Hummingbird Homes Inc.
Property Management

Investment Buyer Handbook

"We take the worry out of owning income properties"

Contact us at: 905-975-6002

or e-mail us at skc@hummingbirdhomes.ca

www.hummingbirdhomes.ca

What's Inside

The Game Plan - Our Goal
"Our goal is to help you purchase an Investment Property that will meet your Investment needs" Page 1

Real Estate............ *A Great Investment - Where Do We Start?* Page 2

Designing An Investment Buying Strategy Page 2

What Can We Afford? Page 3

Buyer Profile Service Page 4

Pre-Approved Mortgage Page 4

Affordability Guide Page 5

Amortization Page 6

Schedule of Payments Page 6

Benefits to a Pre-Approved Mortgage Page 7

Mortgage Finance Language - *Knowing the Lingo* Page 7

We Found Our Investment Property Now What? Page 8

A Note on Buying Condominiums Page 8

Sold - Congratulations Page 9

Understanding Our Role Page 9

Frequently Asked Questions about Buying an Investment Property Page 10

Top Real Estate Tips - *Look Here to Find Some Great Tips on Obtaining Your Investment Property.*

Tip 1. The Advantages of a Resale Investment Property Page 10

Tip 2. Develop A "Power Team" Page 11

Tip 3. Professionals: Investment Property Inspectors Page 11

Tip 4. Lawyers - Not Just Anyone Will Do Page 11

Tip 5. Accountants Page 12

Tip 6. Chattels and Fixtures - What's The Difference What Every Buyer Needs to Know Page 12

Tip 7. "Hidden" Closing Costs When Buying an Investment Property Page 12

Tip 8. Important Dates in Every Real Estate Deal Page 12

Tip 9. The HST and Real Estate Page 13

Tip 10. An After-Firming Up Check List Page 13

Tip 11. What is CMHC Insurance? Page 13

Tip 12. A Little-Known Benefit of CMHC-Insured Mortgages Page 14

Tip 13. Get an Interest Rate Break Today! Page 14

Tip 14. Boosting your Mortgage Payment Page 14

Tip 15. What Can You Do When Your Mortgage Comes Due? Page 15

Tip 16. Should You Go Short-Term or Long-Term on Your Mortgage? Page 15

Tip 17. Insuring Your Mortgage? Page 15

Tip 18. Investment Property Insurance Page 16

Tip 19. Making Your Mortgage Interest a Deductible Expense Page 16

Important Telephone Numbers and Website Addresses Page 17

Glossary Page 18

The Game Plan - Our Goal

Our goal is to help you purchase an Investment Property that will work towards meeting your long range investment plans.

If your goal is to purchase an Investment Property, our commitment is to go above and beyond your expectations in the pursuit of this.

*I understand that purchasing an Investment Property is possibly the **single largest investment** that you may ever make.*

We will help you purchase a property by:

1. *Determining how much property you can afford by helping to get a pre-approved mortgage.*

2. *Forward information on properties to you that meet your criteria.*

3. *Helping connect you with the professionals that will help your purchase go smoothly.*

4. *Negotiate on your behalf with the least amount of inconvenience on you.*

With professionalism, loyalty, and dedication we will do everything possible to help make your long term investment dreams come true.

Sincerely,

Sandy Cullen and Joe Malec
Hummingbird Homes Inc.

Real Estate A Great Investment!

According to a Canada Mortgage and Housing Corporation study, resale house prices rose faster than inflation in 23 of 27 major Canadian cities between 1971 and 1994, years when inflation ran rampant throughout Canada.

The power of leverage magnifies your return since you've earned gains not only on your down payment, but on the entire purchase price including what you mortgaged. If you buy a $250,000 Investment Property and five years later it's up 5%, you've made 1% a year, but that assumes you paid cash for the property. With a 25% down payment, you've really earned 4% a year tax-free on the money you invested. And if you buy Investment Property with only 10% down, over five years your annual tax-free return is 10%. Keep in mind that when you buy an Investment Property your mortgage interest is tax deductible. When tax-free capital gains are added to the power of leverage, Real Estate remains a good investment.

The Real Estate Buying Process - Where Do We Start?

• Setting the Game Plan: **Buyer and Agent Interview** - one of the most important steps in the Investment process is meeting to discuss what your goals are and planning a strategy to meet those goals.

• Searching for the Perfect Investment Property: **What to Expect** - purchasing an Investment Property is different that buying your own home, you need to consider other factors and we will work towards educating you on these finer points.

