Mortgage Planning Guide

All the steps you'll need for building a Mortgage Blueprint™ including tips and checklists.

Compliments of:

The Greg Nowik Team

Universal Mortgage Architects™

Planner Network

A mortgage is one of the most important financial decisions you will ever make. Our goal is to design the right mortgage for you, with the features and options that meet your needs, and save you money. You can rest assured that no stone will be left unturned in our search for the best mortgage solution for you and your family.

Our partnerships with over 50 financial institutions give us the buying power to provide our clients the best possible interest rates for their particular situation. While everyone appreciates paying less money, it's the experience and convenience our clients comment on the most. We will work with you through the mortgage process, every step of the way, to make your borrowing experience stress-free and efficient.

What does such expertise and access to a vast financial network cost? It costs you nothing. There are no arranging fees (oac). Instead, the lender we decide on together pays compensation for the services and solution provided.

Some people spend more time shopping for clothes than they do for a mortgage, yet a mortgage may be with them for 25 years or more! You've made a wise decision to seek independent mortgage advice.

We will be glad to tell you about all the mortgage products and options available in the market today, and to advise you on how to become mortgage free faster. Our goal is to ensure your complete satisfaction.

We look forward to speaking with you about your mortgage needs at a time most convenient for you.

The Greg Nowik Team

P.S. The growth of my business depends on referrals from my satisfied clients. My goal is to count you as one who will want to tell friends and family about your successful mortgage experience.

Contents

The information in this guide is for informational purposes only, is subject to change, and is not a substitute for professional mortgage advice. It is important that you obtain specific advice that pertains to your particular situation.

Welcome to the art of mortgage design

Mortgage Architects is a team of experienced mortgage planners who offer objective advice and great rates through custom-fit mortgage plans. At Mortgage Architects, we are committed to a simple yet efficient borrowing process that delivers a mortgage solution shaped to meet your unique needs. This guide is just one step in our commitment to make that happen for you.

What makes us different?

Our approach. With so many choices available, and ongoing decisions to make over the life of a mortgage, a well-designed mortgage plan is your blueprint to getting the mortgage you need, and to becoming mortgage free faster. We treat every mortgage solution as if we were building a dream home – the solution we recommend for you will be designed for you specifically; carefully constructed to match your unique requirements.

This is one of the most important purchase decisions you may ever make, and with the right advice and planning, it can positively affect your future.

Our network.

We have long lasting partnerships with a vast network of lenders. We deal with over 50 lending institutions, including major banks, credit unions, trusts and other regional and national lenders. This means we can put significant negotiating power to work for you. A wealth of product choices also helps us find the best mortgage to fit your specific financial situation.

This isn't just about rates.

Rates are important, but so are mortgage features and options, market trends, and your long-term goals. So we don't just focus on rate. You need a mortgage plan that is a custom fit for you, and an advisor who keeps in touch with you during your mortgage journey years. You deserve dedicated attention.

Our experience.

Certain standards must be met before a mortgage planner can join Mortgage Architects. These include the planner's reputation, along with breadth and depth of experience. Our track record is impressive, and our professional standards are unparalleled; we aim to surpass the benchmarks set by the Canadian Association of Accredited Mortgage Professionals (CAAMP).

Getting the right mortgage.

You're off to a great start with a company that offers expertise, in-depth industry insight, and exceptional resources. We look forward to being your personal mortgage planner and drawing up an individual plan that is right for you.

Common mortgage terms

Mortgagee/Mortgagor
The Mortgagee is the lender that advances the funds for a mortgage loan; the Mortgagor (that's you!) is the borrower who gives title to, or a lien on, real property to a Mortgagee to secure repayment of a mortgage loan.

Principal
The amount of the loan owed to the lender at any specified time, not including interest.

Interest Rate
The rate of return the lender gets for letting the borrower use the mortgage money for a specified term. The interest rate is usually expressed as an annual percentage rate.

Term
The length of the current mortgage agreement, usually from six months to 10 years. Usually, the shorter the term, the lower the interest rate.

Amortization
The number of fixed payments or years it takes to repay the full amount of your mortgage.

These are the most common words you'll hear while planning your mortgage. Your mortgage planner can answer any questions about other terms that may be new to you. You'll find a more detailed glossary on page 26.

Note: Your guide contains examples of how lenders calculate mortgage affordability and payments, and other requirements. We've used a fictional house cost of $200,000 (a nice round number!) throughout this guide and each example starts with an assumed interest rate of 5% over a 25-year amortization. Your mortgage planner, of course, will help you make these same calculations match your actual numbers and situation.

