vary from three months to 25 years.

Title: The legal evidence of ownership to a property.

Title Search: A detailed examination of the ownership documents to ensure there are no liens or other encumbrances on the property, and no question regarding the seller's ownership claims.

Vendor: The seller in a real estate transaction.

Notes

Amortization Chart
Monthly Payment per $1,000 of Mortgage (Compounded Semi-Annually)

Rate of Interest	15 Years	20 Years	25 Years	35 Years
3.00%	6.90	5.54	4.73	3.84
3.25%	7.02	5.66	4.86	3.98
3.50%	7.14	5.79	4.99	4.12
3.75%	7.26	5.91	5.13	4.27
4.00%	7.38	6.04	5.26	4.41
4.25%	7.50	6.17	5.40	4.56
4.50%	7.63	6.30	5.53	4.71
4.75%	7.75	6.44	5.67	4.86
5.00%	7.89	6.58	5.82	5.02
5.25%	8.01	6.71	5.96	5.17
5.50%	8.14	6.85	6.11	5.33
5.75%	8.27	6.98	6.25	5.49
6.00%	8.40	7.13	6.40	5.66
6.25%	8.53	7.26	6.55	5.82
6.50%	8.67	7.41	6.70	5.99
6.75%	8.80	7.55	6.85	6.15
7.00%	8.94	7.70	7.01	6.32
7.25%	9.07	7.84	7.16	6.49
7.50%	9.21	7.99	7.32	6.66
7.75%	9.34	8.13	7.47	6.84
8.00%	9.49	8.29	7.64	7.01
8.25%	9.63	8.44	7.80	7.19
8.50%	9.77	8.59	7.96	7.36
8.75%	9.91	8.74	8.12	7.54
9.00%	10.05	8.90	8.28	7.72

Neighbourhood

DOMINION LENDING CENTRES

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