Your monthly home & mortgage newsletter

MORTGAGEARCHITECTS | May 2021 e-Newsletter

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This month is a great time to get your garden ready for those summer parties! Plus, check out the benefits of rate holds and what to know if you're looking to upsize your home.

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MORTGAGE ARCHITECTS

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The Benefit of Rate Holds

The term “rate hold” may be something you are familiar with if you have worked with me in the past. If not, it is a term that all prospective buyers should know!

A rate hold is offered by the majority of lenders to clients who are purchasing a new home and need a mortgage. The purpose of the rate hold is to secure the interest rate on your mortgage application for a certain time period. Often, these holds range from 90-120 days. Bear in mind, these are typically not provided for anyone refinancing their mortgage or looking to transfer it from one lender to another. Only those looking to purchase a home or establish a brand-new mortgage.

Once you have created an application with me, I can submit it to an available lender who is offering a rate hold on an interest rate you want to take advantage of - all without a property attached.

For an example of how a rate hold works, consider this. On day one you submit your application to a lender for a fixed interest rate of 2.64% for five-years. On day 60, that interest rate moves to 3.12%. As long as your mortgage closes in the next 60 days, you are protected and can keep your lower rate of 2.64%. Plus, if rates happen to trend downward, you can also take advantage of the lower interest rate.

This rate hold does not commit you to working with that particular lending institution, nor does it commit you to working with me. It also does not hurt your chances of receiving an approval down the road! All it does is protect the agreed upon interest rate for you while you shop the market, so you don't have to worry about it increasing while you are hunting for your perfect home!

Once the 120 days expires, if you have not found that perfect home fit or want to take advantage of different interest rates, there is nothing stopping you from submitting another rate hold! It will just be subject to the current rates on the day of submission.

If you are looking to purchase a new or secondary home this summer, please don't hesitate to reach out to myself to get started on the pre-approval process and put your rate hold in place!

My Mortgage Planner
the key to your new home is just a click away
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Looking to Upsize Your Home?

According to RE / MAX, one of the biggest trends for Canadian homeowners in 2021 are move-up buyers looking to purchase a home that offers more space for them and their families. In fact, this is true for a whopping 29% of Canadians! Unsurprisingly, this demographic is made up mostly of younger Canadians (under 35) with growing families.

If you are someone who fits this bill and is desperate for a home with more space because you're feeling cramped or have a little one on the way, it may be time to consider moving on up! Before making this change, there are a few factors to consider from your existing mortgage to requalifying to upsizing costs!

Your Current Mortgage

If you are wanting to upsize, the first thing to look at is whether or not you have an existing mortgage. If not, you don't have to worry about this part! However, if you are looking to upsize during your current mortgage cycle, it is important to note that you will be breaking the mortgage and will have to go through the entire qualification process again.

An additional point of note is that, if you do move forward with upsizing to a larger home, there may be penalties for breaking your mortgage. These penalties will depend on the lender and the terms set out in your mortgage agreement. In some cases, your current mortgage may be portable, which would make the transition smoother. However, you would need to check your mortgage agreement.

Since you are looking to upsize your home and may require more funds for a larger build, another option is to consider going the “blend and extend” route. This doesn't require you to break your mortgage or pay prepayment penalties. If the original mortgage was variable-rate, it may not be portable, but this is a great option to consider if you have an existing fixed-rate agreement. However, bear in mind, you would still need to requalify since to increase the mortgage to purchase the larger home. More details on requalifying below!

Requalifying and the “Stress Test”

If you do have an existing mortgage and are unable to port it, you would need to re-qualify for a new mortgage. This means going through the mortgage process again to qualify at the current interest rates being offered in the marketplace. This would also be subject to government changes - including recent “stress test” rules.

Since January 1, 2018, the stress test has been required for ALL mortgages - regardless of your down payment amount. This test is designed to determine whether a homebuyer can afford their principal and interest payments, should interest rates increase. It is based on the 5-year benchmark rate from Bank of Canada or the customer's mortgage interest rate plus 2% - whichever is higher.

The Cost of Upsizing

Once you have considered the mortgage-related aspects of upsizing to a larger home, the next thing to look at are the costs associated with making this change. There may be large Property Transfer Taxes and you would also be paying realtor fees on the sale of the home you are leaving behind. These fees are typically 2.5-5% of the home's selling price.

Beyond the costs associated with the sale of your current home and purchasing a larger residence, the costs of home ownership also rise in proportion to the home you live in. If you are moving up from a condo or apartment to a single-family home, you will save on strata fees but will become responsible for all of the maintenance of your home. It is a good rule of thumb to save one percent of your new home's purchase price, per year, for maintenance. For instance, if you purchase a $ 600,000 new home then you would want to ensure $ 6,000 a year in savings.

Next Steps

Making the move to a larger home is both an exciting and daunting process - but it is entirely doable with the right preparation! No matter what stage you are at with your home, please do not hesitate to contact me if you are considering making a move up the property ladder. I would be happy to review your current mortgage and finances and discuss your options with you to ensure you can continue living the life of your dreams!

Your Gardening To-Do List

If you are looking to have a garden that is the envy of the neighborhood, May is a great time to get started on your gardening to-do list. I have put together some helpful tips and ideas for how to get started so your garden shines all summer long!

- **Plant Annuals and Perennials :** This is a great time to start planting annuals and perennials in your garden. Some good choices include: cosmos, marigold, nasturtium, sunflower, sweet alyssum, and zinnia. For the best results, it is ideal to pick an overcast day for initial planting to avoid heat shock and be sure to keep all new plants well-watered until they have settled.

- **Start Summer Veggie Seeds :**If you're hoping to enjoy fresh veggies all summer, be sure to plant them now! Beans, corn, cucumbers and squash can all be sown directly in the soil (ideally when evening temperatures are around 10 degrees Celsius). Another great option is to plant tomatoes as they love the sun and are very hardy, but be sure to provide trellis support! Plant all veggies in a bed of compost (4 ”- 6” deep) to ensure a healthy start and remember to keep new sprouts moist to avoid heat damage.
- **Spice it Up:** Now that the frost has passed, it is also a great time to plant seasonal spices. Basil, dill, rosemary, marjoram, cilantro and fennel are great options for planting this time of year. They require a bright area with 6-8 hours of sunlight per day and well-drained soil to flourish. Even better? Plant them in a container in your windowsill or on your porch so you can easily access them if you need a snip of fresh herb!
- **Lawn Mower Care:** Lawn mowing season is just around the corner and now is the perfect time to tune up your lawn mower! Get your blades sharpened, change the oil, filter and update the spark plugs to keep you riding smooth all summer.
- **Lawn Maintenance Routine :** Establish a lawn maintenance routine that includes watering your grass and garden, as well as weeding unwanted and unruly foliage and applying fertilizer. A helpful tip is to water your plants in the late afternoon or early evening to cut down on evaporation. This also allows your garden several hours to take up the water into their systems, without battling the sun.

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