Client Experience

Knowledge *Guide*

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

KNOWLEDGE

OFFICIAL DOCUMENTS

CREATE MORE WEALTH

FRONTDOORMORTGAGE.CA

The dream of home ownership should be exciting.

Welcome!

WWW.FRONTDOORMORTGAGE.CA

Regardless of whether you are refinancing your current mortgage or purchasing a home, the Mortgage Application experience is complex.

This is where we come in.

We have a combined 23+ years of mortgage lending experience and that means we will do everything possible to ensure the process is as simple as possible and that we provide you with knowledge along the way so you can make informed decisions.

So let's get started and get you on your way to creating more wealth!

Dave Fullerton
MORTGAGE BROKER

LIFETIME HALL of FAME

AWARD
TOP
PERFORMER
2022

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.

06

Conditional Approval

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

07

Appraisal

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

08

Firm Approval

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

09

Clear to close

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

10

Homeownership!

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

WHAT TO KNOW

WHAT YOU NEED TO KNOW ABOUT MORTGAGES

YOUR HOME OWNERSHIP JOURNEY.

Obtaining a mortgage could be one of the most significant financial decisions you ever make and should reflect your homeownership goals now and for the future.

SOME QUESTIONS TO CONSIDER ARE:

- **What is the purpose of the mortgage loan?**
- **How long do you intend to own the home or have the mortgage in place?**
- **Do you anticipate any events that may require a change to your mortgage?**
- **Do you anticipate any additional borrowing needs in the future?**

KEY MORTGAGE TERMS YOU SHOULD KNOW:

Amortization Period	The actual number of years it will take to repay a mortgage loan in full. This may go beyond the term of the loan. The shorter the amortization period, the less interest you will pay over the life of your mortgage loan but your payments will be higher. The longer the amortization period, the more interest you will pay over the life of your mortgage loan but your payments will be lower.
Maturity Date	The last day of the term of the mortgage loan. The mortgage loan must then be renewed or repaid in full.
Mortgage	A mortgage loan is a loan secured by real property. The lender will register a charge on title to the property in the provincial or territorial land titles office where the property is located. If you default under a loan secured by the real property, the lender may take possession of the property.
Prepayment Charge	If the mortgage is closed for repayment before its maturity date, this is the cost to repay the mortgage before its maturity date.
Term	The period of time over which the interest rate, prepayment and other mortgage loan conditions are set. At the end of the term, the mortgage loan must be repaid unless it is renewed.

CHOOSING THE RIGHT MORTGAGE OPTION THAT IS RIGHT FOR YOU:

Below are mortgage loan options you can choose at Scotiabank and their key benefits and risks. Further details on your selected mortgage loan will be included in your credit agreement and disclosure statement.

Mortgage Loan Options	Key Benefits	Key Risks
Interest Rate Options:		
Fixed Rate - The interest rate and payment stay the same for the term.	• Peace of mind knowing your interest rate and payment will not change over the mortgage term. • Protection from market rate increases during the term.	• A fixed interest rate may be higher than the available variable interest rate for a comparable term. • The prepayment charge to break a fixed rate closed term early can be higher than the prepayment charge for a closed term variable rate mortgage.
Variable Rate - The interest rate is based on your lender's prime rate plus/minus a fixed discount. The interest rate and payment amount will not change.	• If the lender's Prime Rate decreases, so will the amount of interest you pay. • The interest rate can be lower than the fixed rate for a comparable term. • You can switch to a fixed rate term longer than your remaining term without a prepayment charge.	• If the lender's Prime Rate increases, you will pay less of each regular payment towards the principal owing.
Adjustable Variable Rate - The interest rate is based on the lender's Prime Rate plus/minus a discount factor. Your regular payment will change when the Prime Rate changes.	• If the lender's Prime Rate decreases, so will the amount of interest you pay. • The interest rate can be lower than the fixed rate for a comparable term.	• If the lender's Prime Rate increases, your interest rate and payment will increase
Term Options:		
Closed Term - The mortgage cannot be repaid before the end of the term (above applicable prepayment privileges) unless you pay a prepayment charge.	• The interest rates for closed terms are typically lower than for open terms.	• If you break a closed mortgage term early, a prepayment charge will apply. The calculation of the prepayment charge will depend on the type of interest rate you select.
Open Term - The mortgage can be repaid at any time during the term without a prepayment charge. An administrative fee will apply if the mortgage is repaid within the first year.	• Flexibility of repaying the mortgage loan at any time during the term without prepayment charges.	• The interest rates for open terms are generally higher than for closed terms.