Getting your home in 5 easy steps

1 Meet with a Mortgage Planner

In your first meeting, you'll discuss your home buying or other borrowing goals related to a mortgage, your family income and assets, the size and source of your downpayment, and your other liabilities. Your mortgage planner will make sure that all of your questions or concerns are addressed, and will begin to develop a mortgage plan that is custom fit to you, with a very competitive mortgage rate and the mortgage features you need to achieve your financial and homebuying objectives.

2 Get an idea of your purchasing power and buy your home

It's a good idea to determine the amount of mortgage you can qualify for before you start house shopping. If you qualify for a pre-approved mortgage, you'll be certain of the size of mortgage for which you qualify and guaranteed a rate for a specific period of time. If you don't qualify for a pre-approved mortgage, your mortgage planner will be able to help you estimate a mortgage-qualifying amount. With an idea of your purchasing power, you can confidently make an offer on your home. Congratulations!

3 Mortgage loan submission

Your mortgage planner will help you complete a mortgage application and ask your permission to check your credit bureau if one hasn't already been done in the pre-approval process. This application will go to a lender (or lenders) that your planner recommends. Lenders are selected based on the objectives you've discussed, and your planner's knowledge of which companies can best meet your requirements. Your lender may need an appraisal of the property, and may verify your employment, mortgage or rent amount, and your down-payment. Your lender will look for:

- Sufficient established credit
- Proof you can afford the mortgage, such as stable employment, tenure (including length of self employment)
- Property condition and marketability

In today's new mortgage world, if you have strong credit and a large downpayment, income verification may not be required.

Take a look at our Documentation Checklist for a review of the kind of documents you may be required to submit. The lender reviews all of the information submitted and will request additional information if necessary. You and your mortgage planner will then get an approval and will review any "prior to funding" conditions. Your mortgage documents are sent by the lender for your signature. Approval documents include:

a) payment details
b) mortgage terms and conditions
c) outstanding "pre-funding" conditions, if any, that must be met. You need to make sure these are met and forward any required documents.

Once you have your approval, you can waive your financing condition if you had one.

4 Get ready to move

At some point after your mortgage is approved, you'll make an appointment to meet with your solicitor to provide identification, sign documents that relate to your new home, and review your closing costs.

Now you can prepare to move into your new home. See our Closing with Confidence tips which will help you make sure nothing goes wrong between the time you are mortgage approved and the time you actually move into your new home. Also use our Countdown to Moving Day Checklist to help your move go as smoothly as possible.

5 Enjoy

You're done! On the day you take possession of your home, your mortgage funds are sent by your lender to your lawyer. Now you can move in and begin enjoying your new home! If you're using your new mortgage for another purpose, make sure you celebrate some way. Perhaps you've repositioned high-interest debt at a lower mortgage rate and will now save on interest costs. Whatever your end goal was with your mortgage, you and your mortgage planner have together engineered an important financial milestone.

What lenders like to see

It's not as hard as you might think to qualify for a mortgage. Today there are options for all kinds of homebuyers. Your mortgage planner will determine which lender best meets your requirements. Whichever lender is chosen, they will want to know that you have:

- good and established credit. It's important to pay your bills on time and keep your credit card balances low. They also like to see that you don't have access to a lot of unused debt i.e. personal lines of credit;
- in many cases, adequate income to support your mortgage and your other obligations;
- a property that is marketable, and that the purchase price is appropriate; and,
- considered your downpayment

Most lenders use two simple calculations to estimate how much mortgage you can afford to carry: the Gross Debt Service Ratio (GDS) and the Total Debt Service Ratio (TDS).

The Gross Debt Service Ratio

This ratio considers your payments associated with housing. Here's how to calculate it:

(monthly mortgage payment + property taxes + heating costs) × 100

÷ your gross monthly income

Example (monthly):

Mortgage payment		$1,500
Property taxes	+	$250
Heating costs	+	$85
Total		**$1,835**
	× 100 =	$183,500
Monthly gross income	÷	$6,000
Gross debt service ratio	**=**	**30.6%**

The Total Debt Service Ratio

This ratio considers all your monthly debts against your gross monthly income. Here's how to calculate it:

(monthly mortgage payment + property taxes + heating costs + other debts) × 100

÷ your gross monthly income

Example (monthly):

Mortgage payment		$1,500
Property taxes	+	$250
Heating costs	+	$85
Other debts *(credit cards, loans)*	+	$450
Total		**$2,285**
	× 100 =	$228,500
Monthly gross income	÷	$6,000
Total debt service ratio	**=**	**38.1%**

Documentation Checklist

Your mortgage planner can check off which of the following information may be necessary for your particular situation. In some cases, further documentation not listed here may be required.

