

A professional portrait of a man with short dark hair, wearing a grey suit jacket, a white dress shirt, and a maroon tie. He is smiling slightly and looking directly at the camera. The background is a blurred stone wall. A semi-transparent white box is overlaid on the left side of the image, containing the main title and subtitle. A dark blue horizontal bar is at the bottom of the image, containing contact information.

# THE HOME BUYERS' MORTGAGE GUIDE

The Basics

**Tom Fisher Select Mortgage**  
YOUR EXPERT MORTGAGE BROKER

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# Contents

This booklet was created for you to help explain the mortgage process. Your mortgage experience should be informative and stress-free.

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## Booklet Guide

### Explanation



#### Additional Information

Ask us for additional information on a specific subject. Sent by email.



#### Action Item

This is where there is an action or process to be completed.

#### Tip Boxes

These tip boxes are scattered around this booklet. They provide additional information.

### Examples



#### Affordability Analysis

What is the maximum mortgage amount a lender will lend you?



#### Get Pre-approved

Getting pre-approved for a mortgage or fully approved for a mortgage with a specific house in mind is easy, free and locks-in your interest rate.

#### Closing Costs

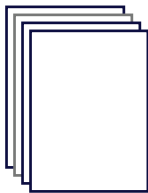
Banks may also look for approximately 1.5% of the purchase price, in addition to the down payment, to cover any closing costs which can include lawyer fees and property transfer taxes.

# What Are Lenders Looking For?

When determining whether you would qualify for a mortgage most lenders look for four factors:

## 1. Employment History and Income

Lenders consider how much of your total income you will be spending on housing. This helps lenders decide whether you can comfortably afford your home. Also, lenders generally want to know that you have income stability. If you are self-employed, a 2-year history of your income may be required.



Lenders want to see:  
- Employment Letters and  
- Pay Stubs, and/or  
- Income Tax Statements



### **Watch out for fraud!**

Check over your credit bureau to make sure you are fraud free.

## 2. Credits and Debts

These include any payments: Car, credit card, loan, etc. All of your debts are added up when calculating your purchasing power. Further, your credit bureau's score is viewed to assess credit worthiness.



### **Budgeting**

It's not easy to set a budget towards saving for home ownership. Our tools can help.

## 3. Down Payment

Your down payment can be from savings or investments, or it can be gifted from family members. The Government of Canada has regulated that most down payment sources must be traced and proven in the form of bank statements for three months before being used to purchase a home.

## 4. Property

The value of the property you wish to purchase is an important factor in deciding how much a lender will approve and whether you will be required to have an insured mortgage. Your property and its physical state will also affect your approval and which lender is interested in financing your property.

### **Closing Costs**

To cover any closing costs which can include lawyer fees and property transfer taxes, banks may also look for approximately 1.5% of the purchase price, in addition to the down payment.



# Pre-Approvals

When looking to purchase a home, being pre-approved is an important step. A pre-approval is contingent upon verification of steps one through three on the previous page: verification of your income, credit, and down payment.



We will know for certain what you can afford once these three aspects are approved based on lender criteria, and what maximum mortgage payments you can afford.

You will be able to lock-in an interest rate for anywhere from 90-120 days while you shop for your perfect home. By locking in your rate, you are guaranteed to get a mortgage for that rate or better.

In order to get pre-approved, your broker is required to fill out an application and submit documentation to determine your buying power. The pre-approval document list is the same as if you were buying a home, except at this point there is no specific home in mind yet.

Getting pre-approved for a mortgage is something every home buyer should do before house hunting. A pre-approval will give you the confidence of knowing that a specific amount of financing is available, and it can put you in a positive negotiating position against other home buyers who are not pre-approved.

## Do I Need an Appraisal?

An appraisal is an independent analysis on your home's value from an approved appraiser. Lenders generally require appraisals on homes when there is no mortgage default insurance. Appraisals generally cost around \$275 and are paid for by the borrower.



### Affordability Analysis

What is the maximum mortgage amount a lender will approve?



### Get Pre-Approved

Getting pre-approved for a mortgage or fully approved for a mortgage with a specific house in mind is easy, free and locks-in your interest rate.



### Document Checklist

This is the document list you need to submit for your mortgage pre-approval or approval.

# Mortgage Basics

## Mortgage Term

The term is the length of a mortgage, after which a borrower renews its terms and conditions if the balance is not paid. Terms range from 6 months to 10 years, and the longer a term, the higher the interest rate (generally). In respect to your budget and future vision, your personal situation determines what term to choose.

## Closed or Open

A closed mortgage means that your rate is closed and not open for re-evaluation over the term agreed upon. Closed mortgages generally have lower interest rates but have prepayment charges if you wish to renegotiate your rate prior to your term expiring.

Most closed mortgages offer the ability to save interest through paying off your mortgage faster.

An open mortgage allows you to renegotiate or refinance your mortgage at any time. Because a closed mortgage has rate stability over an open mortgage, most mortgages selected are closed.

## Variable or Fixed Rate

This depends on your personal risk tolerance as well as the prevailing rates at the time. Regarding risk tolerance if, you're a first-time homebuyer, for instance, and/or you have a set budget that you can comfortably spend on your mortgage, it's smart to lock into a fixed mortgage with predictable payments over a specific period of time. If, however, your financial situation can tolerate the possible fluctuations of a variable-rate mortgage, this may save you some money in the long run. Finally, there are other mortgage options that enable you to split your mortgage into fixed and variable portions.

### Variable vs Fixed

Sometimes there is an easy answer between getting a fixed and getting a variable rate mortgage. Many times it can depend on the spread between the variable and fixed rates at the time of purchase and your risk tolerance.

