

Mortgage

Guide

Everything you need
to know about the
mortgage process,
and creating more
wealth through home
ownership.



FRONTDOORMORTGAGE.CA



Our Results Speak Loudly of Gratitude



The dream of home ownership should be exciting.



The journey of discovering your goals and selecting a Mortgage Plan that is right for you should be easy.

This is where we come in.

We understand that the purchase of a home is probably the most important long-term investment you will ever make which is exactly the reason we promise to provide you with advice that is easy to understand.

And don't worry, we have all the modern tools you will ever need to ensure that your dream of home ownership happens as soon as possible!



Dave Fullerton
MORTGAGE BROKER





Ready to Get Started?

1

APPLICATION
Create a
personalized profile.

SCHEDULE
Schedule a time to
chat with us.

2

3

DOWNLOAD
Our custom mobile App
will help you plan and stay
informed.

The Mortgage

Road Map

01

Application

The first step is creating a Client Profile, schedule a meeting, and download our Mortgage App.

02

Pre-approved

After we have reviewed all important documents, and determine which mortgage features match your goals, we will submit to your lender if required.

03

House Search

With the help of one of trusted Realtors, locate a property and make an Offer.

04

Under Contract

You and the seller will come to an agreement on the terms and conditions of the sale.

05

Underwriting

Your Application will be sent to the mortgage lender for a thorough review.

10

Homeownership!

The best part of the whole process!! Congrats on becoming a homeowner.

09

Clear to close

The mortgage lender has released Mortgage Terms and Instructions to your Notary Public or solicitor.

08

Firm Approval

The mortgage lender will respond that all conditions have been satisfied.

07

Appraisal

In most cases, appraisal will be ordered to confirm the property value.

06

Conditional Approval

The mortgage lender issues a Commitment, conditional upon receiving additional documents.



What Is
Most
Important
About
Home
Ownership
To You?

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Your Story & Documents

What is important

is your story and it starts with creating a detailed and accurate Client Profile which we will then assess to determine all the documents required to support your goals.

Take your time and remember that we appreciate all the detail in the details, and so will your mortgage lender, especially when you provide detail right down to the \$0.01

Remember that doing so will save time and ensure that we can obtain your Conditional Approval quickly.

After you submit a detailed Client Profile you can expect to receive several email messages so it is important that you monitor your email and respond quickly.

Our mortgage platform includes the ability to safely upload and transfer all documents directly into your mortgage application.



Document Checklist

The key to obtaining the correct Mortgage Approval is to be prepared to provide all important information and documents at the beginning of your homeownership journey. The list below outlines the most common documents required.



Copy of the following for each applicant:

- Two pieces of government-issued ID e.g. Drivers licence
- official letter of employment
- official employer-issued pay slip
- two years T4 slips
- two years' personal tax returns and Notice of Assessments
- official bank account statements for 90 days
- official investment account statements
- official property documents for any existing properties owned

When purchasing a property only:

- Offer To Purchase
- detailed, MLS listing
- Property Disclosure Statement
- property Strata documents

Qualified to Approved

Qualifying for a mortgage in Canada includes a thorough review of four main elements.

01. Gross Annual Income

Your gross annual income with a stable employment history is required. In the case of self-employed business owners, a stable history of net business income for a minimum of two years reported to your T1 tax return is required.

02. Assets and Liabilities

Personal net worth includes short and long-term cash savings, investments, and use of credit. These factors help determine how you will manage new mortgage payments. In Canada, the Stress Test is calculated as a percentage of Total Debt to Income.

03. Credit Score

A strong credit score is one of the most will determine the terms and mortgage interest rate offered by a lender. Your credit history is reviewed for late payments, collection accounts, and any accounts that may have been written off.

04. Down Payment & Source

Sources of down payment include savings and/or gifted funds. The larger the down payment, the easier it will be to qualify. The standard down payment is 20% of the purchase price while a high-ratio insured mortgage requires as little as 5-7%.