COMMON PROGRAMS

COMMON MORTGAGE PROGRAMS

Whether you are acquiring, renewing, or refinancing your mortgage, one of the most important decisions you will make as a homeowner is selecting a Mortgage Program that best matches your homeownership goals and your risk tolerance.

The most popular Mortgage Programs in Canada include the Variable Term Program and the Fixed Term Program.

THE CASE FOR A VARIABLE RATE TERM

Many Canadians shy away from the option of a variable rate mortgage because of the potential risk of rate increases. However, while there is always a risk of interest rate fluctuations, this concern may be less of a factor than you may think, and there are other reasons to consider a variable rate mortgage.

Many Canadian economic experts believe that a mortgage rate that varies with fluctuations in the bank's prime rate will offer the greatest advantage when it comes to long-term savings on interest costs. Examining Canadian mortgage rate data from 1950 to 2007, Dr. Moshe Milevsky, Associate Professor of Finance at York University, found:

Choosing a variable rate mortgage would have saved Canadians $20,000 in interest payments over 15 years (based on a $100,000 mortgage); and

> Canadians would have been better off with a variable rate mortgage compared to a five-year fixed rate 89% of the time.
> with select lenders, mortgage payments are set for the term, even though interest rates may fluctuate during that time.
> When rates go down, an increased amount of your payment goes to pay the principal. With more going into your principal, the less interest you pay, and the faster the mortgage is paid off.

> When rates go up, you'll see an increase in the portion of the payment that goes into paying the interest. With less going into the principal, the amortization period is extended.
> Typically, variable rates include some of the lowest rates available.
> Variable rates offer you the freedom to convert at any time to a fixed-rate mortgage with a term that's at least as long as the one remaining on the mortgage.

Additional benefits include:

1. In the event you choose to early renew or refinance, the pre-payment penalty is limited to 3-month interest. To estimate, use this calculation:
   Your current mortgage balance $______ x 0.50% = $______
2. The option to further protect your Mortgage Plan in a rising Prime Rate situation by adding an optional, additional payment each cycle which is 100% applied directly to your principal balance.
3. The option to select an accelerated mortgage payment option, which further protects your Mortgage Plan in a rising Prime Rate situation.
4. The option to convert and lock into a fixed-rate mortgage term.

VARIABLE MORTGAGE IMPORTANT DISCLOSURE

There are two common variable rate payment options available in Canada. It is important to understand the major differences.

1. Adjustable Variable Rate: in this case, your mortgage payment will adjust (change) in the event there is a change in the Prime Rate.

2. Constant Variable Rate: in this case, your payment will not change in the event there is a change in the Prime Rate

Trigger Rate: for those lenders who offer a Constant Variable Rate mortgage, a predetermined Trigger Rate will be included in the lender's Mortgage Terms. In the event that the Prime Rate increases beyond this 'trigger rate,' you will be notified in writing that you are now paying more interest than originally calculated and you may want to increase your minimum payment.

Trigger Point: will follow the Trigger Rate. In the event that the Prime Rate increases significantly and your current mortgage balance exceeds the maximum Loan-To-Value of 80% your lender will notify you with options to increase your mortgage payment or to make a lump sum payment.