### Variable Payment

Your mortgage payment is established at the outset of your mortgage. However, if you have a variable rate and the prime rate increases, your payments will increase corresponding to the interest rate.

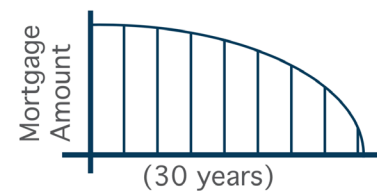
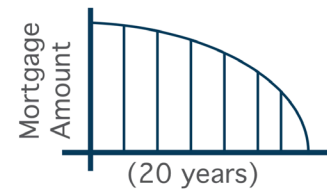
# Mortgage Basics Cont'd

## Amortization

Selecting your mortgage amortization period (the number of years it takes to pay off your mortgage) will affect how much interest you pay over the life of your mortgage.

We generally advise our clients to take the longest amortization possible for two main reasons. The first is that with almost all mortgages, you can pay it off sooner using prepayment options, decreasing your amortization. Secondly, we always advise clients to be in the most flexible position possible. Longer amortizations mean lower required monthly payments. However, together we will determine the amortization period that best suits your needs.

### Shorter Amortization Means Faster Pay-off



## Portability & Flexibility

We always advise our clients to go with a mortgage that has the most flexibility. Do you intend to move during your mortgage term? Make sure your mortgage allows you to transfer it to a different home.

Additional options for flexibility come with your mortgage. For more information, call Tom Fisher Select Mortgages at (250) 391-2933.

### Focus on the Best Term

Choosing a mortgage term that is right for you can be a challenging decision for the savviest of homebuyers. By understanding mortgage terms and what they mean, you can save the most money and choose the term that is best suited for you.

A longer term usually means a higher corresponding interest rate. While this generalization might lead you to believe that a shorter term is best, this is not always the case. Sometimes there are other factors, either in the financial markets or in your own life, you will have to take into consideration when you select your mortgage term length.

# Your Credit Bureau

There is a lot of misinformation around about credit reports and scores. Not only that, but a large amount of the clients we work with have never even seen their credit report or score! When you meet with us, we will go over the details of credit reports and your own personal credit report with a fine-tooth comb, making sure you are fully aware of everything affecting your credit score.

## Keeping Your Credit Healthy

There are a number of ways that you can effectively ensure your credit score is kept high.

### Have Credit

Your credit score goes up with the more credit that is available to you. Think twice the next time you say no to an increase in your credit limit because it may just help increase your credit score!

### Pay Your Bills

Pay your credit cards and other debts on time. This includes bills like your cell phone or even parking tickets. Many clients don't realize that unpaid tickets can affect your credit score drastically.

### Start Now

The longer you have a clean record of consistently paying your credit card, loans, or other credit facilities, the better your credit becomes.

### Keep a Low Balance

One of the least known ways to hurt your credit is to have high utilization. What this means is that if you use a high proportion of your credit card on a monthly basis, your credit score may decrease.

It is best practice to pay off your card every couple of weeks or you can increase your available credit so that you use a third or less of your available credit monthly.

#### Bad Credit? Don't worry

It is not uncommon to be late on or forget about your payments... Late payments is the key contributor to a low credit score. Don't panic! There are fixes and we're here to help. Please don't hesitate to ask how we can improve your credit score.

# Use a Knowledgeable Realtor

Before you begin searching for a home, it's always smart to think about your needs both now and in the future. A good Realtor will ask you the right questions to narrow down your search, so you can spend time focusing on choosing the property that fits your needs best.

## Home Selection Criteria:

The following are a few questions your agent will go over with you when you are deciding which type of property to buy:

### Location

Do you want to live in a city, town or in the countryside?  
How long will your commute to work be? Where will your children attend school and how will they get there?  
Do you need to be close to amenities?

### Size Requirements

How many bedrooms do you need? Do you need more than one bathroom, space for a home office, or a two-car garage?

### Special Features

Do you want air conditioning, storage or hobby space, a fireplace, or a swimming pool? Do you have family members with special needs? Do you want special features to save energy, enhance indoor air quality or reduce environmental impact?

### Lifestyles and Stages

Do you plan to have children? Do you have teenagers who will be moving away soon? Are you close to retirement?

#### A Good Realtor

A good Realtor is important to your home buying needs because he or she provides the knowledge, direction, and skills necessary to ensure that you end up finding the right home for you and your family at the right price.



# Use a Knowledgeable Realtor Cont'd

## New Homes vs Existing Homes

A Realtor will be able to advise you on the new and existing homes that are in the market. Your Realtor will go over:

**New Homes:** Modern design with personalized choices. These homes will have up to date codes and standards and generally have lower maintenance costs because everything is new and still under warranty. However, these homes may also have some extra costs for additions. There is also the added tax (GST) that comes along with the purchase of a new home.

**Resale Homes:** You can see exactly what you're buying, there are no hidden fees/costs, a home inspector can detect issues, and you don't have to wait until the property is finished to move in!



### Recommended Realtors

There are thousands of Realtors to choose from. We've been lucky enough to work with many great Realtors and can recommend one that fits your needs and has the skills to help you find a great new home!

## Deciding Between Home Types



### Detached Home

Free-standing home for one family. Detached homes come with land and are more expensive.



### Semi-Detached Home

Also known as a duplex. It is attached to another home on one side. You own your land and your side of the home.



### Row House or Townhouse

Usually purchased as a strata lot. You own your home and you may have a yard, yet there will be rules and regulations for the common spaces.



### Condominium

Apartment-style strata lots. These units are generally smaller with several units per floor. Common space includes corridors and various amenities.