	Are you: Salaried?		Self-employed?	
	Purchase	Refinance	Purchase	Refinance
Offer to Purchase (incl. waivers if applicable)				
Firm sale on current home				
MLS (Multiple Listing)				
Gift letter				
Loan balances				
Mortgage statement				
Credit card statements				
Letter of employment				
Pay stub				
Notice of assessment (NOA)*				
T1 General				
T4(s)				
Verification of business**				
Bank statements				
Investment statements				
Additional documents that may be required:				
Making a downpayment? How much?				

** NOA is what CCRA sends you to confirm your income tax assessment.*
*** Includes financial statements, articles of incorporation, GST statements showing you've been in business (generally a minimum 3 years). Each lender may have different requirements.*

Your mortgage options. Your mortgage style.

Downpayment Options

Savings or short-term investments: If you've saved for your downpayment, you may need to show three or more months of banking history, and explain any large deposits during this time period. Copies of statements for other investments and savings accounts may also be required.

RRSP Home Buyers' Plan: You can use your RRSP savings as a downpayment. The Home Buyers' Plan (HBP) is a government program that allows first-time homebuyers to borrow up to $25,000 from their registered retirement savings plans (RRSPs) to buy or build a principal home. The money you withdraw is not subject to tax but must be paid back to the RRSP account over a 15-year period. Minimum annual repayments are required. Visit the Canada Revenue Agency's website for more detailed information, including a detailed guide and the required forms: http://www.cra-arc.gc.ca/tx/ndvdls/tpcs/rrsp-reer/hbp-rap/menu-eng.html.

Gift: If you have been gifted your downpayment, you may have to provide a letter stating that the gift given is from an immediate relative (parent or sibling) and that the gift is not repayable. You also need to confirm that the funds are in your possession at least 15 days prior to closing. See our sample Gift Letter.

Property Sale: When your downpayment comes from a property sale, you must provide a firm offer to purchase, along with a mortgage statement showing the balance owing.

Borrowing: You can borrow your down-payment (e.g., personal loans, lines of credit, lender cash-back incentives), although there are typically increased insurance premiums or fees and higher credit criteria.

Need more help with your down-payment? The Home Buyers' Plan is just one way to get started; depending on where you live, there may be other programs that apply to you. Be sure to ask your mortgage planner.

Your Mortgage Style

Your mortgage should fit your needs and lifestyle. While interest rates can drive mortgage decisions, you should also consider features and options that work for you. Generally, shorter terms are usually attractive if you feel interest rates will be stable or drop; longer terms are better if you want the peace of mind of knowing your mortgage payments will always be the same.

High ratio vs. conventional; fixed vs variable
Mortgages can be classified as a conventional mortgage (when you have a downpayment that's at least 20% of the purchase price) or as a high-ratio mortgage (when your down-payment is less than 20% so the mortgage is either insured against default by a mortgage insurer or self-insured by the lender). Then it's your decision whether to go with an open, closed or convertible mortgage at fixed or variable rates.

Some buyers prefer to save for a longer period of time so they can bypass paying mortgage insurance. While others choose a high-ratio mortgage even if they can make a larger downpayment. Why? Because of the flexibility to use the extra cash for renovations, business need or for investment purposes.

Features that fit
Mortgages also have different attributes that set one product apart from another. Some will offer opportunities for flexible prepayment or conversion to a different term, and/or allow you to transfer your mortgage to a new property (portability).

Your mortgage planner has a wide array of mortgage products available and will work with you to find the mortgage with features that can suit your specific needs.

Your Mortgage Style chart can help you compare the possibilities, and, with the help of your mortgage planner, you can together design the best mortgage for you.