Programs

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What is a

Conventional Mortgage?

A conventional mortgage is a non-insured mortgage beginning with a minimum down payment equal to 20% of the purchase price.

The majority of mortgage lenders offer both fixed and variable rate terms from 1 to 5 years. In addition, the majority of mortgage lenders offer attractive re-payment privileges including accelerated regular payments, annual principal lump sum payments, and double payment options which you can select to best meet your homeownership goals.

There are a few exceptions where the mortgage may still have to be insured or the selected lender charges a lender fee.

Specialty mortgage products include a combined mortgage and Home Equity Line of Credit which is a great option for homeowners who want to access additional equity in the future.

Additional specialty mortgage options include Alternate Mortgage loans, the CHIP Reverse mortgage, and Private Mortgage loans all of which will be discussed separately.



What is an

Insured Mortgage?

An insured mortgage or a high-ratio is one that is approved by a Canadian mortgage lender and insured by Canada Mortgage and Housing Corporation or Sagen Canada.

This type of mortgage is very popular with First Time Homebuyers.

Insured mortgages often require a higher credit score in exchange for a lower down payment typically 5-7% of the purchase price to a maximum of \$1 Million.

The same qualification rules including the Income-to-Debt ratio calculation are used, with the maximum amortization reduced to 25 years.

Borrowers are required to pay a one-time mortgage insurance premium of up to 4% which is added to the mortgage.



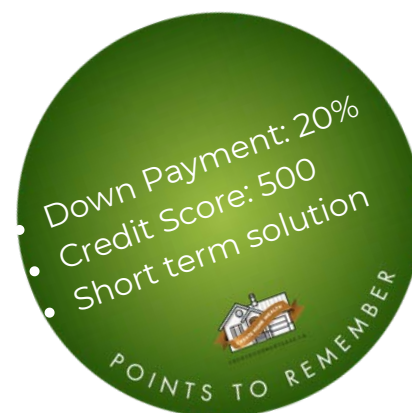
What is a Alternate Mortgage?



An Alternate Mortgage is a popular option for homeowners who may face one or more issues including bruised credit (low credit score) or traditional income requirements. Alternate mortgage lenders often accept 'alternate' sources of income such as bank statements and invoices. These mortgage products are not typically secured by banks, but rather by non-conforming lenders. Therefore, they often require higher rates and fees.

This type of mortgage can be a great short-term solution allowing borrowers to create an appropriate exit strategy and eventually refinance the mortgage to a traditional financial institution.

Mortgage lenders require a minimum of 20% down payment or equity, charge a combination of a lender and / broker fee, and offer terms of 1 to 3-year terms, in addition to attractive repayment privileges.



What is a **Private Mortgage?**

A Private Mortgage is a popular option when one or more borrowers cannot immediately meet the requirements of a conventional mortgage lender.

This type of mortgage is most often used as a short-term solution with a clearly defined exit strategy.

In Canada, private lending is provincially regulated with mortgage funds arranged most often through a Mortgage Investment Corporation. Lenders require a minimum of 25% down payment or equity and charge a lender and broker fee. Most terms are fully open for a 1-year term.





Mortgage Payment

Breakdown

In Canada, mortgage lenders will include additional homeownership expenses including property taxes and strata fees when calculating the final Debt-to-Income ratio, or Stress Test.

01. Blended Mortgage Payment

The most common mortgage payment includes both principal and interest. Over time, a larger percentage of the blended payment is applied against the remaining mortgage principal.

02. Property Tax Payment

Property tax is calculated each year based on the provincial assessment value of the property and local city tax rates and is payable at the beginning of each July. The assessment value is not the same as the appraised market value of the property, and in most cases is lower than the market value.

03. Strata Fee Payment

Strata fees are fees paid towards the strata property operating fund and used for the maintenance of common property areas such as repairs and maintenance, insurance, and landscaping. A portion of each payment is also applied to the contingency reserve fund for expenses that occur less than once a year.