• Finding and Purchasing your Investment Property: View Investment Properties and Meeting Your Criteria - once a plan is set and the process understood, it is time to start looking at properties.

• Sold! **Preparing for your Closing** - there are several steps necessary to close your Investment Property, and we will help you with these.

• **Closing!**

Designing An Investment Property Buying Strategy

Before shopping for an Investment Property, every buyer needs an Investment Property buying strategy, “a game plan” that reflects your unique needs and wants. That means developing a pre-determined shopping list of what an Investment Property must provide (the needs) and the “would-like-to-haves” (the wants).

To properly prepare an Investment Property buying strategy, Investment Property buyers must first examine their lifestyles and budgeting priorities and then do their Investment Property strategy. Asking questions, demanding answers, researching everything from closing costs to mortgage financing, and making all the major decisions before an offer to purchase is ever signed. In fact, signing an offer is the climax to the Investment Property buying process, not the first step.

When buying an Investment Property, preparation and planning are the keys to success. With an Investment Property buying strategy, the Investment Property you buy should satisfy all of your needs and as many wants as possible, and be one you can afford to buy and carry each month.

The Market Is Always Changing

You may NOT see many properties before you find the perfect Investment Property! It is not uncommon for Investment Property buyers to find the perfect Investment Property within 1 or 2 days of viewing potential properties. Depending on how active the market is and how desirable your prospective Investment Property is, you MAY be competing with other offers when you do decide to purchase.

However, as we go through the Investment Property buying process you may see some investment properties that do not meet your criteria. These may help you better identify what it is you are looking for in a family Investment Property.

You may instinctively know when you have walked into the perfect Investment Property. If it doesn't feel right - it isn't, so don't buy it.

My Promise: Whether you see 5 investment properties or 50 investment properties, I will do whatever it takes to find you the right property. You will never feel pressure from me to buy.

My Needs In An Investment Property: What do I absolutely *need in my next Investment Property…..*

1. ____ 3. ____

2. ____ 4. ____

My Desires In An Investment Property: What I would absolutely *love in my next Investment Property…..*

1. ____ 3. ____

2. ____ 4. ____

What Can You Afford?

There is nothing more frustrating than finding an Investment Property and then finding out you cannot afford it!

Set out to find your Investment Property with your 'tool box' in hand filled with the tools that you will need!

The first, and possibly most important tool is your Mortgage Pre-Approval.

A mortgage pre-approval will help you determine **what you can afford** to spend and this will help you decide **how much** you want to spend. Further, it will make you aware of the necessary down payment you will need to move forward.

Buyer Profile Service

The **Buyer Profile Service** is designed to put you in control of the real estate buying process.

We create your Buyer Profile by following these steps:

1. Entering your unique investment criteria into our custom computer database.
2. Our computer program automatically searches the MLS to find properties that match your specific criteria.
3. We e-mail you only those properties that meet your criteria. Each listing has a photo, as well as a description of the property.
4. You may then review the properties on line and do a ‘drive by’ to determine if the property looks as good as the picture and the neighbourhood is one in which you would like to invest.
5. If everything seems good and you would like to see the property, we will make arrangements for you to view it. Also, we can arrange previews, where we view the property in advance to make sure it meets your criteria, to help move the process along for you.
6. We will show you as many properties as necessary to ensure you are comfortable with the property prior to putting any offers together which is designed to remove any pressure to buy.

When you find a property you would like to put an offer on, we will help you:

1. Prepare the Offer 2. Present the Offer 3. Negotiate the Offer.

These services are all done for you and do not cost you anything.

Pre-Approved Mortgage

A Powerful Tool For Investment Property Buyers

Most people buying a an Investment Property need a mortgage. Too often, in the past, arranging a mortgage was left to the very end, sometimes even after a house was bought, forcing borrowers to scramble for financing. How times have changed!

Today it's important to shop for a mortgage before you purchase an Investment Property, as lenders will “pre-approve” buyers for a mortgage. Some lenders will even do it over the phone. It is a no cost, no obligation deal that lets you know before you go house hunting or sign an offer to purchase, how much you can afford to buy based on how much you can afford to borrow.

When getting pre-approved for a mortgage, it is important to determine how long the rate commitment is good for. With a pre-approved mortgage, you can confidently negotiate the purchase of an Investment Property, knowing the mortgage financing is arranged, subject to final property appraisal.

Affordability Guide

Use these important formulas to determine how much you can afford to pay for housing. This is how lenders determine the maximum monthly costs you can carry. Review the examples to see how you can settle on the best Investment Property price for you.