The mortgage that's right for you

Mortgage Options	Description	Is this the mortgage for you?
Fixed Rate 6 months, typically 1 to 5 years, with longer terms available (up to 25 years)	**Your interest rates and payments remain the same over the term.** • You know exactly how much your payments will be and how much of your mortgage will be paid off at the end of your term. • Often allows you to increase your mortgage payment or make a lump sum payment annually.	• Do you like or need to know exactly what your payment is going to be over the term of the mortgage? • Do you prefer not to watch rates? • Do you have less than 25% down?
Variable or Adjustable Typically up to 5-year terms.	**Interest rate and payments change at a set frequency based on the prevailing prime lending rate.** • Rate decreases are passed on to you relatively quickly. • May be converted to a fixed-rate mortgage for a term equal to or greater than the remaining term. • May have the ability to keep payment the same if rates drop, allowing for greater principal reduction.	• Do you have a flexible budget? • Can you handle sudden rate increases that could increase your payment? • Do you have 25% or more equity in your home?
Open Range of terms, typically 6 months to 1 year with longer terms available	**You can repay, in part or in full, at any time with no prepayment costs** • Provides flexibility until you feel ready to lock into a closed term or pay off the mortgage. • Interest rates are generally higher than for closed mortgages because of the pay out flexibility.	• Do you want complete flexibility to pay out the mortgage in full or part at anytime? • Are you planning to move in the immediate future? • Do you think interest rates are going down?
Closed Full range of terms, typically 1 to 10 years	**Your interest rate is locked in for the full term of the mortgage.** • Offers a lower interest rate than an open mortgage of the same term. • May not offer the same amount of pre-payment flexibility as an open mortgage.	• Do you think interest rates might rise? • Are you planning to stay in your home? • Do you want the security of knowing your payment will remain the same for the term of your choice? • Do you think you will only be able to make limited pre payments?
Convertible Typically 3 to 12 month terms	**Offers a lower short-term interest rate than an open mortgage of the same term.** • Can be converted at any time to a longer closed term with the same institution with no penalty.	• Do you watch rates so you'll know when to convert to a longer term? • Do you want to be able to change to a closed term longer than 6 months without a fee?

Specialty mortgage choices

It's a new mortgage world! There are an outstanding range of mortgage options available in the marketplace today. Be sure to browse through the mortgage opportunities available through Mortgage Architects.

Mortgage Type	Description
Entrepreneurs/ business owners	For self-employed clients who may find it difficult to prove their exact income amount. With good credit, entrepreneurs can qualify based on the income they say they earn, without full documentation.
Long amortization mortgages	For those who want to lower their payments by amortizing their mortgage for 30 or 35 years.
Interest only	When you want to pay interest only for a certain percentage of your mortgage; provides lower monthly payments.
Poor or damaged credit	For clients with past credit issues, including bankruptcies. A new mortgage can help improve your credit.
Vacation property/ second home	For recreational properties or secondary homes.
Investment property	For rental properties.
Home equity line of credit	Open line of credit secured against property.
Private mortgages	An alternative source of financing to borrowers who may not meet the criteria of institutional lenders. You will likely pay a higher interest rate and additional fees.

Creditor Life and Disability Insurance

You can purchase mortgage life and disability insurance to protect your survivors from losing the home you've worked so hard to own. Creditor life insurance pays the balance owing on the mortgage in the event of your death. Disability insurance covers monthly mortgage payments, up to a set amount, when you are unable to work due to medical reasons.

Purchase Plus Improvements

If you have a home that requires immediate upgrades, you may qualify for an extra 95% of the cost to complete those improvements, which would be added to your mortgage amount. This is handy if you don't have the extra cash and want to increase the value of your home. Lenders like it too because they know they're holding a mortgage on an improved, and therefore, more valuable home.

Your mortgage payment

Your monthly mortgage payment includes Principal and Interest. In addition, you may find that Mortgage Loan Insurance or a Lender Fee has been added to the principal amount you are borrowing. In some cases you can also have your Property Tax payments and Creditor Life and Disability Insurance bundled in with regular mortgage payments.

Principal: A payment on the principal or the amount borrowed.

Interest: A payment on the interest amount being charged.

Mortgage Loan Insurance (high ratio): Mortgage insurance provides default or high ratio insurance that protects the lender against the risk of lending to homebuyers who have less than a 20% downpayment. You, the borrower, pay this premium, which is added to your mortgage principal and protects the lender in the event the mortgage is not paid. This is not the same as creditor insurance.

Lender Fee: Some lenders self-insure their high ratio mortgages by adding a fee to your principal amount.

Taxes: Your property taxes are often collected along with your mortgage payment and placed into a special account that your lender maintains in order to remit your property taxes and keep them current. In some cases this is optional, and in others, it isn't. If you have this in place, you'll have one less payment to worry about. It's a great budgeting strategy.

