MORTGAGES WITH GARY.com

Happy New Year!

2023 has finally arrived and we have some great information for you this month, including what you need to know about alternative lending and tips for post-holiday debt consolidation!

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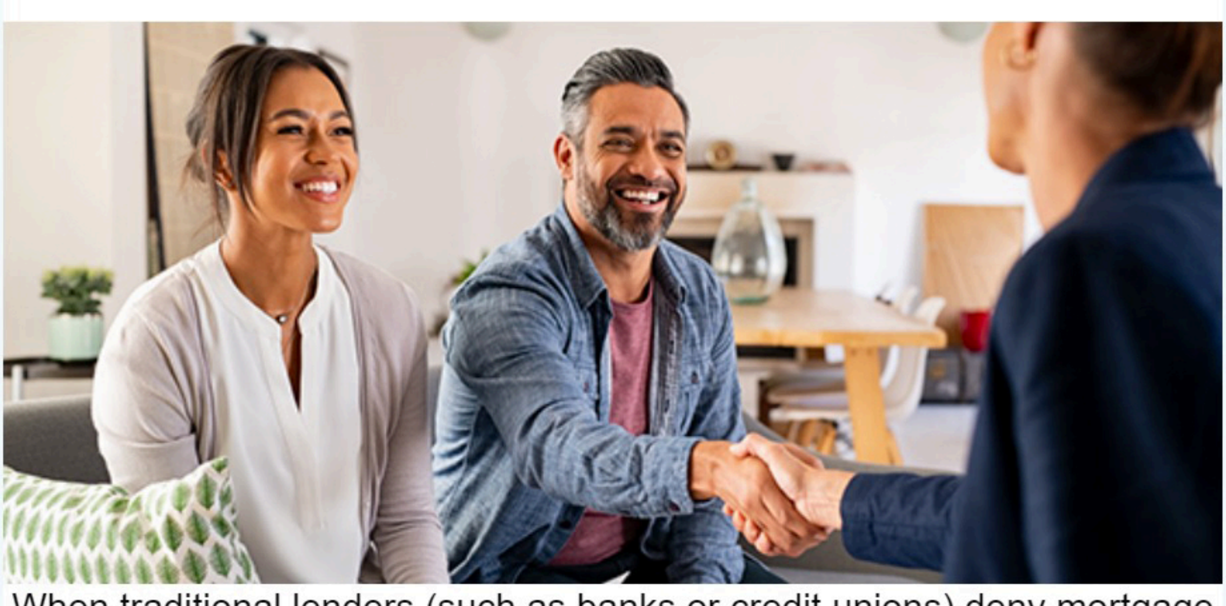
Alternative Lending



When traditional lenders (such as banks or credit unions) deny mortgage financing, it can be easy to feel discouraged. However, it is important to remember that there is always an alternative!

If you're seeking a mortgage, but your application doesn't fit into the box of the big traditional institutions, you'll find yourself in what's commonly referred to in the industry as the "Alternative-A" or "B" lending space. These lenders come in three classifications:

- **Alt A lenders** consist of banks, trust companies and monoline lenders. These are large institutional lenders that are regulated both provincially and federally, but have products that may speak to consumers who require broader qualifying criteria to obtain a mortgage.
- **MICs (Mortgage Investment Companies)** are much like Alt A lender but are organized in accordance with the Income Tax Act with an incorporated lending company consisting of a group of individual shareholder investors that pool money together to lend out on mortgages. These lenders follow individual qualifying lending criteria but tend to operate with an even broader qualifying regime.
- **Private Lenders** are typically individual investors who lend their own personal funds but can sometimes also be a company formed specifically to lend money for mortgages that carry a higher risk of default relative to a borrower's situation. These types of lenders are generally unregulated and tend to cater to those with a higher risk profile.

All classifications noted above price to risk when it comes to a mortgage. The more broad the guidelines are for a particular mortgage contract, the more risk the lender assumes. This in turn will yield a higher cost to the borrower typically in the form of a higher interest rate.

Before considering an alternative mortgage, here are some questions you should ask yourself:

1. What issue is keeping me from qualifying for a traditional "A" mortgage today?
2. How long will it take me to correct this issue and qualify for a traditional lender mortgage?
3. How much do I have to improve my credit situation or score?
4. How much do I currently have available as a down payment?
5. Am I willing to wait until I can qualify for a regular mortgage, or do I want/need to get into a certain home today?
6. Is this mortgage sustainable? Can I afford the larger interest rate?
7. Can I exit this lender down the road in the event the lender does not renew or I cannot afford this alternative option much longer?

If you are someone who is ready to go ahead with an alternative mortgage due to a weaker credit score, or you don't want to wait until you're able to qualify with a traditional lender, these are some additional questions to ask when reviewing an alternative mortgage product:

1. How high is the interest rate? What are the fees involved and are these fees paid from the proceeds, added to the balance or paid out of pocket?
2. What is the penalty for missed mortgage payments? How are they calculated? What is the cost to get out of the mortgage altogether?
3. Is there a prepayment privilege? For example, are you able to avoid penalties if you give the lender a higher mortgage payment once a month?
4. What is the cost of each monthly mortgage payment?
5. What happens at the end of the term. Is a renewal an option and what are the costs to renew if applicable?
6. What is the fine print?

When it comes to the alternative lending space, things can get complex. Contact me today if you're considering an alternative lender and I can help you source out various mortgage products, as well as review the rates and terms to ensure it is the best fit.

Post-Holiday Debt Consolidation

The holidays are a season of giving and often times, households can often find themselves carrying some extra debt as we enter the New Year.

If you happen to be someone currently struggling with some post-holiday debt, that's okay! Whether you've accumulated multiple points of debt from credit cards or are dealing with other loans (such as car loans, personal loans, etc.), you are likely looking for a way to simplify your payments – and reduce them. Rolling them into your mortgage could be the perfect solution. In fact, consolidating other forms of debt into your mortgage has multiple benefits, including:

- Helping you pay off your loans over a longer period of time
- Allowing for reduced interest rates when compared to a credit card
- Being easier to track with one single payment per month
- Reduce your total monthly outlay of debt repayments

If you're still not sure if this is the right solution for you, here is an example… if you have $30,000 of credit card debt, you are probably paying approximately $600 per month and $500 per month of that is likely going directly to interest. If you let me help you to roll that debt into your home equity and monthly mortgage, your payment for this $30,000 portion would drop down around $175 per month, with interest charges closer to $140 per month. That is huge savings!

While debt consolidation through refinancing will increase your mortgage, the benefits can be well worth it when it comes to interest savings, time and stress. Keep in mind, you'll need a minimum of 20 percent equity in your home to qualify for this adjustment.

If you are looking for a way to simplify (or get out of) debt, reach out to me today! I would be happy to take a look at your current mortgage and walk you through the debt consolidation process, or help you come up with an alternative option that may help suit your needs.

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