Laurie Foster's

MORTGAGE GUIDE

Unlocking the Mysteries of Mortgage Financing

The easy way to a great mortgage!

ONE LINK™
MORTGAGE & FINANCIAL

VERICO™
MORTGAGE BROKERS NETWORK

Laurie Foster, AMP
Accredited Mortgage Professional

LAURIE FOSTER, AMP

Accredited Mortgage Specialist

The Right Specialist for You!

Ryan Godin, Associate
B Comm (Hons)

Choosing the right mortgage broker saves clients time and money, also providing them with peace of mind. With the right broker, there is so much to gain and nothing to lose and Laurie Foster is the right mortgage broker to choose. Laurie works for his clients; he does not work for any particular lender, ensuring that his client's best interest is always Laurie's best interest.

Serving Canada Nationwide!

Laurie Foster is an award-winning, experienced mortgage broker with over 38 years invested in real estate financing & marketing. He is a fully Accredited Mortgage Professional who utilizes his specialized knowledge, experience, and connections to negotiate the best mortgage rates and terms available to each of his clients.

Ryan Godin is a mortgage professional with over a decade of experience in Real Estate finance and investment. He is a Bachelor of Commerce graduate from the IH Asper School of Business at the University of Manitoba, and joined the Laurie Foster Mortgage Team at VERICO One Link Mortgage & Financial in 2012.

Laurie and Ryan are part of a nationwide mortgage-brokering network that is afforded volume discounts on mortgage rates due to the billions of dollars in mortgages that the broker network places annually. This means that Laurie and Ryan's clients have access to the best interest rates available!

The information in this guide is general information only and further professional assistance should be sought before taking action in specific situations; while the information is considered reliable it cannot be guaranteed and is subject to change without notice.

AMP™ WORKING FOR YOU

Accredited Mortgage Professional

Laurie has earned the professional designation of Accredited Mortgage Professional (AMP) awarded by the Canadian Association of Accredited Mortgage Professionals (CAAMP). Brokers with their AMP designation are considered to be professional, knowledgeable, experienced, ethical, and engaged in continuing education.

CAAMP ACCHA

Laurie and Ryan's clients are pre-approved with an interest rate guarantee securely in place while they are house-hunting.

Laurie and Ryan can help with new home construction, mortgage renewals, the refinancing of existing mortgages, consolidating debt, and purchasing investment properties.

They specialize in working with all types of home buyers from first-timers with newly established credit, with a minimum down payment, right through to well-qualified, experienced clients with stellar credit and a large down payment. Laurie is also an expert at special needs situations such as poor credit, self-employed clients, and commissioned applicants.

Laurie and Ryan's services are very accessible and convenient, offering their clients a great selection of products from a large variety of lenders. There's nothing to lose and so much to gain by putting their combined experience to work. In fact, in the vast majority of situations, there are no out-of-pocket costs to the client for the use of their services.

www.LaurieFoster.com

Current Interest Rates

Online Application form

And Much More!

MORTGAGE PRE - APPROVALS

Smart home buyers get pre-approved for a mortgage before they start house hunting.

Not only does a pre-approval let home buyers know what price range to shop in, but more importantly, the pre-approval comes with an interest rate guarantee that protects the home buyer against any increase in interest rates occurring during the guarantee period. If a home is not purchased during the first guarantee period, Laurie and Ryan can arrange a subsequent guarantee at the rates available at that time.

TIP: It is best not to shop around at multiple lenders. Each time a credit enquiry is made, the credit score may be lowered depending on various credit factors. Lowered scores can affect the chance of getting a mortgage. We do only one credit enquiry, but shop multiple lenders to get our clients the best mortgage terms and rates available.

Laurie & Ryan get their clients fully pre-approved. Before a property has been purchased, many lenders simply provide an estimate of qualification. This is a superficial measure based on some very basic, unverified, and approximated information. It is only an estimate of what the clients might qualify for should they apply for a mortgage in the future.

Being fully pre-approved is a more in-depth measure and requires a complete mortgage application, verification of details, collection of supporting documentation, and a credit check. When you are competing in the real estate market, a pre-approval could give you the edge you need to succeed.

Get pre-approved & get protection from rising rates!

Pre-approval provides a written commitment for the amount of the mortgage the lender is willing to lend for the purchase of a home. The final approval is subject to the house and its value meeting the lender's guidelines and conditions. Any changes in the clients' financial or employment situations occurring since the time of the pre-approval could also effect the final approval.