Creditor Insurance: Some people prefer to take creditor life and disability insurance if it's available from their lender to ensure their family is protected financially should something happen to them. Others feel they have enough life insurance already to cover the cost of their mortgage in the event of their death, or they prefer to obtain this insurance through another source.

Loan to Value (LTV)	Mortgage Loan Insurance Premium
90.1%-95% LTV *(borrowed downpayment)*	**2.90%**
90.1%-95% LTV	**2.75%**
85.1%-90% LTV	**2.00%**
80.1%-85% LTV	**1.75%**

Mortgages with longer amortizations (over 25 years) that are insured by a mortgage insurer have higher insurance premiums. Lenders that self insure and offer these longer amortizations may also charge higher fees. Talk to your mortgage planner regarding your personal situation and the fees and premiums that may apply to you.

Estimating your mortgage payment

The following table is used to estimate monthly mortgage payments, not including property taxes and creditor insurance. Your principal amount borrowed, amortization and your annual interest rate are the key factors determining your payment.

To find out how much your monthly mortgage payments will cost at different rates, and with different amortization periods, you need to know which factor applies to you.

Step 1: Find your mortgage payment factor by looking for your expected interest rate and the amortization period you expect to have with the mortgage.

Step 2: Divide your expected mortgage amount by 1,000 and multiply it by that factor. Let's assume a $200,000 mortgage, 5% interest rate and 25-year amortization:

($200,000 ÷ 1,000) × 5.82 = $1,164 per month

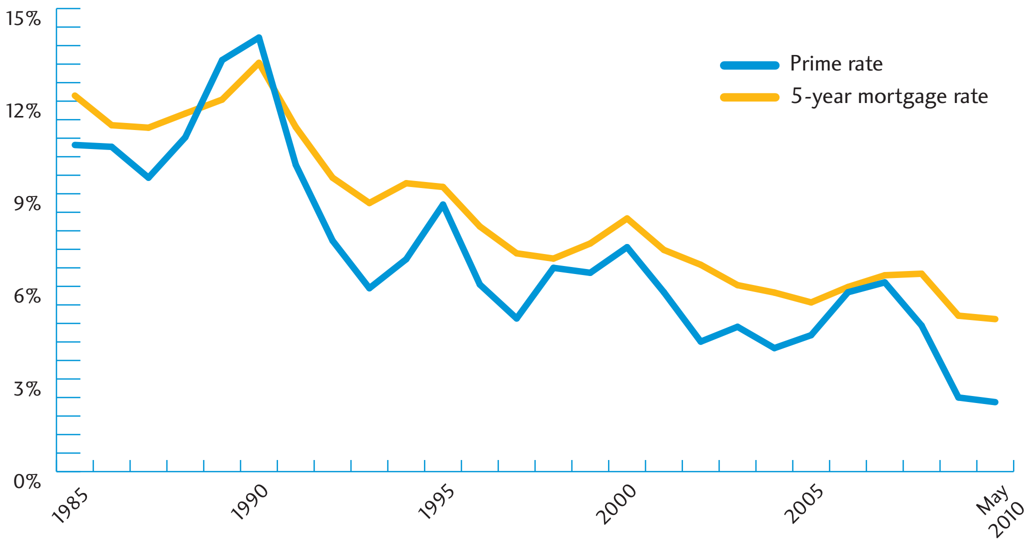
Mortgage Payment Factors (per $ thousand)

Annual Interest Rate	Amortization Period (Years) 20	25	30	35	Annual Interest Rate	Amortization Period (Years) 20	25	30	35
2.00%	5.05	4.23	3.69	3.31	**5.50%**	6.85	6.10	5.64	5.33
2.25%	5.17	4.36	3.81	3.44	**5.75%**	6.98	6.25	5.79	5.49
2.50%	5.29	4.48	3.94	3.57	**6.00%**	7.12	6.40	5.95	5.65
2.75%	5.41	4.61	4.07	3.70	**6.25%**	7.26	6.55	6.11	5.82
3.00%	5.54	4.73	4.21	3.84	**6.50%**	7.41	6.70	6.26	5.98
3.25%	5.66	4.86	4.34	3.98	**6.75%**	7.55	6.85	6.42	6.15
3.50%	5.79	4.99	4.48	4.12	**7.00%**	7.69	7.00	6.59	6.32
3.75%	5.91	5.13	4.61	4.26	**7.25%**	7.84	7.16	6.75	6.49
4.00%	6.04	5.26	4.76	4.41	**7.50%**	7.99	7.32	6.91	6.66
4.25%	6.17	5.40	4.90	4.56	**7.75%**	8.14	7.47	7.08	6.83
4.50%	6.30	5.53	5.04	4.71	**8.00%**	8.28	7.63	7.25	7.01
4.75%	6.44	5.67	5.19	4.86	**8.25%**	8.44	7.79	7.42	7.18
5.00%	6.57	5.82	5.34	5.01	**8.50%**	8.59	7.95	7.59	7.36
5.25%	6.74	5.96	5.49	5.17	**8.75%**	8.74	8.12	7.76	7.54

