

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 grey 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 the man's name, title, and contact information.

# THE HOME BUYERS' MORTGAGE GUIDE

Lenders and Mortgage Options

**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.

# The Mortgage Lenders

There are five types of residential lenders in Canada: big banks, monoline lenders, credit unions, B lenders and private lenders.



## LARGE BANK

The Big Five Banks of Canada are widely known and provide approximately two thirds of all mortgages in Canada. Canadian banks lend money from their own savings which sometimes means more relaxed lending criteria.



## MONOLINE LENDER

The Big Five Banks of Canada are widely known and provide approximately two thirds of all mortgages in Canada. Canadian banks lend money from their own savings which sometimes means more relaxed lending criteria.

We recommend Monoline mortgages for many of our clients due to their flexibility and options.

### Interesting Fact

All major lenders are regulated in Canada. Banks, and monoline lenders are regulated federally, whereas credit unions are regulated provincially.



## CREDIT UNION

A credit union is a not-for-profit financial cooperative that resembles a big bank but is locally owned with profits invested back into the communities they operate in. Credit unions are also governed democratically with each member or retail customer having a vote.

Credit unions can be a good choice for clients whose needs may not fit with the banks or monolines.



## B LENDER

If you have problems with your credit or cannot show satisfactory income documentation, B Lenders may be the option for you. B Lenders are increasingly becoming a solution to business owners as mortgage rules become more strict.



## PRIVATE LENDER

These are private individuals or a group of investors who provide mortgages as part of a business. Private mortgages have the highest interest rates but generally do not require a client to have good credit or even income. Private mortgages can help finance a purchase or refinance and are seen as temporary solutions for complex financing needs.




# Mortgage Bids

When you have a specific property in mind, your broker will be able to give you the choice from three different mortgage bids.

## Interest Rate is Important, But...

For many clients, rate is a prominent factor in their mortgage decision. However, the mortgage options and flexibility that come with each lender's mortgage are more important. Actually, in *most cases*, the penalties and inflexibility of some mortgages make them unattractive and more expensive in the long run.

Below is an example of a mortgage bid showing attached features. A full list of mortgage features is on the next few pages.

Scotiabank		Full Featured Mortgage
	<b>BLEND &amp; EXTEND</b>	Increase your mortgage, blend your rate, & get a new term. Approval at contract rate.
	<b>INCREASE &amp; PAYOFF</b>	Increase payments up to 220% per year & pay off up to 20% of the original mortgage per year.
	<b>BANK IRD PENALTY</b>	~4% penalty of the outstanding balance if you cancel your mortgage within the term.

### The Fine Print

Some ultra low-rate mortgages can have distinct penalties and it is important to be aware of them when it comes to your own mortgage.

## Details to Consider

Mortgage lenders value certain aspects of a mortgage file more than others. For instance, when you put less than 20% down, you may be provided with lower interest rates. This seems counterintuitive because lower down payments should mean higher risk for lenders, and therefore a higher rate for borrowers. However, when default insurance, or CMHC insurance is paid, the lender is insured against the borrower not paying, which makes the mortgage more secure and more desirable to the lender.

Below are some other file aspects that can affect lender choice and rate:

- Time to Complete
- Condominiums
- Rentals
- Unconventional Income
- Credit Score
- Property Health
- Down Payment
- Amortization



# Mortgage Features

Mortgages come with an array of features and options, based on your specific needs. We will provide you with mortgage recommendations using the available features and options.

## Flexibility



### PORTABLE

When moving, you may take your mortgage with you.



### ASSUMABLE

You may have your mortgage taken over by another party.



### CONVERTIBLE

Your variable mortgage may be converted to a new fixed rate mortgage during your term.



### PURCHASE PLUS IMPROVEMENTS

Allows you to finance home renovations through your mortgage at the time of purchase.



### BLEND & EXTEND

The lender provides you with a brand new term and blends in your current rate and a new rate. This allows you to get a new 5-year fixed rate within your term without breaking your mortgage.

This usually occurs when porting but can also help with consolidating debt or taking advantage of low interest rates.