APPLYING FOR A MORTGAGE

Clients can begin the mortgage process with Laurie and Ryan by completing the secure online application form, located at LaurieFoster.com, and submitting it over their safe and secure server. Alternatively, they can take mortgage applications over the phone or in person.

Typically, there are six main factors reviewed when applying for a mortgage: identity, credit history, income, debts, employment history, and property value. In general, the information and documentation required includes, but is not limited to:

Credit Check – Laurie and Ryan obtain a credit report and provide the information to the lender.

Verification of Employment - along with providing their employment details, the client will usually need to provide: a job letter, recent pay stub, or income tax statements (Notices of Assessment). If self-employed the client may be asked to provide further income tax documentation such as T1 Generals and Notices of Assessment from Canada Revenue Agency (CRA).

Proof of Down Payment – documentation showing the clients' source for the down payment funds is required by the Canadian government.

Personal Information / Documentation – that may be required includes: full legal name, birth date, current address, various identification, SIN, income and employment information, and a simple assess and liability statement.

CREDIT SCORES

When applying for a mortgage, the lender considers the client's credit score as an indicator of credit-worthiness. The score is determined by many variables including: payment history, credit history, outstanding debt, pursuit of new credit, types of credit in use, and recent credit enquiries.

In addition to the score, the type of information that appears on a credit report includes but is not limited to:

Personal information (name, address, birth date, SIN)
Consumer Statement (comments about info on the report)
Credit Info (accounts, transactions, payment history)
Public Info (secured loans, bankruptcies, judgments)
Third-party Collections (debt collections by agencies)
Inquiries (requests for your credit report in the last three or more years)

Poor Credit Score?
We can help!

There are times in life when we all face financial hardships, and Laurie and Ryan both understand how hard it can be to dig oneself out of a financial hole. They provide a free, no-obligation consultation on getting one's financial situation into better shape. Don't worry; they are often able to assist clients who have a poor credit score, or a past bankruptcy, in obtaining an approval for a mortgage at a manageable interest rate.

DOWN PAYMENTS

The **deposit** is money given with the offer to purchase. It forms part of the down payment.

The **down payment** is the total amount the home buyer directly provides towards the total purchase price of a property.

The **mortgage** makes up the difference between the down payment and the purchase price.

How much of a down payment is needed?

That depends on a variety of factors such as purchase price, insurer regulations, lender guidelines, property type and usage, credit score, and employment history.

To comply with Federal regulations, documenting the source of the down payment is part of the approval process. Generally, down payment funds come from a client's own resources, savings account, RRSP, TFSA, or gifted funds from a family member.

First-time home buyers, or buyers that have not had their name on the title to a home within the last 5 years may be able to use up to $25,000.00 per person from their **Registered Retirement Savings Plans** at the time of purchasing their home.

A **non-repayable monetary gift** from an immediate family member can also be used for a down payment.

FIRST-TIME HOME BUYERS
(a refresher for all home buyers)

Laurie and Ryan specialize in arranging mortgages for first-time home buyers!

First-time buyers who are ready to start house hunting should get pre-approved prior to looking at homes. Not only will they know what price range to shop in, but they will also have a rate guarantee protecting them from rising rates during the guarantee period. To learn the importance of a full pre-approval as opposed to an estimate of qualification, and to learn more about the application process, please refer to the section of this booklet called *Applying for a Mortgage*.

There are costs involved in a real estate mortgage transaction that first-time home buyers may not be expecting. *These include but are not limited to:*

Deposit and Down Payment – typically, the funds needed for a down payment are a percentage of the purchase price. For example a purchase price of $250,000.00 with a 5% down payment equals a down payment of $12,500.00.

The **deposit** is part of the overall down payment.

Closing Costs – are the fees charged by government and by the lawyer processing the real estate transaction. The amount depends on the property value and, as a rule of thumb, a home buyer could budget approximately 1.5% to 2% of the purchase price. See page 16 for more information about Closing Costs.

Property Appraisal – an appraisal is different from an evaluation completed by a realtor, or a home inspector. An appraisal is the method of valuing real estate that is used by and acceptable to mortgage lenders. Quite often the appraisal is conducted electronically comparing the subject property to recent sales in the same area, occasionally a full physical appraisal may be required. A licensed real estate appraiser will then be sent to inspect and value the subject property.

Property Insurance – all mortgage lenders require that a homeowner have valid homeowners fire insurance in place. This type of insurance is usually purchased directly from an insurance broker.

For more on insurance, see the section entitled *Insurance*.

Property Taxes – The home owner may be approved to pay the property tax bill annually or monthly on the TIPP (Tax Installment Payment Program). Property taxes can also be paid through the mortgage lender and included with the regular mortgage payment.