About rates and mortgage trends

One thing is certain about interest rates – they go up AND down. No one can predict accurately what will happen next when it comes to interest rates. You can, however, look at how rates behave historically (see 5-year mortgage rates vs. Prime graph below). You're already doing the best thing you can do to get a good rate by getting a mortgage planner to find the right mortgage for you. We've got the negotiating power and resources to find you a very competitive rate for your particular situation.

5-year Mortgage Rate vs Prime



Year	Average 5-year Rate	Average Prime Rate	Year	Average 5-year Rate	Average Prime Rate	Year	Average 5-year Rate	Average Prime Rate
1985	12.18	10.58	1994	9.34	6.88	2003	6.04	4.69
1986	11.22	10.52	1995	9.22	8.65	2004	5.80	4.00
1987	11.14	9.52	1996	7.94	6.06	2005	5.48	4.42
1988	11.60	10.83	1997	7.07	4.96	2006	5.98	5.81
1989	12.05	13.33	1998	6.90	6.60	2007	6.36	6.13
1990	13.24	14.06	1999	7.39	6.44	2008	6.41	4.73
1991	11.16	9.94	2000	8.20	7.27	2009	5.05	2.40
1992	9.52	7.48	2001	7.18	5.81	May 2010	4.94	2.25
1993	8.70	5.94	2002	6.70	4.21			

Source: Bank of Canada. Prime and 5-year mortgage rates are based on a 12-month average.

Closing with confidence

While you may have a mortgage approval, your mortgage doesn't actually fund until the day you close on your new home. During that period of time, keep the following tips in mind to ensure a smooth closing.

Tips for a smooth closing

1. Be careful about taking on additional credit i.e., new credit cards, "don't pay for one year" incentives, or to co-sign other loans or mortgages. Keep your bills up to date including your current mortgage
2. Keep your downpayment for your down-payment and remember to have the proof that is required.
3. Keep an eye on your investments needed to close the deal. You don't want them to fall below the amount you need.
4. It can actually be better to not close accounts with a zero balance. And if you make large deposits to your account, be able to explain them with documentation.
5. Try not to pack any important documents relating to your mortgage/home.
6. If at all possible, just before funding is not a good time to quit your job or move to part time, or reduce your income amount.
7. Tell your mortgage planner if you are on probation at work, or are going on maternity/paternity leave, or on short or long term disability.
8. Have you disclosed all of your debt/obligations? Often people forget about car leases, student loans, or past credit problems.
9. Don't change your closing date without telling your mortgage planner and remember to satisfy all conditions of your mortgage approval at least 10 days before closing.
10. Get your fire insurance in place and investigate life insurance options.
11. Respond promptly to all those involved in your home and mortgage transaction.
12. Plan for your closing costs, such as land transfer tax, appraisal fee, legal fees, utility hook ups, property tax and interest adjustments, so you won't be caught by surprise. Your Closing Cost worksheet helps you know you've got everything covered!

Closing cost worksheet

Selling Price	$ ________	A
Less Costs		
Real Estate Commission assuming ______ %	$ ________	
HST/GST on Real Estate Commission ______ %	$ ________	
Legal Fee (plus HST/GST)	$ ________	
Disbursements on Sale	$ ________	
Payout 1st Mortgage	$ ________	
Penalty to Discharge 1st Mortgage if applicable	$ ________	
Discharge Administration fee	$ ________	
Payout of 2nd Mortgage	$ ________	
Penalty to Discharge 2nd Mortgage if applicable	$ ________	
Discharge Administration fee	$ ________	
Property Taxes (paid up to date)	$ ________	
Other Debts to be paid out from Sale	$ ________	
Total Costs	$ ________	B
Net Cash Available from Sale (A-B)	$ ________	
Purchase price of new property less deposit made with offer *(add HST or GST for newly built homes, less applicable rebates)*	$ ________	
Additional downpayment (if any)	$ ________	
Closing Costs		
Land Transfer Tax	$ ________	
Legal Fee (plus HST/GST)	$ ________	
Registration Costs/Disbursements on Purchase	$ ________	
Title Insurance	$ ________	
Adjustments/Incidentals	$ ________	
Mortgage Application Fee/Appraisal Fee	$ ________	
Insurance Premiums or Lender Fee	$ ________	
HST/PST on Insurance Premiums (if applicable)	$ ________	
Lenders Application Fee/Commitment Fee	$ ________	
Interest Adjustment (lender to confirm)	$ ________	
Property Tax Holdback (lender to confirm)	$ ________	
Total Closing Costs	$ ________	