COSTS TO BE AWARE OF WHEN YOU BUY

This is a list of possible extra costs involved in buying an Investment Property. Some are one-time costs and others, will be ongoing. The good news is not all of these may apply in your circumstance.

Don't forget the tax. HST applies to new housing. However, there is a rebate, if your Investment Property costs less than $450,000. There is no HST on resale investment properties unless the Investment Property has been substantially renovated, and then the tax is applied as if it were a new Investment Property. Be sure to check with your accountant.

Appraisal Fee. If your loan is not insured, your lender may require a property appraisal at your expense. A basic appraisal for mortgage purposes will cost between $150-$250.

Property Insurance. This insurance covers the replacement value of the structure of your Investment Property and its contents. Your lender will insist on this because your Investment Property is the security for your mortgage.

Prepaid Taxes or Utility Bills. You will have to reimburse the vendor on a prorated basis if some bills have been prepaid beyond the closing date.

Land Transfer Tax. This varies as a percentage of the property's purchase price, usually 1%-4%.

Lawyer (Notary) Fees. Even a straightforward Investment Property purchase requires a lawyer to review the Offer to Purchase, search the title, draw up mortgage documents and tend to the closing details. Lawyers' fees for a mortgage range widely depending on the complexity of the deal but will probably start around $700.

Mortgage Loan Insurance Premium & Application Fee. If you have a high-ratio mortgage, your lender will require mortgage loan insurance provided by CMHC or a private company. The insurance will cost between .5% and 3.75% of the amount of the total mortgage and can be included in the mortgage. The application fee will range from $75 to $235 depending upon how the lender processes your application.

Status Certificate. A certificate that outlines a condominium corporation's financial and legal state. The certificate and supporting documents will cost you $100.

Condominium Fees. Condominiums charge monthly fees for common-area maintenance, such as grounds keeping and carpet cleaning. Fees range widely depending on the type of structure.

Investment Property Inspection Fee. Inspectors are unregulated in many provinces, so fees range widely, from $150-$350 for an Investment Property priced under $300,000. Larger, more expensive investment properties cost more.

Amortization

This is the amount of time over which the entire debt will be repaid. Most mortgages are amortized over 15, 20, or 25 year periods, and in some cases up to 40 years.

The longer the amortization, the lower your scheduled mortgage payments, but the more interest you pay in the long run.

Payment Comparison Over Various Amortization Periods* A shorter amortization means savings on interest payments.

This example is based on a $100,000 mortgage at a 5% interest rate.

Amortization Period	Monthly Payment	Total Payments	Total Interest Paid	Interest Savings**
25 years	$895.00	$268,500	$168,500	N/A
20 Years	$952.00	$228,480	$128,480	$40,020
15 Years	$1,063.00	$191,340	$91,340	$77,160
10 Years	$1,311.00	$157,320	$57,240	$111,260

* These are rounded numbers for illustrative purposes only. ** Assumes a constant interest rate for the entire amortization period, and represents the savings realized by paying your mortgage off sooner.

Schedule of Payments

A monthly loan is repaid in regular payments, either monthly, biweekly, or weekly.
The more frequent your payments in a year, the lower the overall
interest you pay on your mortgage as more of your payment is applied to the mortgage principal.

This example is based on a $100,000 mortgage, 25-year amortization and a 5% interest rate.

	Payment	Total Interest Paid	Interest Savings*	Mortgage-Free
Monthly Payment (12 per year)	$895.00	$168,500	N/A	25 years
Biweekly Payment (26 per year)	$447.50**	$118,927	$49,573	18 years 10 months
Weekly Payment (52 per year)	$223.75**	$118,111	$50,389	18 years 9 months

These are rounded numbers for illustrative purposes only.

* Assumes an interest rate of 5% for the entire 25 years.

** $895.00 extra paid annually

Benefits Of A Pre-Approved Mortgage

1. Locked in interest rate

2. Better negotiating position with a Certificate of Pre-Approval

3. Knowing what you can afford

4. Taking advantage of the many possibilities of Mortgage Financing

5. Having the opportunity to shop around and secure the best financing package for you!

6. Our strategic alliances provide the very best Mortgage Financing. We encourage you to speak with our Mortgage Specialists. And remember, you are never under any obligation.

Mortgage Financing Language - Know The Lingo

Deposit Money that you use for the purchase of your Investment Property.

Down Payment This will include all the money you are paying for the real estate, except for the mortgage. The down payment that is not the deposit, will be brought to your lawyer several days before possession. Your down payment can take many forms including cash, RRSP savings, and even gifts from family.