THE CASE FOR A FIXED-RATE TERM

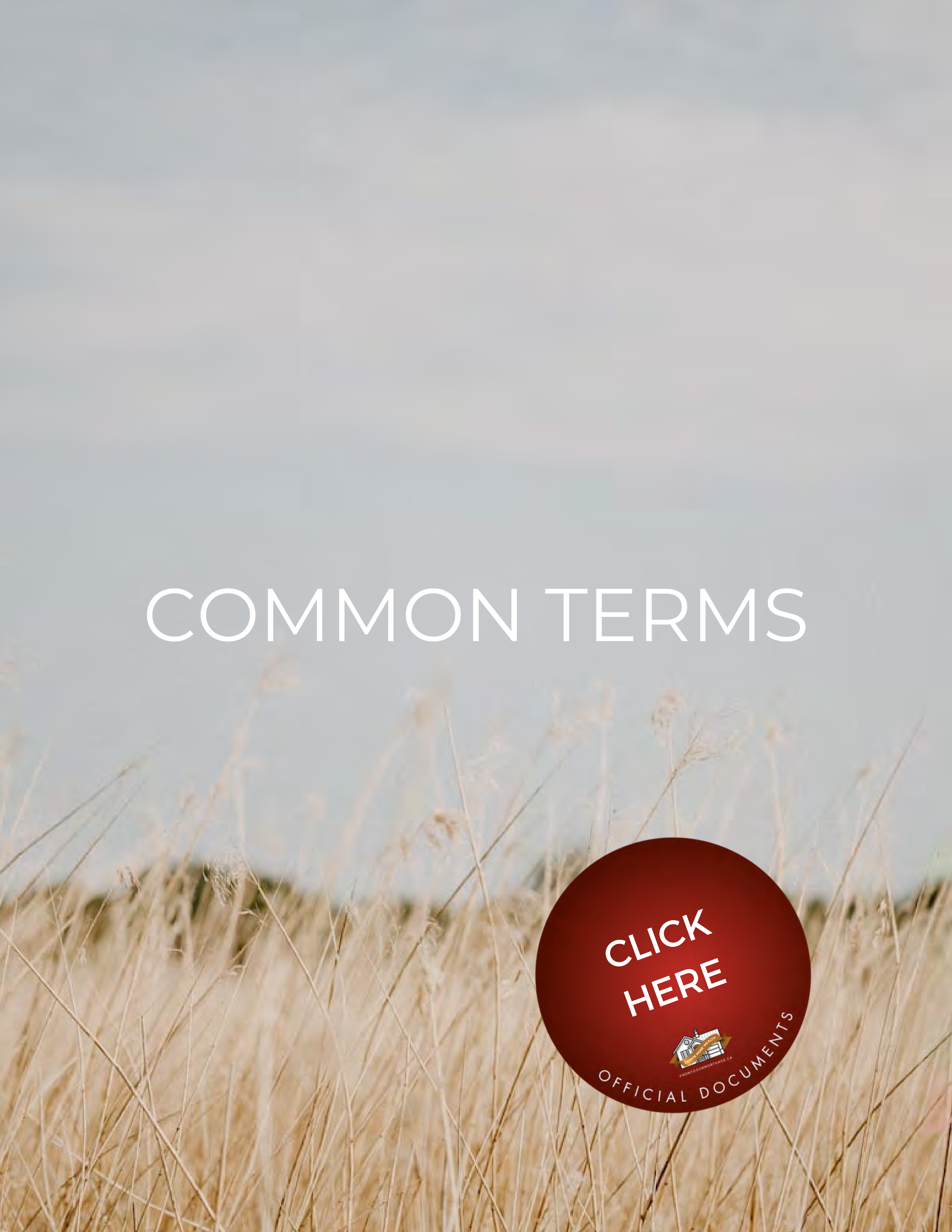
The fixed-rate mortgage term is popular because of the high level of stability it provides. Your interest rate and payment are locked in for the length of the term. This means you'll have peace of mind knowing exactly how much principal and interest you will be paying regardless of changing economic conditions.

Do you know that a large majority of homeowners will renew or refinance 3.69 years into the current term?

With a Fixed Rate Term, you should also consider the following:

1. In the event you choose to early renew or refinance, the pre-payment penalty is calculated as the greater of a 3-month interest or interest rate differential. To estimate, use this calculation: Your current mortgage balance $______ x 4.50% = $______
2. The downside of not being able to take advantage of a lower interest rate — and the ability to have more of your payment go towards the principal and less to interest — if interest rates drop during the term of your mortgage.
3. The option to select accelerated mortgage payment options.

COMMON TERMS



CLICK HERE

OFFICIAL DOCUMENTS

YOUR HOME OWNERSHIP JOURNEY.

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COMMON MORTGAGE TERMS

1. PRE-APPROVAL - a mortgage application that has been reviewed and completed in advance, with a thorough review of all important income documentation, down payment, and credit history.

2. CONDITIONAL APPROVAL - a mortgage application that has been reviewed by a mortgage lender and is subject to one or more conditions being completed such as an appraisal or receipt of additional documentation.

3. FIRM APPROVAL - a conditional approval where all outstanding conditions have been accepted by the mortgage lender.

4. CONDITIONS - specific and additional information or documentation required by the mortgage lender.

5. STRESS TEST - a financial calculation defined by federal mortgage rules that determines the applicants' ability to service a mortgage. Generally, the calculation is the proposed mortgage payment + property taxes + strata fee + heat + any additional fixed monthly debt payments divided by total income.

6. LAND TRANSFER TAX - or Property Transfer Tax in British Columbia is a tax levied on the purchase of property, in some cases, such as a transfer of Title from one person to another. The general calculation rule is 1% x first $200,000 and 2% of the balance.

7. CLOSING COSTS - the additional expenses incurred by the borrower including: land transfer tax, PST, appraisal fee, home inspection, legal fees, title search, and title insurance. A lender's standard practice is to confirm from the borrower 1.5% x purchase price.