Your Mortgage Planner will work with you to ensure your mortgage covers all of your costs.

Money-saving tips

You're happy you've found the right mortgage, but you don't want to think about the cost of that borrowing? You're not alone. The good news is that your mortgage planner can suggest ways to save money over the life of your mortgage. Here are some tried-and-true money saving strategies.

1 Increase your payment frequency

If you've been renting, you're likely used to paying your housing costs once a month. But with a mortgage, you can pay weekly (52 payments), bi-weekly (26 payments), or semi-monthly (24 payments). You make additional payments with weekly and bi-weekly versus monthly or semi-monthly, which shortens your amortization period and reduces the amount of interest you pay over the long run.

Example: A $200,000 mortgage amortized for 25 years at 5%. Adjust payments from monthly to every two weeks (bi-weekly or 26 payments), and you'll reduce your amortization to 21.5 years and save $24,177 in interest.

2 Shorten your amortization

If you have the cash flow, you could shorten the number of years it will take for you to pay off your mortgage. A shortened amortization means higher mortgage payments, but you will pay less interest over time.

Example: $200,000 mortgage amortized for 25 years at 5%. Switch to 20 years, and you'll pay off your mortgage 5 years earlier and save $33,543 in interest.

3 Use your pre-payment privileges

Those privileges are there for a reason – they help you pay off your mortgage faster and reduce your interest costs. Pre-payment privileges differ from lender to lender (up to 15%, 20% + 20%, double up, lump sum). You can count on your mortgage planner to explain your options.

Take the 20 + 20 option. Once a year, you can increase your mortgage payment by up to 20% over the current payment. The second 20 lets you make a lump sum payment of up to 20% of the original principal each year.

Example: $200,000 mortgage amortized for 25 years at 5%. Put $2,000 lump sum amount each year on your mortgage and you'll pay off your mortgage in under 20 years and save $37,636.

Where can you find pre-payment money? How about your tax refund or bonuses from work?

4 Roll high-interest debt into your mortgage

You can use the equity in your home to consolidate your other high interest debt such as credit cards. By consolidating all of your debt into a new mortgage, you can make fewer payments, saving money on interest costs, and improve your cash flow. You can then consider using the money you save each month to pay down your mortgage faster.

Sample gift letter

To whom it may concern:

Please be advised that I/We ____________________ (donor(s))

am/are giving ____________________ (recipient(s))

whom is my/our ____________________ (relationship to donor) the sum of $ ____________

to be used as part or all of the downpayment for the purchase of the property located at:

____

We the undersigned recipient(s) and donor(s) hereby certify the following:

1. These funds are a genuine gift from the donors and do not have to be repaid
2. No part of the financial gift is being provided by any third party having any direct or indirect interest in the sale of the subject property; and
3. The donor(s) is/are an immediate family member of the borrower.

Recipient(s)

Name	Name
Address	Address
Signature	Signature
Date	Date

Donor(s)

Name	Name
Address	Address
Signature	Signature
Home Telephone	Home Telephone
Relationship	Relationship
Date	Date

Broker

Name	Phone & Fax Number
Address	

Countdown to moving day checklist

BEFORE THE MOVE

	Yes	No	N/A
Arrange for new movers			
Moving company name: ____________________			
Phone number and contact: ____________________			
Date and arrival time: ____________________			
Arrange for the utilities in your new home			
Hydro Date: __________ Time: __________ Contact: __________			
Telephone Date: __________ Time: __________ Contact: __________			
Heating Date: __________ Time: __________ Contact: __________			
Water Date: __________ Time: __________ Contact: __________			
Television Date: __________ Time: __________ Contact: __________			
Internet Date: __________ Time: __________ Contact: __________			
• Be sure to arrange for a fire insurance policy on your new home.			
• Arrange for dentist, doctor or any other specialists to be informed and, if necessary, transfer any medical records to new locations.			
• If necessary, transfer school records.			
• Notify Post Office of address change and ensure mail is forwarded.			
• Arrange all final billing dates for utilities.			
• Notify Ministry of Transportation and health insurance of address change for drivers license and health cards.			
• Notify companies where you have monthly obligations, i.e. credit card companies etc.			
• Notify delivery services of change of address, i.e. newspapers, magazines, clubs etc.			
• Notify income sources, i.e. OAS, CPP, unemployment insurance.			
• Others to notify – insurance agents, banks, vet, library, accountant, lawyer, broker, health club, else?			

