Your monthly home & mortgage newsletter

MORTGAGEARCHITECTS | July 2022 e-Newsletter

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Get the information on what YOU need to know about the latest Bank of Canada interest rate hikes. Plus, with summer in full swing so is construction season, and we have all the tips on building your own home. Lastly, get the low-down on throwing a perfect summer social!

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What To Know About The Latest Interest

Rate Hikes

With recent Bank of Canada interest rate hikes, and more on the way, here is what you need to know about how these fiscal policy changes affect your mortgage.

First and foremost, the interest rate hikes directly affect individuals that currently have an adjustable-rate mortgage. Depending on your mortgage amount, you're looking at a potential mortgage payment increase of $40 per month for every $100,000 of balance owing. For example, if your mortgage balance is $400,000 then your monthly payment will increase approximately $160 per month.

As Canada’s lending prime has increased, variable rates increase as these rates are tied to prime. Payments need to increase respectively to ensure the scheduled amortization remains the same. Hence you will still pay off your mortgage as the original amortization shows. For those individuals on a fixed-mortgage, you will not be affected by these interim changes outside of renewing your mortgage. If you’re mortgage is up for renewal, you will likely be renewing at a higher rate depending on your lender. If you’re still six months away from renewing, it may be a good idea to look into the options for early renewal to avoid getting caught up in another interest rate hike later this year.

All rates, fixed or variable are expected to rise more over the summer months. Please reach out to me today to discuss obtaining a rate hold. I can lock-in an interest rate for 90-120 days while you plan your next step whether it is renewing, purchasing or planning for changes.

If you're not currently a homeowner, but were looking at getting into the marketplace, it is a good idea to revaluate your budget and potential calculations for homeownership to ensure that your estimates are in line with the new interest rates. Download my mobile app My Mortgage Planner to play around with calculators and review your budget

While interest rate hikes affect everyone, understanding the dollar value change for your situation and adjusting your budget accordingly, can help ease the pressure from increased mortgage costs. If you have any questions or are not sure what your next move should be, don't hesitate to reach out to me today! I'd be happy to help review your situation and walk you through your options.

My Mortgage Planner
the key to your new home is just a click away
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5 Things to Consider When Building Your Own Home

Building a new home is an exciting adventure but requires very different considerations. To help you have the best experience, here are 5 of the most important things to consider:

- **It's All In The Numbers:** Whether you are shopping for a pre-built home, or are looking to create your own from the ground up, it is vital to know what you can afford and stay within it. This is the key to building a home that you will be able to enjoy for the next 20 or 30 years, while still maintaining your financial stability. Overall, the average cost to build a house can range $300,000 to $350,000 for 1,000 square feet to double or triple that amount. For example, an average 2,500 square foot home could cost between $500,000 and $875,000 to build depending on materials, design, etc. Keep in mind, these costs don't include the land or taxes on the construction and material.

- **Choose a Reputable Builder:** This one seems pretty straight forward, but when you start looking it can quickly become overwhelming when you realize how many options there are. When it comes to determining the head contractor for your project, careful research is needed. Another option is to consult friends and family members who have gone through the process, or ask your mortgage broker and/or realtor! They often have many qualified contacts in the industry or can help point you in the right direction.
- **Go Green!** Now more than ever before energy efficient upgrades are easy to add to your home. To make your home as efficient as possible, it is important to incorporate these options into your design BEFORE you start building. Options such as energy efficient appliances, windows, HVAC systems, and more can save you money in the long run and may also make you eligible for certain grants and discounts. For instance, the Canadian Mortgage and Housing Corporation (CMHC) green building program rewards those who select energy efficient and environment friendly options
- **Understand The Loan:** Lastly, beyond the costs and design of building a new home, what does a mortgage look like for an unbuilt home? In many cases, this is where a "construction mortgage or a draw mortgage" might come into play. In order to properly qualify for financing on an unbuilt home, you need to give your broker a budget that includes both hard and soft costs, as well as the reserve of money you plan to have set aside in case you run into unexpected events.