INSURANCE

There are many kinds of insurances involved with a mortgage.

Mortgage Default Insurance is required, according to the National Housing Act, when a mortgage is approved for more than 80% of the value of the property. This is known as a high ratio or NHA mortgage. When the mortgage amount exceeds 80% of the lesser of the appraised value, or the purchase price, the mortgage lender, as part of the approval process, will place Mortgage Default Insurance with Canada Mortgage and Housing Corporation (CMHC), or one of the other mortgage default insurers. The cost of the insurance will be added onto your mortgage and will be included in your mortgage payment

Property Insurance – as a condition of the mortgage approval, fire insurance needs to be purchased from a general insurance agent. Normally, this insurance will provide funds to replace, repair, or pay off the mortgage in the event the home is damaged or destroyed by fire. Usually, the insurance agent will send the insurance confirmation to your lawyer prior to the closing date.

Never cancel any insurance coverage you have in place until after you have new coverage fully approved.

Life & Disability Insurance – are offered by most mortgage lenders to their borrowers. Laurie and Ryan offer their clients an alternative to lender life & disability insurance. At the time of purchase and full approval, Laurie and Ryan will provide to their client a written quote for Life & Disability insurance. This allows their clients to compare the cost and features of the insurance offered by the mortgage lender.

REFINANCING

The refinancing of a mortgage takes place when a property owner arranges a new mortgage to pay off an existing mortgage, or to use a clear title property as security for a mortgage loan.

There are many good reasons to refinance a mortgage:

As mortgage payments are made, equity builds up. A property owner may want to refinance to take out the equity and use the funds for other purposes such as purchasing more real estate, renovating property, paying tuition, vacationing, investing, and more.

Another good reason for refinancing might be to use the equity to consolidate debt, paying off other higher interest rate debts.

It may benefit a home owner to refinance their home to take advantage of decreased rates that could provide lower mortgage payments, or the opportunity to pay off the mortgage faster.

Refinancing could benefit a home owner whose credit rating has improved enough to be eligible for better rates than when the mortgage was first taken out.

Sometimes a home owner may want to refinance a mortgage to move into a different mortgage term (e.g. moving from open or variable rate mortgage into a closed, fixed term).

There are many reasons to refinance and many options available. Laurie and Ryan can help determine if the benefits of refinancing will outweigh any costs involved. Best of all, they will give you a no-cost consultation on refinancing your home.

RENEWALS

When a mortgage is first taken out, a specific term (e.g. 5 years) is selected. The term is usually different than the amortization period of the mortgage. The amortization period is the length of time it would take to pay the mortgage out in full (e.g. 25 years).

When the term is completed (matures), the mortgage needs to be renewed. At maturity, a home owner may choose to renew the mortgage with the same lender, or transfer it to a different lender.

Take control of your renewal and you could save thousands of dollars!

Many people simply sign the renewal agreement they receive from their current lender without much thought. Renegotiating the terms and conditions of a renewal is just as important as the negotiations that took place when the mortgage was first placed.

Laurie and Ryan are readily available to advise their clients when it comes time for them to renew their mortgage and, as there is no penalty charged for paying out a mortgage at maturity, they recommend a full investigation of the options available before signing any renewal agreement.

Don't sign a renewal agreement without checking with us & don't wait until maturity to give us a call.

Typically, lenders send out renewal agreements about a month before maturity. Mortgagors should not wait until then to begin investigating their options. They should contact Laurie and Ryan 4 months before renewal time so that a rate guarantee can be put in place, protecting them from any rate increases that occur during the guarantee period, thereby potentially saving thousands of dollars.

When your mortgage is coming up for renewal, don't hesitate or delay – contact Laurie and Ryan immediately!

SELF – EMPLOYED OR COMMISSIONED INCOME

Many people who are quite capable of making mortgage payments are turned down, by their bank or credit union, for a mortgage because they do not meet traditional lending guidelines as they are self-employed or work on commission.

The mortgage application process can be lengthy and complicated for those who are self-employed or get paid by commission. It can be difficult to properly document job stability and income.

Among the mortgage lenders in Laurie and Ryan's broker network are lenders with products and guidelines more suitable to the self-employed and commissioned population. These lenders may have broader policies regarding employment verification and documentation.

Self-employed? Paid by commission?
Don't let that stop you from owning a home.
We can help!

BASIC MORTGAGE TERMS

A **mortgage** is a loan secured by real estate with the collateral being the property itself and the borrower's guarantee of repayment.

Prime Lending Rate is a benchmark for interest rates assigned to loans, including mortgages. It is the interest rate that banks charge their most credit-worthy customers such as large corporations.

