Your monthly home & mortgage newsletter

MORTGAGEARCHITECTS | July 2021 e-Newsletter

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Before everyone starts focusing on summer fun, I wanted to take a moment to update you on the changes to the stress test rules put in place last month. Plus, all you need to know to avoid common first-time homeowner mistakes and fun backyard reno ideas to help your yard pop.

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MORTGAGE ARCHITECTS

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Changes to the Stress Test and What You

Need to Know

As you may have heard, the Bank of Canada recently changed the stress test rules as of June 1, 2021. With these changes, now both insured and uninsured mortgage borrowers will be subject to a stricter stress test when qualifying for their mortgage. .

The new qualifying rate on uninsured mortgages – where the down payment is 20% or more – is now the contracted rate plus two percentage points or 5.25%, whichever is higher.

This means that any buyer whose down payment on a home is one-fifth of the purchase price or higher must show they can afford the mortgage payments if the interest rate was two percentage points higher than what the bank is offering, or the new five-year benchmark rate per the Bank of Canada.

Overall, the implementation of these tougher stress test rules will reduce buying power by roughly 4-5% for borrowers. To help illustrate how this change affects you, consider the following scenario with $100,000 gross income.

The previous stress test at 4.79% would give this individual the ability to borrow $469,530 (based on good credit score with max GDS/TDS qualifications at 39/44%). Now, with the current scenario of 5.25% stress test rate, the they can now only borrow $448,880 (based on good credit score with max GDS/TDS at 39/44%). This is a difference of $20,650 which reduces your home options.

To ensure you are searching in the right price range and budgeting accordingly, it is important to consider this stress test change. If you are looking to purchase your first home or move, please don't hesitate to contact me today for a better understanding of the rules and what you qualify for.

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Avoid These First-Time Homebuyer Mistakes

As a first-time buyer, I am here to give you some tips on homebuyer mistakes to be on the lookout for so you can avoid them for the best experience possible!

Thinking You Don’t Need a Real Estate Agent

You might be able to find a house on your own, but there are still many aspects of buying real estate that can confuse a first-time buyer. Rely on your agent to negotiate offers, inspections, financing and other details. The money you would have saved on commission can be quickly gobbled up by a botched offer or overlooked repairs.

Going With The First Real Estate Agent You Find

As much as not having a real estate agent can be a disadvantage, having the wrong one can also make the process more difficult. You don't want to get halfway into house-hunting before realizing your real estate agent is wrong for you. Ideally, you want to source an agent from a friend or family referral. However, if you are stuck or looking for more options, I would also be happy to provide some referrals as your mortgage professional.

Getting Your Heart Set on a Home Without Doing Your Homework

The house that's love at first sight may not always be what it seems, so it is important to keep an open mind. If you jump in too fast you may be too quick to go over budget or you might overlook a potential pitfall. Taking the time for proper inspections, budget comparisons and long-term family planning can go a long way in ensuring your first home is the right home! .

Committing to More Than You Can Afford

This is one of the most common mistakes that first-time homebuyers can run into, but to ensure your future financial security it is imperative to truly consider your budget. You don't want to sacrifice retirement savings, an emergency fund or potential holiday for mortgage payments. You need to stay nimble to life's changes and overextending yourself could put your investments—including your house—on the line.

Fixating on the Lowest Interest Rate

A reasonable interest rate is important, but not at the expense of heavy restrictions and penalties. Make a solid long-term plan to pay off your mortgage and then find one that's flexible enough to accommodate life changes, both planned and unexpected. I would be happy to discuss all of your mortgage options with you to ensure that you get the best overall mortgage product with an affordable rate that suits YOU! .

Choosing a Fixer-Upper Simply for the Cheaper Listing Price

That old character home may have loads of potential, but it is vital to be extra diligent during the inspection period. What will it really cost to get your home to where it needs to be? Negotiating a long due-diligence period will give you time to get estimates from contractors in case you need to back out.

Diving Into Renovations as Soon as You Buy

Whether or not you choose a fixer-upper or simply want to update some things in your new home, it is important not to rush into them. While renovations may increase the value of your home, overextending your credit to get upgrades done fast doesn't always pay off. Take time to make a solid plan and the best financial decisions. Living in your home for a while before renovating will also help you plan the best functional changes to the layout.

Not Researching the Neighbourhood

It may be the house of your dreams, but annoying neighbours or a nearby industrial zone can be a rude awakening. Spend some time in the area before you make an offer and talk to local business owners and residents to determine the pros and cons of living there. .

Opting Out of Mortgage Insurance

Your home is your largest investment and it is imperative that you protect it. Mortgage insurance not only buys you peace of mind, it also allows for more flexible financing options. Plus, it allows you to take advantage of available equity to pay down debts or make financial investments.

Backyard Renovation Ideas!

With summer underway, it might be time to consider a backyard upgrade! These don't have to be luxurious or expensive, but a couple tweaks can give your yard a facelift and make your outdoor space feel brand new! Check out my backyard renovation ideas below:

- **Reviving Your Deck:** You don't necessarily have to tear it down and start over to have a fresh deck. Chances are the structure is in good shape. A remodel job featuring new decking, rails and stairs can save a ton of money over a full rebuild.
- **Creating a Peaceful Area:** If you enjoy spending time in your yard or on your deck, but are finding that nosey neighbours, traffic noise or barking dogs are impacting your serenity, don't fret! A privacy fence is a great option to replace sections of your existing railing and make your deck more private, quiet and comfortable!
- **Watch Your Step!** Another great way to give your backyard a quick makeover is to add a practical walk path. Gravel is the easiest to handle and the least expensive option. While it looks less formal than brick or stone, it can be complemented with a stone or flower border for that extra appeal.
- **Did Someone Say Water Feature?!** If you have space in your yard for a unique water feature, such as a fountain, pool, artificial waterfall - or even a cute pond! - this can make your space feel that much more magical.
- **Set the Mood:** When it comes to setting the mood for your backyard space, proper lighting can go a long way. From string lights to lanterns or path lighting, the options are endless (and affordable!) allowing you to create the perfect summer escape.

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