8. INSURED MORTGAGE - a qualified mortgage with less than 20% downpayment. This mortgage is approved by one of three national insurers e.g. CMHC

9. UNINSURABLE MORTGAGE - a qualified mortgage with a minimum of 20% equity or downpayment and an amortization of 30 years.

COMMON MORTGAGE TERMS

10. INSURABLE MORTGAGE - a qualified mortgage with a minimum of 20% equity or downpayment and an amortization of 25 years or less.

11. AMORTIZATION - the total number of years, up to 30 years, used to calculate a mortgage payment.

12. MORTGAGE TERM - the length of time in months and years that a mortgage payment is calculated. Popular terms range from 1 - 5 years.

13. PAYMENT FREQUENCY - the time between two consecutive payment dates.

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

15. ANNUAL PRINCIPAL PRE-PAYMENT - a voluntary privilege allowing the borrower to pay a set amount directly against the principal mortgage owing. Most lenders allow 10% or 15% of the original borrowing each calendar year.

16. DOUBLE-UP PAYMENT OPTION - a voluntary privilege allowing the borrower to apply an amount up to 100% of the minimum mortgage payment directly to the principal balance outstanding.

CLOSING COSTS

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OFFICIAL DOCUMENTS

YOUR HOME OWNERSHIP JOURNEY.

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COMMON CLOSING COSTS

A major part of any mortgage transaction includes Closing Costs or expenses. In the event of a Purchase, the standard applied by mortgage lenders is 1.5% of the purchase price.

High Ratio Mortgage Insurance Premium - This is mandatory insurance in most cases when the down payment is less than 20%. This amount is most likely included in the total mortgage approved.

PST or provincial sales tax - this is applied on the purchase of a new home. In some cases, this amount is included in the total purchase price

Property Transfer Tax - in British Columbia this is a tax levied on the purchase of a home.

Appraisal Fee - Your lender will have required an independent appraiser to determine the value of the property and whether it meets its lending criteria. This may or may not be required depending on whether the mortgage application is insured or the subject property is accepted by the lenders' auto valuation system.

Bridge Financing - If your home purchase closes before the sale of your current home, you'll need to finance the cost of the home purchase for a short period of time.

Interest Adjustment Payment - Most lenders expect the first mortgage payment one month after closing the purchase. If you close mid-month, however, some lenders expect the first payment, or at least the interest accrued during that time period, at the beginning of the next month, two weeks before you would normally expect.

Notary or solicitor legal fee - this is the time and staff cost to have a Notary Public or solicitor review and finalize your new mortgage.

Disbursements and Adjustments - these are additional expenses incurred and may include Title Insurance, assignment of rents, courier, land title registration, lender, and brokerage fee.

Title Insurance - Title insurance is an insurance policy that protects you, the homeowner, against challenges to the ownership of your home or from problems related to the title of your home.

Property Tax/Utility Bill Adjustments - This is an adjustment for any home expenses that the seller may have prepaid in advance.

CLOSING DAY

YOUR HOME OWNERSHIP JOURNEY.

KNOWLEDGE

PREPARING FOR CLOSING DAY

Your Closing or Completion Day is approaching. This is the day you will meet with your Notary Public or solicitor to review and sign your new Mortage Terms.

We recommend that you contact your Notary Public or solicitor at least 10 business days prior to your Closing Day to schedule an appointment. You may be required to complete a Client Identification form which is required by provincial law. You should be prepared to provide the following documents at your appointment including:

- Two valid provincial identification (driver's license and passport)
- A sample void cheque
- Bank draft for net funds required in the event of a purchase

At this appointment, you will review and sign the:

- Mortgage Terms between you and your lender regarding the terms and conditions of the mortgage
- Title Transfer documents between you and the seller transferring ownership of the property
- Review the Statement of Adjustments which includes any number of additional expenses and Closing Costs related to the mortgage transaction