The **mortgage interest rate** refers to the interest charged annually on a mortgage. Based on interest rate, a portion of a mortgage payment is applied towards the interest due with the remainder going towards paying down the principal balance owed. A fixed interest rate stays the same for the duration of the specified term. A variable rate fluctuates throughout the term of the mortgage, changing when the prime-lending rate changes.

A **mortgage term** is the duration of the mortgage agreement. At the end of the term, the remaining balance can be paid out, or the mortgage can be renewed with the same lender, or transferred to a different lender at the rates and terms available at that time.

The mortgage term differs from the **amortization period** which is the time it takes to pay the mortgage out in full based on the interest rate and payment amount. For example, a mortgage with a 25-year amortization and a 5-year term would be paid in full in 25 years. However, the term will be over in only 5 years, so the mortgage will need to be renegotiated at that time, when the 5 year term is completed.

Open Mortgages allow for prepayments, early payouts, and conversions into different terms without penalty in accordance with the conditions outlined in the mortgage agreement. **Convertible Mortgages** are normally for 6-month terms and can usually be converted to longer, fixed-terms without penalty. **Closed Mortgages** usually offer lower rates than open mortgages and provide a fixed payment amount; however, they have limits on actions such as prepayments, payment increases, and early payouts that can be made without penalty.

Variable Mortgages are usually available in terms from 1 to 5 years. The rate varies according to changes in the prime rate. Usually, the payment amount remains the same, but the distribution of funds between principal and interest vary. The payment amount may have to be increased if interest rates climb past a certain level. Depending on the terms of the VRM, a penalty may apply if the mortgage is paid out prior to maturity.

Refinancing or Equity Take-outs are often done to consolidate and pay off debts with higher interest rates (e.g. credit cards, loans, etc), to obtain funds to invest (e.g. business or real estate investments), or to reinvest funds in the property (e.g. renovations, repairs, upgrades).

Renewals are required when the mortgage term is over (matures) and there is still a principal balance outstanding on the mortgage. Mortgagors may choose to refinance with the same lender, or take out a new mortgage with a different lender.

An **appraisal** is a report required by lenders and prepared by a licensed appraiser to determine the value of a property. The appraisal is used to confirm that a property is worth the price being paid at the time of purchase, or to determine the value at the time of refinancing. In some cases, the lender will pay for the appraisal. In others, the applicant may be required to pay for it.

A **market evaluation** is prepared by a Realtor for the purposes of determining fair market value. It is based on current listings and recent sales of comparable properties.

A **home inspection** is a thorough inspection by an informed person or home inspection company to evaluate the general condition, structural, and mechanical aspects of the home.

Closing Costs are charges, fees, and adjustments incurred during legal processing of real estate transactions (e.g. legal fees, disbursements, property tax adjustments, interest adjustments, land transfer tax, survey certificates, title searches, etc). The lawyer handles these matters. Laurie and Ryan would be happy to provide more detailed information and recommend a professional and experienced real estate lawyer.

CLOSING COSTS

Along with your down-payment funds, you will be required to show the lender that you have sufficient funds to cover your closing costs. Closing costs are made up of the variety of government and legal fees for the processing of your real estate transaction.

With the exception of your legal fees (which will vary from lawyer to lawyer), an amount of the closing costs you pay will depend on the purchase price of your specific property. These fees include (but are not limited to):

1) Registration Costs
These fees are also paid to the Land Titles Office at the time of registration. The cost to register a title is $70.00 and the cost to register a mortgage, if any, is also $70.00.

2) Survey Certificate
This document may be available from the seller (and your lawyer will typically work with the Vendor's lawyer to determine if an existing Survey Certificate and Zoning Memorandum is available).
If unavailable or no longer current, you may be required to obtain a new survey. Manitoba Land Surveyors currently charge approximately $440.00 plus GST for the preparation of a survey for a home in Winnipeg.

3) Zoning Memorandum
This certificate is provided by the City or Municipal office and indicates the zoning of the property and whether the structures shown on the Survey Certificate comply with current requirements. The cost is $55.50 plus GST for Winnipeg properties.

4) Title Insurance
Some lenders accept what is called Title Insurance in lieu of a current Survey Certificate & Zoning Memorandum. Some lenders require Title Insurance regardless of whether there is a current Survey Certificate & Zoning Memorandum or not. The cost of a Title Insurance policy typically is approximately $250.00 to cover the lender and the owner.

5) Tax Certificate

This is issued by the City or the Municipality and indicates whether or not there are any unpaid taxes. The cost is $35.00 for Winnipeg properties.