Term The length of the time you have a set interest rate. In the case of a closed term, this can be as long as 5 years and as short as 6 months. Sometimes Investment Property buyers opt for variable rates or open terms with no set interest rates.

Amortization The total length of the Mortgage Contract.

Conventional Mortgage A first mortgage for up to 75% or in some case 80% of the property's appraised value or purchase price, which ever is lower.

Gross Debt Service Ratio Annual mortgage and other housing related costs, expressed as a percentage of the borrower's gross annual income.

Total Debt Service Ratio The total of annual mortgage payments and all other debts, expressed as a percentage of gross annual income.

High-Ratio Mortgage A mortgage for more than 75% or in some cases 80% of the property's appraised value or purchase price, which ever is lower. You must be aware that in some cases, a standard first mortgage may be only 65% of the property appraised value.

We Found Our Investment Property Now What?

Once you decide on pursuing a particular Investment Property, we will sit together and write up an offer. We will focus on your best NEGOTIATING position. There are a number of factors that make a BIG difference in the strength of your offer.

Negotiating Strength

1. Price
2. Meeting possession day of seller
3. Good sized deposit
4. Proof the deposit is already held in trust
5. Few or no conditions

Negotiating Weakness

1. Over negotiation
2. Too many conditions
3. Weak deposit
4. Too much thinking time, condition time etc.
5. No pre-approval

Competing With Multiple Offers

You may not always be the only hopeful buyer. If your offer is competing with another buyer, you should consider:

1. Writing an offer for the most that you would want to pay; that way you have nothing to regret if you don't get it, as you may not get a second chance.

2. Removing unnecessary conditions.

3. Be aware that properties can and DO sell for more than the listed price.

A NOTE ON BUYING CONDOMINIUMS

The word condominium refers to a type of property ownership rather than to a style of house.

- Condominiums can be townhouses, high rises or low rises. They can be attractive to first time Investment Property buyers as they are generally less expensive than single detached investment properties in the same neighbourhood... and be sure to allow for monthly condo fees.

- When you buy a condo, you're investing in something you own, but likely eliminating maintenance such as yard work and snow removal. Condos also can offer extras you won't get in a similarly priced detached Investment Property, such as security systems and recreation facilities.

- Be prepared to pay monthly condo fees that contribute to the corporation's reserve fund and go toward covering the cost of property maintenance, repairs, replacements and insurance.

- When buying a condo, many of the same considerations as buying a detached Investment Property will apply. For example, the choice of location or the decision between a new or resale.

SOLD - Congratulations!

There are several things that must be done in order to have the purchase “firm-up”.

- Conditions need to be removed by the date specified in the offer.
- Choose your lawyer.
- Get all-important documents to your financial institution. Arrange interim financing if necessary.
- Transfer all utilities: Gas, Water, Power to the new property.
- Get your insurance in order and a Binder Letter of Insurance for your lawyer.
- Meet with your lawyer approximately 1-2 weeks before possession to sign all paperwork and address any last minute concerns.

Closing Day

You may not get your keys until late in the afternoon from your lawyer. Your plans should allow for this situation.

Fridays are great closing days, as you have the entire weekend to organize, but try to stay away from the end of the month to give lawyers and moving companies time to meet their commitments to you.

Be calm. Hope for, but do not always expect a clean property.

If something is not the way you expected it, contact your lawyer immediately.

Understanding Our Role

In order for me to properly search for all possible investment properties, you need to “hire” me for the job. A Buyer Agency Contract gives me - your Realtor - authority to contact possible sellers and represent you in considering these investment properties. This is critical in the current fast paced market.

A Buyer Agency Contract says that I will be paid a fee of the purchase price, and the fee is included in the price that you pay.

As a Buyer Agent, I will never disclose to the Seller's Agent anything about you and your position. In a situation where my firm or I represent both the seller and buyer, I cannot discuss with the seller how much you are willing to pay or how motivated you are to purchase the property.

Frequently Asked Questions About Buying an Investment Property

Q. If we drive by an Investment Property and really like it, do we call the listing agent?
A. No. Call us, Sandy Cullen or Joe Malec, your Buyer Specialist at Hummingbird Homes Inc. and we will show you the Investment Property immediately.

Q. Should I look for investment properties on the Internet?
A. Yes. www.realtor.ca is an excellent site. When you find properties that interest you, simply e-mail me at skc@hummingbirdhomes.ca or call me at Hummingbird Homes Inc. at (905) 975-6002 and I will immediately respond with your requested information.

Q. I heard anybody can now buy an Investment Property with 5% down. Is that true?
A. You need to consult with your mortgage specialist as the market is always changing.