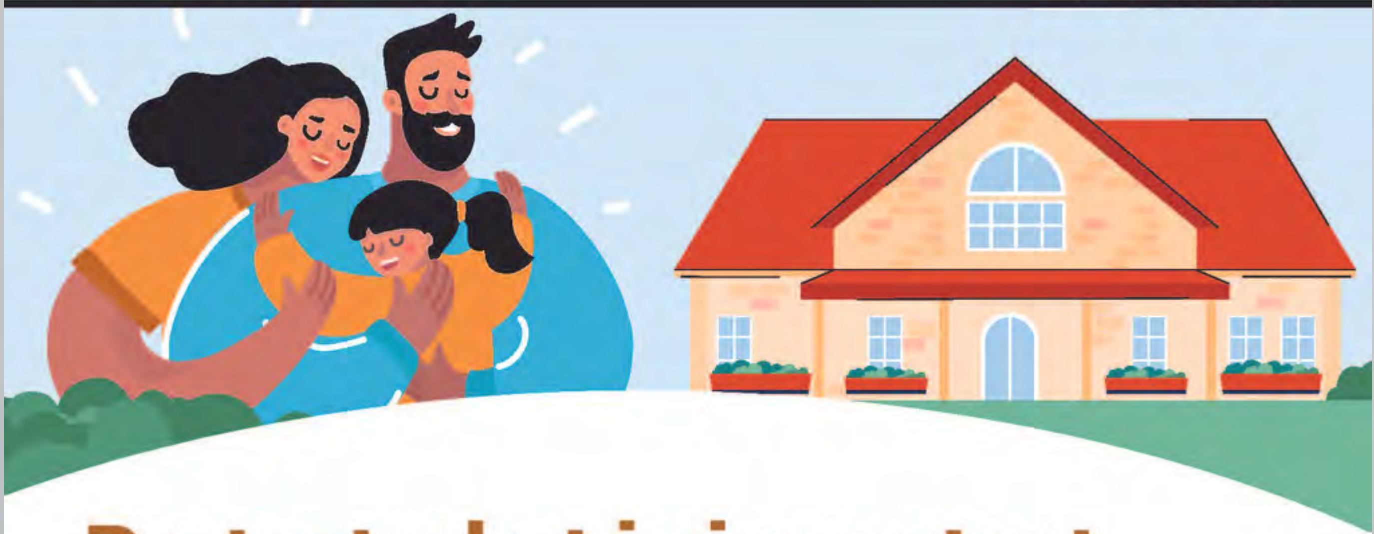
On the Closing Day, your Notary Public or solicitor will handle the following remaining tasks:

- delivery of closing funds to the seller's lawyer
- Completing any Solicitor Conditions required by your lender including paying out specific loans
- confirming registration of the new mortgage


PROTECT YOUR FAMILY

YOUR HOME OWNERSHIP JOURNEY.

KNOWLEDGE



Protect what is important.

Your home may be the largest asset you own, but at the end of the day, it is family that matters most. With the rise of illness, household debt at an all-time high, and Canadians carrying higher mortgages, protecting your family is more important than ever. Before the unexpected happens, speak with an Insurance Advisor.
We partner with some truly amazing Advisors and we would be happy to refer you to one of them.

44%

average number of claims are made within the first 2 years of a mortgage.[4]

75%

of Canadian households would have difficulty paying everyday living expenses (like mortgage and housing costs) if the primary wage earner were to pass away.[6]

1 in 3

Canadians will be disabled for 90 days or more before age 65.[5]

1 in 2

Canadians will develop cancer in their lifetime. Cancer can affect people of all ages.[1]

20%

of deaths in Canada are caused by heart disease, making it the second leading cause of death in Canada after cancer.[2]

10 months

is the average length of time disabled claimants are off work.[7]

Sources:

1 Canadian Cancer Society, Canadian Cancer Statistics, 2017
2 Statistics Canada, 2018
3 Manulife Bank Survey on Canadian Home Ownership, 2017
4 Data from 10 years of Mortgage Protection Plan insurance claims
5 Canada Life and Health Insurance Association, A guide to disability insurance, January 2016
6 LIMRA, Canadian Life Insurance Ownership, Household Trends, 2013
7 Mortgage Creditor Claims Reports, 2016.44%

STRATEGIES

YOUR
HOME
OWNERSHIP
JOURNEY.

KNOWLEDGE

STRATEGIES TO PROTECT YOUR APPROVAL

Your mortgage lender reserves the right to review your Approval at any time or request additional documentation from you up to and including the Closing Day.

We strongly recommend that you:

PROTECT YOUR CREDIT - do not apply for new credit, change credit limits, or allow a third party to access your credit.

PROTECT YOUR EMPLOYMENT - do not make any changes that are not already disclosed in your Letter of Employment.

PROTECT YOUR DOWN PAYMENT - do not transfer between your accounts, withdraw a significant sum, or deposit a significant sum from your accounts.

***IF THERE ARE ANY CHANGES IN YOUR CIRCUMSTANCES CALL US IMMEDIATELY.**

Our Results Speak Loudly of Gratitude

AWARD
TOP PERFORMER 2022

DIAMOND AWARD 2022

PLATINUM AWARD 2022

DIAMOND AWARD 2021

PLATINUM AWARD 2021

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