6) Land Title Transfer Tax

This is usually the most significant portion of your closing costs. Land Title Transfer Tax is paid to the Land Titles Office of the Provincial Government when you purchase property and the amount you pay is based on the purchase price, with a different percentage applied to each portion of the price.

To calculate your land title transfer tax, please refer to the table below:

Purchase Price	Land Title Transfer Tax
$30,000.00	$0.00
$40,000.00	$50.00
$50,000.00	$100.00
$60,000.00	$150.00
$70,000.00	$200.00
$80,000.00	$250.00
$90,000.00	$300.00
$100,000.00	$400.00
$110,000.00	$500.00
$120,000.00	$600.00
$130,000.00	$700.00
$140,000.00	$800.00
$150,000.00	$900.00
$160,000.00	$1,050.00
$170,000.00	$1,200.00
$180,000.00	$1,350.00
$190,000.00	$1,500.00
$200,000.00	$1,650.00

A flat 2% is charged on the portion of the purchase price above $200,000

7) Couriers

Substantial amounts of monies, keys, mortgage/title documents, etc are not mailed and couriers are used. A typical transaction will involve a number of courier deliveries, with these costs being approximately $50.00.

8) Title Searches

There are several costs incurred at the land titles office for title searches, computer access time, obtaining microfilm copies of documents, etc. Typically, the cost of the Title Insurance policy is approximately $50.00 plus GST, plus $15.00 for a 3rd party document preparation fee.

9) File Fee

There are various file costs incurred on behalf of a client, including photocopying, postage, fax charges, file materials, etc. These costs generally range from $50.00 to $100.00 plus GST.

10) RST on Mortgage Default Insurance Premium

As of July 2012, the Provincial Government is charging Retail Sales Tax (RST) on the mortgage default insurance premium for your mortgage which is equal to 8% of the Mortgage Default Insurance Premium and payable to your lawyer as a part of your closing costs (NOTE: This applies only if you are putting less than 20% down as part of your purchase).

11) Property Tax Adjustment

The annual property tax cost will be adjusted by the lawyers as part of the closing costs to ensure that the buyer and seller each pay the appropriate amount of property tax for their period of ownership. Example: If the property taxes are $2,400.00 per year and the seller has paid the property tax for the entire year in advance, the buyer taking possession of their home on October 1st would reimburse the seller 3 months ($600.00) of property tax. In this example the seller was responsible for 9 months of tax and the buyer responsible for 3 months of property tax. If the seller of the home is currently on a TIPP program paying their property tax directly to the municipal authority monthly the new buyer of the home may not have a tax adjustment to pay at closing. They may be able to assume the existing TIPP program and continue paying the property tax monthly to the municipal authority.

12) Interest to Vendor

When you get a new mortgage, it has to be registered in the Land Titles Office (LTO). In Manitoba this normally takes between 2 and 4 weeks after you take possession of your home. Because the mortgage lender will not release the mortgage funds until the mortgage is registered in LTO, the seller does not receive any funds until registration is complete.

During the mortgage registration period rather than pay interest to the mortgage lender, the interest is paid to the seller until they receive the funds from the mortgage. This is handled by the buyers lawyer and is part of the closing cost process.

Example: **Purchase of a $300,000 home**
Mortgage amount of $292,837.50 **(including CMHC Premium)**
Interest Rate 3.70%; Annual Property Taxes $3,000
Possession Date October 1st

Legal Fee		$750.00*
Disbursements		
1) Land Title Transfer Cost	$ 3,650.00 *	
2) Registration Costs	$ 140.00 *	
3) Title Insurance* &/or Survey & Zoning Certificate	$ 250.00 *	
4) Tax Certificate	$ 35.00 *	
5) Courier Cost	$ 50.00 *	
6) Title Searches	$ 65.00 *	
7) File Fee	$ 100.00 *	
8) GST	$ 48.25	
9) PST	$ 60.00	
10) RST on Mortgage Default Insurance Premium	$ 627.00	
Total Disbursements & Taxes (Less Survey/Title ins)		$5,775.25
Adjustments		
1) Property Tax (Vendor not on TIPP) Credit Vendor for Oct, Nov, Dec	$ 750.00	
2) Interest to Vendor ($292,837.50 x 3.70%) ÷ 365 x 31 =	$ 920.23	
Total Estimated Closing Cost (Plus Survey & Zoning or Title Insurance)		**$7,445.48**

**Note: All costs quoted are estimated at time of printing. Always check current costs.*

For more information, visit
www.LaurieFoster.com