Q. In what geographical area can you help me buy an Investment Property?
A. Our areas of specialty are Waterdown, Flamborough, Burlington, Oakville and Dundas. Further, our system allows us to give you detailed information on properties in Hamilton and the surrounding areas. When it comes to commercial properties, the criteria is often different depending on the situation and we need to discuss all the possibilities.

Q. If we use your services to buy an Investment Property, how much does it cost us?
A. There is no cost for my services in helping you find an Investment Property as the seller pays the fee.

Top Real Estate Tips

Look here to find some great tips in obtaining an Investment Property

Tip 1. The Advantages of a Resale Investment Property

While many buyers shy away from used cars, that's not the case with “used” or resale investment properties. As a resale Investment Property exists, you don't have to visualize what it will look like - you see what you get, and get what you see. Also, resale investment properties are usually sold in more established communities and neighbourhoods. This means recreational facilities, transportation links, support services, schools and shopping centres are likely already in place, all of which are important for your tenants.

Many people believe they get better value buying a resale Investment Property, since appliances, light fixtures, floor and window coverings can be negotiated into the deal. Improvements like fences, paved driveways and landscaping automatically go with the Investment Property, too.

The survey needed by both you and the lender often is available from the seller, but make sure it's up-to-date. And you can reduce the risk of being saddled with hidden defects, by having an Investment Property inspector examine a resale Investment Property before the offer becomes firm. For buyers on a tight budget, a resale Investment Property in move-in condition is always an appealing choice.

Tip 2. Develop A "Power Team"

A Power Team is a group of professionals you will need to help you buy or sell an Investment Property. These Power Team members are vital in that they are your best resource for accurate and timely information. They will give you advice based on your situation and what is in your best interest.

If you are buying or selling for investment purposes it is strongly suggested that your first step is to develop your Power Team. You will want to discuss your plans with them in detail to ensure they have all the relevant information to give you good sound advice.

Your Power Team should consist of a lawyer, accountant, mortgage lender, house inspector, insurance agent, and of course, a realtor. Depending on your specific goals, you may need to expand your Power Team to meet your needs.

As you develop your Power Team, choose your team members based on their knowledge and their ability to help you meet your goals. A decision to include a team member based solely on the fees charged could prove to be a costly mistake.

Tip 3. Professionals: Investment Property Inspectors
What Every Buyer Needs to Know

If you're buying a resale Investment Property and don't want to inherit the seller's headaches, an Investment Property inspection is a must. Usually the offer to purchase is conditional on the buyer being satisfied with the inspection - so if the Investment Property fails the grade, there's no deal. Investment Property inspectors examine the major systems in the Investment Property - plumbing, electrical, heating - plus the roof, foundation, and insulation, and give the buyer a written report. The cost? Several hundred dollars, a small price to pay for the information provided. an Investment Property inspection gives you the ability to walk away from the deal or make arrangements with the seller on how to correct a new found problem. Further, they also will give you a 1-3-5 + 10 year plan on maintaining your property.

Something you should know about the Investment Property inspection industry; it's unlicensed, ungoverned, and unregulated. Anyone can establish an Investment Property inspection business with absolutely no training or credentials. So before hiring an Investment Property inspector, check out his or her background and expertise as carefully as the inspector will check out the Investment Property. Ask friends, family or your Realtor for a referral - we only recommend certified Investment Property inspectors and would be happy to refer one to you. And make sure the inspector has liability insurance, just in case a mistake is made; such as a hole in the roof or a leaky basement being overlooked.

Tip 4. Lawyers - Not Just Anyone Will Do

Buying and selling Real Estate has become very specialized. So when looking for a lawyer, make sure it's a Real Estate Lawyer - one who spends most of the time closing Real Estate deals. And don't wait until after the deal is struck before choosing a lawyer; then you lose the valuable input he or she can provide scrutinizing the offer before your pen hits the paper.

A lawyer knowledgeable in your area can be a strong member of your Power Team and will help your deal move forward smoothly.

Since a lawyer's role is part advisor, part confidant and part nursemaid, a good rapport with your lawyer is a must. How can you find a good Real Estate Lawyer? Ask friends, family, neighbours and co-workers whom they've used in the past; and get several names from me or your banker, as well. As with any other professional, quality and experience are the key, not just price.

Tip 5. Accountants

These professionals provide excellent advice when it comes to buying or selling your Investment Property. Having a knowledgeable accountant on your Power Team is a must.

Tip 6. Chattels and Fixtures - What's The Difference?