04. Other Home Expenses

- **Utilities:** can include heating and natural gas.
- **Home Insurance:** this is insurance that protects your family in the event of an environmental disaster or accident on your property.

Closing Costs

When Buying a Home

Deposit on Offer

Deposit on Offer is an amount held in trust after all Subjects have been satisfied in an Offer To Purchase contract. This amount typically forms part of the total down payment required. This deposit protects the seller in the event the buyer backs out of the contract.

Closing Costs

In Canada, mortgage lenders will apply a standard of 1.5% of the purchase price when calculating the amount required when purchasing a property. The actual amount required may be higher or lower.

Property Transfer Tax: is a provincial tax calculated on the purchase price of the property in most cases 1% of the first \$200,000 and 2% of the remainder. *up to \$2 Million

GST Tax: is applied when purchasing a newly constructed home. If the property is declared as your primary residence, you may qualify for a partial rebate.

Additional fees you'll want to consider include legal fees, title insurance, appraisal fees, and home inspection.



Mortgage Terms

and what they mean:

Amortization

The amortization period is the length of time it takes to pay off a mortgage in full. The amortization is an estimate based on the interest rate for your current term.

Insurable Mortgage

a high-ratio mortgage or a mortgage with a minimum of 20% equity and an amortization of 25 years or less.

Uninsurable Mortgage

a mortgage with a minimum of 20% equity and an amortization of 30 years.

Accelerated Payment

a voluntary privilege allowing the borrower to make a mortgage payment more frequently than monthly. The most common are weekly, and bi-weekly.

Loan To Value (LTV)

The relationship between the principal balance of the mortgage and the appraised value (or sales price if it is lower) of the property.

Mortgage Insurance Premium

A one time default insurance premium paid when the down payment is less than 20% of the home purchase price.

Stress Test

a financial calculation defined by federal mortgage rules that determines the maximum mortgage borrowing.

Conditional Approval

a mortgage application that is subject to one or more conditions being completed such as an appraisal or more documents.



Track Your Monthly Budget

Reviewing your regular expenses is the first step in deciding what level of your total income you are comfortable allocating to a mortgage payment and home expenses.

It is important to remember that the mortgage lender can accept up to 44% of your total gross income to service a mortgage payment, property tax, and any existing monthly debt payments.

Monthly Income

income from pay

Canada Child Benefit

income, self-employed

Interest/Dividends

Other

Total Monthly Income

Monthly Expenses

Rent/Mortgage

Rent/Home Insurance

Car Payments

Car Insurance

Life Insurance

Medical Insurance

Utilities

Phone Bill

Subscriptions

Groceries

Childcare

Pet and Food Care

Debt Payments

Savings and Contributions

Total Income

Total Expenses

Disposable Income

Real Stories

Couple purchasing first home

Keith and Allie recently graduated from university, have less than one year of employment, and have been systematically saving from their employment to purchase their first home. They realize that this is a good time to buy but they do not have the minimum down payment.

Solution: we recommended that they approach their parents, who agreed to gift the balance of the down payment required.

Family Struggling with Cashflow

Glen and Leanne were unsure and asked us how they could unlock equity from their current home in order to consolidate several high-interest cost credit cards and a truck loan. They were convinced that they could not open the existing mortgage contract.

Solution: After analyzing the early interest penalty cost, we were able to locate a lender who offered very favorable terms and most importantly improved their monthly cash flow by more than \$1,700

More Real
Stories
@



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From Our Clients

Dave worked very well with our realtor and was available to respond quickly to all of our questions.



He is clearly very passionate about what he does. We are so grateful to Dave for helping us buy our first home!



I cannot thank Dave enough for what he has done for me and my son, a dream come true!



Dave went out of his way to find out what our needs were first.



He worked with me to understand my needs and goals.