    - *Requirements for capital*

A common mistake is that many people don't realize you need capital first and upfront even with a construction mortgage. The capital is needed for the initial down payment on the land/lot, as well as city red tape and permits to start the construction and throughout the construction. It's this personal capital that is needed to finance the build to each stage of the construction. The draw mortgage will then advance money (the draw) to pay back the funds used to hit that stage of construction. For example, your capital finances the foundation of the home then the mortgage draw will advance funds to pay back that foundation capital. Then capital is used to get the house to the next draw stage which is generally framing, roof, doors and windows (knows as "lock-up") then the mortgage draw pays back the funds used to achieve the stage and so forth.

  - It is also important to note that the lender will also consider the appraised value of the finished product. This value is determined before the project begins. In this example, the completed appraised value of the home would have to be at least $600,000 to qualify. In addition, the client will have to come up with the initial $150,000 to be able to finance the total cost of $600,000.

Additional Notes: When it comes to building your own home and construction loans, here are a few extra things to keep in mind:

- Make your building plans in advance and stick with them to avoid costly changes during construction.
- Depending on the lender, you may have a time frame within which you need to complete construction (typically between 6 and 12 months).
- Construction loans are usually fully opened and can be repaid at any time.
- Interest is charged only on amounts drawn; there are no “unused funds”
- Once construction is complete and project completion has been verified by the lender, the construction mortgage is “moved over” to a normal mortgage

If you’re looking to build a home, don’t hesitate to reach out to me for friendly mortgage advice!

Throwing the Perfect Summer Social

There’s something magical about summer and no matter where you live in Canada, summer is the perfect opportunity to spend a little time with family and friends. Nothing says party vibes more than food on the grill and summer drinks flowing. Whether you live in a country house, a suburban townhome or a city condo, gather your crew and remember these essentials:

- **Good Eats:** To have the most success with your backyard party, you must pre-plan! This includes organizing an easy menu with bite size snacks, easy salads and flavour packed options to keep your guests satisfied. And don’t forget to make sure the barbecue has plenty of propane!
- **Cold Drinks**: **A cooler full of pop and water is a great start for a summer day! If you’re hosting adult, add a little alcohol to the mix! Boozy lemonades or spiked ice teas are easy to make and very fun to drink. Craft beer, ciders or chilled white wine are other fun options for a hot day!**
- **Did Someone Say Dessert?** If you’re planning an all-day affair, you might want to keep some quick and easy desserts or snacks on hand for the evening. Homemade ice cream bars, fruit kabobs or a veggie platter, or even chips can make great options for any peckish guests. And as the sun sets, you can break out the marshmallows and get your s’mores on in front of the fire!
- **Decor & Ambiance:** For suburban hosts, your backyard party would include a sitting area, maybe umbrellas to offer some shady spots and some water fun! However, if you find yourself in smaller city digs, that doesn’t mean your party still can’t be one for the ages. Consider throw pillows, paper patio lanterns and plastic glassware which are all affordable and easy to find to help create that perfect party space!
- **Choosing Your Tunes:** While music can set the ambiance, you need to know your guests. It’s not easy to pick a playlist that will appease all ears, but streaming services like Spotify and Apple iTunes have plenty of mixed playlists that should do the trick.
- **Entertainment:** Backyard games such as a bocce ball set, Frisbee and even a football can keep the fun and competition going for hours! If you’re looking for a more chill hang, consider setting up a card table or some board games for those who want to partake.
- **For the Kids:** If your party involves kids, you’ll want to keep the food simple and easy to eat with hands, so burgers, hot dogs, chips and watermelon are the way to go. You’ll also want to keep them occupied with simple games or more active options such as a soccer ball, mini trampoline or a sprinkler to run through and keep them cool. When daylight starts to fade, you can set up a backyard movie or camp-out with some tents to settle the night down.

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