Chattels are items of personal property in an Investment Property "by their own weight alone", though they might be connected by pipes and wires. Examples: fridge, stove, washer and dryer. Fixtures are items that have been attached to the property, becoming part of the Investment Property itself. Examples: built-in shelving, broadloom and light-fixtures. In an offer, buyers must list which chattels the seller will leave behind, while sellers must state which fixtures they can remove.

But there's a vast gray area between chattels and fixtures. How do you classify an electronic garage opener plus the hand-held units, a central vac system and its accessories or the garden statue on the patio? Whether you're a buyer or seller - leave nothing to chance. If in doubt, spell it out in the offer. Clearly state if a particular item stays with the Investment Property, or goes with the seller because a mistake classifying chattels and fixtures can prove very costly.

Tip 7. "Hidden" Closing Costs When Buying an Investment Property

"How Much Money is Needed to Close?" is a question high on every buyer's list.

Besides the basic purchase price, buyers face legal fees, disbursements, and out-of-pocket expenses a lawyer incurs, all with HST added. There are closing adjustments including but not limited to, the seller-taxes, rental income, condominium maintenance, and some utility charges. And don't forget about the costs of arranging a new mortgage - including application and appraisal fees.

For a resale Investment Property, these "extras" can easily add 1.5% to 2% onto the basic purchase price. For brand-new investment properties, that figure can easily reach 2.5% - especially if the Investment Property is enrolled in a provincial new Investment Property warranty program.

Tip 8. Important Dates in Every Real Estate Deal

Every Real Estate transaction has four key dates. Each must be clearly spelled out in the offer and adhered to.

The first: the irrevocable date - how long the seller has to accept a buyer's offer.

The second: the conditional date - the latest date the conditions of the offer must be met.

The third: the requisition date - when any issues arising from the title search must be addressed.

The last: important to both buyers and sellers, the closing date, when money, title and keys change hands.

Tip 9. The HST and Real Estate

One of the most confusing areas of Real Estate is the HST. Most resale investment properties are exempt from HST, but buyers should still ask the appropriate question and deal with it in their offer to purchase, to be safe. For brand new investment properties and condos, the offer should say whether the purchase price is “Plus HST” or “HST Included”, and who gets the HST new Investment Property rebate. Buying a vacant cottage/chalet lot or a hobby farm is even more confusing:

If an individual is selling, the sale is HST exempt

But if the seller is a corporation, 5% HST is payable

Residential rents are exempt from HST, as are condo maintenance fees. HST is payable on Real Estate commissions, legal fees, some disbursements, and the cost of a new survey or an Investment Property inspection. If in doubt about the HST, check it out before signing an offer because if you're wrong, it's a 5% mistake.

Tip 10. An After-Firming Up Check List

You've just firmed up your house purchase - now what?

Buyers have lots to do. They must get names and address, payment dates, account numbers and amounts to pay for the mortgage, taxes, condo maintenance and utility charges.

Where “911” doesn't exist, obtain the emergency numbers of police, fire, ambulance, hospital, and poison information centres. Learn when garbage and recycling day are.

And most importantly, change the locks, or at least the tumblers on all doors. Who knows how many keys still remain in circulation and even consider upgrading the locks to deadbolts.

Tip 11. What is CMHC Insurance?

If your mortgage is “high-ratio” (exceeding 75% and in some cases 80% of a property's value), it must be insured. The most well known insurer is CMHC - Canada Mortgage and Housing Corporation, although a new firm, GE Capital Corporation is now on the scene. CMHC insurance protects lenders by guaranteeing them the payment if you default; but you're still responsible for the debt and it doesn't come cheap. Borrowers must pay 1.25% of the mortgage amount as the CMHC insurance premium when the loan-to-value ratio is between 75% and 80%; 2% between 80% and 85%; and 2.5% between 85% and 90%. Also, the most CMHC will insure is 90% of the first $180,000 of a property's appraised value, and 80% of the balance. Please note these rate are subject to change.

Tip 12. A Little-Known Benefit of CMHC-Insured Mortgages

When interest rates fall, many borrowers wish to re-negotiate their mortgages. Few have the right to do so, unless their mortgages are fully open, but if you booked a long-term mortgage insured by Canada Mortgage and Housing Corporation (probably because it was high ratio - for more than 75% of the purchase price), then you can re-apply or renegotiate it after 3 years, on payment of 3 months interest.

CMHC-insured mortgages are open after 3 years, by paying a penalty of 3 months interest (and that usually is cheaper than any interest rate differential - the difference between the mortgage rate and current rates, on the outstanding balance, for the rest of the mortgage term). It's one of the advantages of having your mortgage insured by CMHC.