MOVING OUT	Yes	No	N/A
• Ensure your pets are accommodated during the move.			
• Do you need child care on that day?			
• Appliances are ready for the move (i.e. freezer defrosted, stove cleaned)			
• Remove all drapes/blinds or rugs if applicable			
• Ensure all other items are packed safely			
One more look...			
• Has the attic been cleared out?			
• Has the basement been cleared out?			
• Have you checked all closets to ensure nothing is forgotten?			
• Did you remember to check the backyard and garage?			
• Did you lock all doors and windows?			
• Did you leave all keys with the appropriate person?			

MOVING IN	Yes	No	N/A
• Have you picked up all necessary keys? Do they all work?			
• Do the locks need to be changed?			
• Have you read all meters (water/gas/hydro)?			
• Does everything work? (lights, toilets, appliances, locks, windows)			
• Are there any damages to the property?			
Now that you are settled in….			
• Double check your moving list, has everything been done?			
• Take a walk around the neighborhood, do you know where all necessary establishments are? (post office, school, grocery store)			
• Have you met your new neighbours?			

Glossary of mortgage terms

Adjustments
Common expenses, if any, such as property taxes or utility bills, that have been prepaid by the vendor are pro-rated and paid by the purchaser to the vendor on closing.

Adjustable Mortgage
A mortgage whose interest rate and payments are changed at an agreed upon frequency based on a plus/minus adjustment to the prime lending rate. It may be converted to a fixed rate mortgage for a term equal to or greater than the remaining term.

Amortization
The time over which the mortgage is to be completely repaid, assuming equal payments. For example, if you have a mortgage with a 25-year amortization period, it would take 25 years to bring the balance to zero, if all regular payments were made on time.

Amortization Schedule
A breakdown of the principal and interest payments for the initial term.

Conventional Mortgage
A mortgage of up to a maximum of 80% of the lending value of the property.

Conversion
A feature that allows borrowers to fix the rate of their variable rate mortgage to a term equal to or greater than the remaining term with no penalty.

Fixed Term Mortgage
A mortgage with a fixed rate for a specific term.

High Ratio Mortgage
A mortgage loan that exceeds 80% of the lending value of the property, and which is insured through a mortgage insurance program or self insured by some lenders.

Interest Adjustment Date (IAD)
The date from which interest is calculated, at the rate and compounded at the frequency, set out in the mortgage contract. It is normally the first day of the month following the closing of the mortgage transaction.

Interest Rate
The rate of return the lender gets for letting the borrower use the mortgage money for a specified term. The interest rate is usually expressed as an annual percentage rate.

Loan to Value (LTV)
A calculation that expresses the amount of a first mortgage lien as a percentage of the total appraised value of the property. The resulting percentage is commonly called the loan to value ratio.

Example: An appraised property value of $120,000 and a first mortgage of $90,000 produce an LTV ratio of 75%. Lenders consider loan to value as one of the key risk factors when qualifying borrowers.

Mortgagee/Mortgager
The Mortgagee is the lender that advances the funds for a mortgage loan; the Mortgagor (that's you!) is the borrower who gives title to, or a lien on, real property to a Mortgagee to secure repayment of a mortgage loan.

Penalty
A sum of money paid to a lender for the privilege of prepaying a mortgage in part, or in full, before the mortgage matures.

Portability
A feature that allows an existing mortgage to be transferred to a new property (generally with credit approval and property appraisal).

Prepayment
Full or partial payment of all or part of the principal amount owing. A separate payment from regular payments allowed in a mortgage agreement.

Principal
The amount of the loan owed to the lender at any specified time, not including interest.

Term
The length of the current mortgage agreement.

Title
Right of ownership of property, including evidence of such ownership.

Title Insurance
A contract by which the insurer, a title insurance company, agrees to pay the insured a specific amount for any loss caused by insured defects to title of a property, for which the insured has an interest as purchaser, lender or otherwise.

The Greg Nowik Team

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