Your monthly home & mortgage newsletter

MORTGAGEARCHITECTS | February 2022 e-Newsletter

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Hello February! With Family Day just around the corner, this month's newsletter includes some great ideas for things to do with your family. Plus, the importance of understanding insurance and some tips on what to look for during a home tour!

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MORTGAGE ARCHITECTS

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Understanding Insurance

Not all insurance products are created equal. One of the most common mistakes homeowners and potential homeowners make is that they hear the word "insurance" and just assume they have it! Well, you might have one kind of insurance, but you might be missing coverage elsewhere. It is important to understand all the different insurance products to ensure you have proper coverage.

To help you get a better understanding of the insurance, below are the four main insurance product options you will encounter 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.
  Default 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.

  In Canada, most homeowners know of the Canada Mortgage and Housing Corporation (CMHC), which is run by the federal government, and have used them in the past. But did you know? We also have two private companies, Sagen Financial and Canada Guaranty, who can also provide this insurance.

- **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 is number two on our list as it 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.
  In addition to protecting against fire damage, home insurance can also cover the contents of your home (depending on your policy). This is important for anyone looking at purchasing condos or townhouses as the strata insurance typically

protects the building itself and common areas, as well as your suit “as is”, but it will not account for your personal belongings or any upgrades you made. Be sure to cross-check your strata insurance policy and take out an individual one on your unit to cover the difference.

One final thing to consider is that you may not be covered 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:** Another insurance policy that potential homeowners may encounter is known as “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.

- **Mortgage Protection Plan:** Lastly, we have our mortgage protection plan coverage. This is optional coverage, but one that any agent can 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. However, most homeowners don’t realize that if they buy one of these policies through their financial advisor, life insurance agent or bank, the policy will not be able to move with them to a new lender.

  As your mortgage professional, I have an exclusive opportunity with this product through Manulife. This means that, if you purchase a Manulife Mortgage Protection Plan with me, you are protected for the life of your mortgage. You do not have to stay with the same lender! If you move, your protection ports with you instead of other similar products where the plan is specific to that lender. In those cases, should you want to switch lenders, you would need to requalify for your mortgage protection plan - possibly at higher rates!

  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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What to Look for During a Home Tour

So! You think you've found your dream home, and you can't wait to check it out in person. Before you go, here are a few things that are important to look out for during a home tour:

- **Odor:** Unusual smells can indicate problems, especially mold or mildew issues.
- **Plumbing and Electrical:** Check water pressure as well as electrical systems to ensure no eroded or exposed wires, properly functioning HVAC, sealed water heater, etc.
- **Noise:** This is one that homebuyers can often overlook, but it is important to consider the noise within the house as well as how loud the street and neighbourhood are before committing to ensure they are suitable for you.
- **Home Layout:** Whether or not the layout and function of the home suits your needs.
- **Number of Rooms:** How many bathrooms and bedrooms does the house have?

Is that amount suitable for your needs?

- **Wall and Flooring Condition:** What is the condition of the walls and floors? Defects such as warping, cracks, watermarks, etc., can be indicative of larger issues.
- **Unpermitted Additions or Updates:** On occasion, you might go to view a home that was listed as having 2 bedrooms and 1 bathroom, only to find that it actually has an extra bathroom! As great as this might be for your needs, you'll want to double-check that the addition was permitted. Unpermitted construction can create major issues when it comes to insurance coverage and potential structural headaches if not done properly.

Remember, things like furniture, decor, wall or floor treatments, and hardware or other fixtures are easily updated and not important when viewing a home as they can be changed if the rest of the home suits your needs!

In addition to these items to keep an eye out for, there are also a few specific questions you should be asking your realtor, including: deadline for offers, number of offers that have been made, why the sellers are moving, any concerns they may have, whether or not there is a homeowner association with fees, and how old the home is.

Family Day Ideas!

Family Day was first introduced in 1990 and is now a beloved celebration for several Canadian provinces, including: New Brunswick, Alberta, Manitoba, Ontario, Saskatchewan and British Columbia!

Below are a few ways you can celebrate Family Day this year:

- **Cook a Meal Together:** From making mini personalized pizzas to cooking up a brand-new recipe or baking something delicious, the kitchen is a great space for family time and making fun memories!
- **Build a Blanket Fort:** With the winter chill not quite lifted yet, building a blanket fort is a great way to spend the day with your family and watch movies, share laughs and enjoy some yummy snacks!
- **Try an Online Exercise Class:** Want to enjoy your family and get a little exercise while you're at it? Try an online workout class! Not only is this a fun activity you can do with your kids from home, but it is a great way to teach them about health and start setting up healthy habits for life.
- **Do an In-Person OR Virtual Tour:** Museums are a fun and different activity that families can do together whether in-person or online, as many museums now offer free virtual tours!
- **ZOOM with the Famjam:** While you might not be able to have the entire family together, in person, we live in a digital world, which allows us to access the people we love at all times - no matter how far away they are! Call up your parents or grandparents, do an activity over the computer or have a story time session, or simply take a moment to 'check-in'.

No matter how you spend it, I hope you have a wonderful Family Day and I wish you and yours the best to come.

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