Unsure whether your mortgage qualifies? Then go back to your lawyer or lender and check if your long-term mortgage is CMHC-insured. If so, you might be able to break it, and profit from a drop in interest rates.

Tip 13. Get an Interest Rate Break Today!

One of the best kept secrets in Canada is that below market interest rates are available for mortgages. First, with what's called “Relationship Pricing”, the posted rate isn't the only rate any more. Depending on the business you bring a lender or already have, such as, RRSP, car loan, credit card, line of credit, GIC or term deposits, 1/4 to 1/2% can be knocked off the posted mortgage rate.

Another way to get a discounted interest rate is by assuming an existing mortgage. If you take over the mortgage on closing, you get that reduced rate. If it isn't big enough for your needs, you can assume it, and increase the amount owing. The rate payable will be a blend of old money and new combined which will be less than today's going rate.

Tip 14. Boosting your Mortgage Payment

Today, most lenders will allow a mortgage holder to accelerate their pay down period in a number of ways. One is by allowing an annual pre-payment of 15-20% of the initial borrowed amount. A second way is by allowing mortgage holders to increase their payment amounts by 15-20%. A third way is by allowing mortgage holders to increase the frequency of their payments from monthly to bi-weekly. These are effective ways to pay down your mortgage quickly.

If you booked a conventional $100,000 mortgage at 8%; your monthly payment would be: $763.21. If you boosted that payment by $5 next year (to $768.21), and by another $5 each year after that, your mortgage would be paid off more than 3 years faster, while you'd save over $15,500 in interest. All by simply adding $5 more than what you were paying the previous year to your monthly payment.

Mortgage lenders today have a wide range of options available to you. If they are taken advantage of, you will save thousands of dollars and take years off your mortgage. Be sure to find out what is out there!

Tip 15. What Can You Do When Your Mortgage Comes Due?

When a mortgage matures, borrowers have always had three options - the 3 R's: Retire, Renegotiate, and Renew. In the past, changing lenders was expensive, so most borrowers renewed their mortgages with the same lender on maturity. Today, borrowers have a fourth option - the switch or transfer-in, allowing you to change lenders for nearly the same cost as renewing.

Instead of registering a new mortgage and de-registering the old one, the existing mortgage is transferred from the old to new lender. As that's done without a lawyer, switching is much cheaper than refinancing. However you may be charged a “switch-in” fee (up to $250), and require a new appraisal when you “switch-in”.

Not every mortgage can be switched; its' limited to owner-occupied investment properties, and mortgages held by institutional lenders. Switching is also possible when the amount owing is to be increased, however, you'll have to pay additional legal and appraisal costs.

Tip 16. Should You Go Short-Term or Long-Term on Your Mortgage?

That's one of the toughest decisions borrowers face. Much depends on your unique needs and circumstances, your character and personality. Are you a first-time buyer anxious for the security a long-term mortgage offers? Or are you an Investment Property owner with equity, who can afford to take a chance going short-term? Are you a risk-taker, prepared to face the interest rate merry-go-round every six months? And how long do you plan to own the Investment Property?

A lot depends on market conditions, too. If rates are falling, you might opt for a short-term or variable-rate mortgage. If they are climbing, long-term may hold more appeal. And if the rate spread between long and short-term mortgages is small, does it make more sense to go long-term? When choosing a term, there's no “right” or “wrong” answer - it depends on you.

Tip 17. Insuring Your Mortgage?

What if you die while your mortgage is outstanding, or if you take sick, then how will your mortgage be paid? By arranging life insurance, either directly or through your lender, the necessary funds will be available to fully retire the mortgage on death. But before booking it, carefully assess whether the amount of insurance coverage you currently carry is adequate to cover your mortgage and your family's ongoing day-to-day and investment needs.

Disability insurance will help cover your mortgage payment if you become sick or disabled. Again, first see if your present level of disability insurance is satisfactory; if not, seriously consider rearranging it, or hiking the amount to protect your family.

Since a mortgage is one of the largest financial commitments you'll ever make, it's the ideal time to review your insurance needs and coverage - and make any necessary changes.

Tip 18. Investment Property Insurance

Everybody needs to insure their Investment Property - but some people actually over insure it. As the land on which an Investment Property sits won't burn, only the building must be insured. If the amount outstanding on your mortgage is less than the value of the building, there's no problem, but if the balance owing on your mortgage exceeds the value of your Investment Property, insuring the mortgage amount means you're over insuring the building.

