

Your Monthly Home & Mortgage Newsletter

July 2023 |  MORTGAGEARCHITECTS



Hello July!

This month we are tackling house insurance and what you need to know about appraisals.



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Gary Corriveau

Mortgage Agent Level 2

C (519) 668-9739

Brokerage # 12728
59 Eugenie Street East Windsor, Ontario
N8X 2X9



Homeowner Insurance 101

Not all insurance products are created equal. It is important to understand all the different insurance products to ensure you have proper coverage. Below are the main insurance product options you will encounter with homeownership, and what they mean:

Default Insurance: This insurance is mandatory for homes where the buyer puts less than 20% down. In fact, default insurance is the reason that lenders accept lower down payments, such as 5% minimum, and actually helps these buyers access comparable interest rates typically offered with larger down payments. This insurance typically requires a premium, which is based on the loan-to-value ratio (mortgage loan amount divided by the purchase price). This premium can be paid in a single lump sum, or it can be added to your mortgage and included in your monthly payments.

Home (Property & Fire) Insurance: Next, we have another mandatory insurance option, property and fire coverage (or, home insurance, as most people know it by). This **MUST** be in place before you close the mortgage! It is especially important to note that not all homes or properties are insurable, so you will want to review this sooner rather than later. Keep in mind, with this coverage you may not have protection in the event of a flood or earthquake. You may need to purchase additional coverage to be protected from a natural disaster, depending on your location.

Title Insurance: When it comes to lenders, this insurance is mandatory with every single lender in Canada requiring you to purchase title insurance on their behalf. In addition, you have the option of purchasing this for yourself as a homeowner. The benefit of title insurance is that it can protect you from existing liens on the property's title, but the most common benefit is protection against title fraud. Title fraud typically involves someone using stolen personal information, or forged documents to transfer your home's title to him or herself - without your knowledge. Similar to default insurance, title insurance is charged as a one-time fee or a premium with the cost based on the value of your property.

Strata Insurance: When it comes to a stratum, their insurance covers the building itself – meaning in the event of an incident (fire, flood, etc.) the building can be re-established. This however only covers common areas; it does not cover the contents of YOUR particular unit, which requires a homeowner's insurance policy. Personal insurance can also help with the strata deductible. For example, in the event of a flood that originates from a unit, it will require fixes to the unit itself (under your personal policy) plus the building (covered by the strata policy). Depending on the type of claim or damage, owners are often relocated to a hotel while the unit is being repaired and the personal insurance would also cover being displaced.

To ensure that you remain up-to-date with your strata insurance policies, it is vital that homeowners living within a stratum to check with management for a copy of the most recent insurance policy. Always take your strata and individual policy to an insurance agent to ensure you are aware of your coverage and that your individual homeowner's policy is working in your favor. Investment property owners especially need to check their existing deductible against the updated deductible and insurance policies to avoid any future issues.

Mortgage Protection Plan: This coverage is optional, but any mortgage professional will tell you is extremely important. The purpose of the mortgage protection plan is to protect you, and your family, should something happen. It acts as a disability and a life insurance policy in regards to your mortgage. Typically, when you get approval for a mortgage, it is based on family income. If one of the partners in the mortgage is no longer able to contribute due to disability or death, a mortgage protection plan gives you protection for your mortgage payments.

If you have any questions about mortgage insurance or what are the best options for you, please do not hesitate to reach out to me! I would be happy to take a look at your existing plan and discuss your needs to help you find the perfect coverage to suit you and your family.

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Appraisal Tips for Success

Before banks or lending institutions can consider loaning money for a property, they need to know the current market value of that property. The job of an appraiser is to check the general condition of your home and determine a comparable market value based on other homes in your area. This is required for any buy or sell situation.

To help make the appraisal as smooth as possible and ensure you are getting top market value, check out the tips below:

- Clean Up:** The appraiser is basing the value of your property on how good it looks. A good rule of thumb is to treat the appraisal like an open house! Stage it as you would a home for sale, clean and declutter every room, vacuum, and scrub – even consider adding a fresh coat of paint - to ensure your home is as presentable and appealing as possible. Where applicable remove personal stigma items such as alcohol or drug paraphernalia, any controversial pictures or flags, etc.
- Curb Appeal:** First impressions can have a huge impact when it comes to an appraisal. Spending some time ensuring the outside of your property from your driveway entrance to front step is clean and welcoming can make a world of difference. Cut grass, water plants, maybe add flowers or hanging baskets to make things feel inviting and stage the yard with some lawn furniture to make it look like its own space.
- Visibility:** The appraiser must be able to see every room of the home, no exceptions. YES, ever singly room including outbuildings, garage, closets, basement... Refusal to allow an appraiser to see any room can cause issues and potentially kill your deal. If there are any issues with any spaces of your home, be sure to take care of them in advance to allow the appraiser full access. NOTE: If there are tenants in your home, ensure you give them appropriate amount of notice for access. YES, every single room, outbuilding, closet, garage needs access. Otherwise, the appraiser will have to return at added expense to you.
- Upgrades and Features:** Ensuring the appraiser is aware of any upgrades and features can go a long way. Make a list and include everything from plumbing and electrical to new floors, new appliances, etc. This way they have a reference as to what has been updated and how recent or professional that work was done. Knowing the age of the roof and HVAC items like water tank is important. Also, ensure the breaker box is MIN 100amps as most lenders cannot finance a home with amps under 100; older homes from the 1930 area are generally only 60amps. The same goes for knob and tube versus breaker set-ups. Upgrading is important and will add value.
- Be Prudent About Upgrades:** While the bathroom and kitchen are popular areas, they are not necessarily the be-all-end-all for getting a higher home value. These renovations can be quite costly so it is a good idea to be prudent about how you spend your money and instead, focus on easy changes such as new paint, new light fixtures or plumbing and updated flooring to avoid breaking the bank while still having your home look fresh. Removing clutter, adding a new coat of paint and doing a deep clean will help make these spaces shine.
- Know Your Neighbourhood:** You already know where you live better than the appraiser. Taking a look at similar homes in your neighbourhood and noting what they sold for will give you a ballpark. If your appraisal comes in low, you will be prepared to discuss with the appraiser the examples from your area and why you believe your property is worth more. In addition, keep in mind that appraisal values are based on recent sales data; if there have been zero sales in the area recently and time allows it, hold off on getting an appraisal done until some sales have been evident to ensure you're getting the most value.
- Be Polite:** The appraiser is there to get in and get out so let them have the run of the house while they are there. Do not follow them around and avoid asking them too many questions or making too many comments and simply be prepared should they have questions. Once they have completed the review of your home, that is a good time to bring up any comments you might have. Remember, the actual onsite inspection usually is only 15 minutes through the house but typically, the bulk of work for appraisals is at the desk, reviewing sales and other forms of research to create the appraisal report.
- Know The Costs:** Every appraiser charges differently. If the lender allows for ordering appraisals direct, then I can shop around and fetch you the best price.

Don't forget to contact me if you have any questions about your existing home or mortgage, or if you are looking to sell and relocate in the future!

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