### BLEND TO TERM

The lender provides you with an increased mortgage amount and blends your current rate with a new rate. This usually occurs in conjunction with porting. The number of months or years remaining on your mortgage don't change.

## Blend & Extend VS Blend to Term

It is Canadian regulation that you have to be approved at the "benchmark rate" if you are to obtain a mortgage that is not a 5-year fixed rate. The benchmark rate can be as high as double the 5-year fixed rate. If you have a blend to term and you could not afford your new mortgage based on a doubled rate, the lender would require you to cancel your mortgage, pay the penalty, and then get a new 5-year fixed rate mortgage. Blend and Extend can protect against this scenario.

# Mortgage Features Part 2



## COLLATERAL MORTGAGE

Allows you to use your home as security for more than just your mortgage. This may allow for HELOCs or other mortgage segments. When it comes to mortgage transfers, this mortgage must be fully discharged and a new mortgage must be registered.



## MORTGAGE SEGMENTS

The lender will allow you to get more than one "segment" for your mortgage. This will allow you to take full advantage of having different mortgage types, terms and rates, all under one collateral mortgage.



## SKIP A PAYMENT

You may skip a payment if required.



## HELOC AVAILABLE

You will be able to apply for a Home Equity Line of Credit in the future without registering title.

## Restrictions



## BANK IRD PENALTY

This is the early breaking penalty for your fixed rate mortgage. Typical bank IRD penalties are about 4% of the outstanding mortgage amount.



## LOW IRD PENALTY

Breakage penalties for most monoline or credit union mortgages are typically about 0.7 % of the outstanding mortgage amount.



## 3 MONTH INTEREST PENALTY

Variable prepayment penalties are three times your current monthly interest payment.



## DISTINCT RESTRICTION

Your mortgage may have unique restrictions. These may be no porting clauses, the inability to refinance within the term, or larger penalties.

### Focus on Total Mortgage Cost

The most important factor you should consider when it comes to choosing a mortgage is the total mortgage cost. **Total mortgage cost is different from your mortgage's interest rate** as your cost can increase drastically based on penalties or due to the absence of mortgage flexibility or options.

# Mortgage Features Part 3

## Prepayment

The most important features you can have for your mortgage are prepayment options. The prepayment options on your mortgage directly correlate to the strategies which allow you to pay off your mortgage sooner, saving you thousands of dollars over the life of your mortgage. All prepayments go directly to the principal balance owing on your mortgage.

### **INCREASE & PAYOFF**

#### **Extra Payments Against Principal**

Although all financial institutions offer some form of prepayment privilege, the amount and how it can be applied differs from one to another.

The most restrictive lenders only allow you to prepay up to 10% of your original balance, once per year, and only on the anniversary date of your mortgage. Other lenders offer prepayments as high as 20% per year, in any increment (over \$100) and as many times as you want as long as the total prepayment does not exceed 20% of the original outstanding balance per year.

#### **Increase Your Regular Payment**

Additionally, most lenders allow you to increase your scheduled payment by 10%-20%.

### **ACCELERATED PAYMENTS**

Some banks advertise accelerated payments as a way to pay off your mortgage faster. This means that you will pay one more month's payment over the course of each year. Although this strategy is useful, we find that it does not go far enough. Your personalized mortgage strategies will be more effective than accelerated payments.

### **DOUBLE UP**

On any regular payment date, you can double your payment.

# Why Tom Fisher Select Mortgage

There are generally two ways to get a mortgage in Canada: Through a bank, or through licensed mortgage professionals like us.

While a bank only offers products from their particular institution, licensed mortgage professionals send billions of dollars in mortgage business each year to Canada's largest banks, credit unions, and trust companies, offering their clients more choice, and access to hundreds of products!

As a result, clients benefit from the comfort of knowing they are getting the best mortgage for their specific needs.

We work for you, not the banks. Therefore, we work with your best interests at heart.

Whether you're purchasing a home for the first time, taking out equity from your home for investment or pleasure, or your current mortgage is simply up for renewal, it's important that you are making an educated buying decision with our professional, unbiased advice.

Thank you for reading our **Lenders and Options Mortgage Guide**. We look forward to helping you!