Insurance coverage should be determined by the value of the building - not the size of the mortgage. One way to avoid this dilemma, is by having a “replacement cost endorsement” for the building appear in your insurance policy. Replacement cost coverage guarantees that the insurer will pay the full cost of rebuilding the Investment Property, even if the loss is greater than its insured value. This endorsement is available at nominal - and sometimes at no additional cost, but it's limited to owner-occupied investment properties, not income-producing properties. And don't forget - your fire insurance must be in place at the time of closing.

As for the contents in the building, contents insurance is the responsibility of the tenants.

Tip 19. Making Your Mortgage Interest a Deductible Expense

Most people can't write off the interest paid on their personal home. But that's not the case if money is borrowed for a investment purposes to buy income-producing real estate. Then the interest is deductible. How the borrowed money is used determines whether or not the interest can be written off. A 5% mortgage is actually cheaper than an 4% mortgage, if the interest on that 9% mortgage is deductible.

That's why Canadians should strive to pay down their mortgages as quickly as possible. With more equity in your Investment Property, you've got a terrific opportunity to book a new mortgage, use the funds to earn income, and write off the interest. Be sure to speak with your accountant and financial planner as you pursue this strategy as it may not work for everyone.

Important Telephone Numbers & Websites

Ambulance 911		
Bell Canada	905-310-2355	www.bell.ca
Burlington Hydro	905-332-1851	www.burlingtonhydro.com
Emergencies	1-877-310-4937	
Burlington Post	905-632-4444	www.burlingtonpost.com
City of Burlington	905-335-7777	www.burlington.ca
City of Hamilton	905-546-2489	www.city.hamilton.on.ca
Cogeco Cable	1-800-267-9000	www.cogeco.com
Direct Energy	1-800-348-2999	www.directenergy.com
Fire	911	
Non-emergency (Burlington)	905-637-8207	
Non-emergency (Hamilton)	905-546-3333	
Hamilton Spectator	905-526-3333	www.hamiltonspectator.com
Horizon Utilities	905-522-9200	www.horizonutilities.com
Hydro One	1-888-664-9376	www.hydroone.com
Emergencies & 24 Hour Outages	1-800-434-1235	
Police	911	
Crime Stoppers	1-800-222-8477	www.crimestopper.com
Non-emergency (Burlington)	905-825-4747	
Non-emergency (Hamilton)	905-546-4925	
Ontario Provincial Police	1-888-310-1122	www.opp.ca
Poison Control	1-800-268-9017	
Reliance Investment Property Comfort	1-877-267-7902	www.reliancehomecomfort.com
Union Gas	1-888-774-3111	www.uniongas.com
Gas Emergencies & 24 Hour Services	1-877-969-0999	

What Does It All Mean? **A Glossary Terms**

Closed Mortgage	a mortgage that cannot be repaid or renegotiated unless the borrower is willing to pay an interest penalty.
Closing Date	the date the purchase of the property becomes final and the new owner obtains title and takes possession.
Conditional Offer	an offer to buy a property if certain conditions are met.
Deed	a legal document that conveys (transfers) ownership of a property to a buyer.
Encumbrance	a legal claim registered against a property. It will not necessarily prevent the sale of the property, but may affect its value.
Fixed Rate Mortgage	a mortgage for which the rate of interest is fixed for a specific period of time.
Interest Rate	the rate of return paid by the borrower (purchaser) to the lender for permitting the borrower to use the funds for the specific item, expressed as an annual rate.
Mortgage	a loan used to purchase an Investment Property. The borrower pledges the property as security for the loan.
Mortgage Payment	amount of money the purchaser pays to the lender on regular basis to repay the principal and interest on the mortgage.
Mortgage Terms	see page 7 for mortgage terms.
Mortgagee	the lender.
Mortgagor	the borrower.
Multiple Listing Service (MLS)	a computer-based system for relaying information to Real Estate Agents about properties for sale.
Net Worth	the difference between total assets and total liabilities.
Open Mortgage	a mortgage that can be prepaid or renegotiated at any time and in any amount without interest penalty.
Pre-Arranged Mortgage	preliminary approval by the lender of the borrower's application for a mortgage to a certain maximum amount and rate.
Principal	the amount of money borrowed for a mortgage.
Statement of Adjustments	a document detailing the exact amount owed by the purchaser to the vendor upon closing. It includes the balance of the purchase price, reimbursement for any prepaid utilities or services and lawyer fees and costs.
Survey	a document providing details of a property's boundaries, measurements, and structures. It also describes any easements, rights-of-way, or encroachments made by either your property or adjoining properties.
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.