Your monthly home & mortgage newsletter

MORTGAGEARCHITECTS | November 2021 e-Newsletter

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Hello November! It's hard to believe the year is almost over. To help you make the most of these next few months, I have some great tips for you around the 7 steps for mortgage prep, what to know if you're up for mortgage renewal and tips for maximizing your holiday budget!

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MORTGAGE ARCHITECTS

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7 Steps For Mortgage Prep

Step 1 - Your Credit Score

Whether you qualify for a mortgage through a bank, credit union or other financial institution, you should be aiming for a credit score of 680 for at least one borrower (or guarantor), especially if you are putting under 20% down. If you are able to make a larger down payment of 20% or more, then a score of 680 is not required.

If your credit score does not meet the minimum requirements, there are a number of things you can do to improve it and your future financial success, including:

- Paying your bills in full and on time. If you cannot afford the full amount, try paying at least the minimum required.
- Pay off your debts (such as loans, credit cards, lines of credit, etc.) as quickly as possible.
- Stay within the limit on your credit cards and try to keep your balances as low as possible
- Reduce the number of credit card or loan applications you submit.
- Considering an Alternative Lender (or B Lender) if you are struggling with credit issues.

I can help review your credit score and provide you with options for your mortgage needs.

Step 2 - Your Budget

When considering your budget, it is important to look at the purchase price budget, as well as your cash flow budget. Being house rich and cash poor makes for a no-fun home! The home price based on your cash flow budget may be dramatically different from the budget home price you qualify for. Not only does having a budget help you to understand your purchase price range and help you to find an affordable home, but it can also help you to see any gaps or opportunities for future savings. This will be instrumental when you become responsible for mortgage payments.

Step 3 - Your Down Payment

The ideal down payment for purchasing a home is 20%. However, we understand in today's market that is not always possible. Therefore, it is important to note that any potential home buyer with less than a 20% down payment MUST purchase default insurance on the mortgage, and they must have a minimum down payment of 5%.

The down payment on your home could come from your own savings such as a savings account or RRSPs. Thanks to the federal government Home Buyers' Plan, potential first-time home owners are able to leverage up to $ 35,000 of your RRSP savings ($ 70,000 for a couple) to help finance the down payment. A gift of a down payment from an immediate relative is also acceptable. If your down payment comes from TFSA or RRSP, the bank will want 90 days of statements to ensure the funds are accounted for. Gifted funds rarely require 90 days of proof.

Step 4 - Your Mortgage Options

Rate is only ONE of the many features in selecting the best mortgage product that meets your financial goals. With access to hundreds of lending institutions, I am familiar with a variety of mortgage products allowing them to help find the best mortgage for YOU! Plus, unlike banks, mortgage agents are a third-party service focused on YOUR needs. This means that you can get the best rates and unbiased advice all for FREE from someone whose only goal is helping you achieve your dream of home ownership.

Step 5 - Your Paperwork

When you apply for a mortgage, you will typically need to provide a standard package of documents, which almost always includes:

- Your government-issued personal identification
- One month of recent pay stubs from any applicants who will be listed on the loan
- Letter of employment
- Your most recent two years' worth of personal CRA tax filings and financials (if

incorporated)

- Three months of bank account statements
- Your down payment (minimum 5%)
- Documentation to explain any unusual (generally non-payroll) large deposits or withdrawals

Step 6 - Your Pre-Approval

To have the best success with your mortgage, it is recommended that you get pre-approved! This can be done through your Mortgage Professional to ensure that you get the best mortgage product FOR YOU, from the best rate to the best term agreement. Pre-approval helps verify your budget and allows your real estate agent to find the best home in your price range.

- Pre-approval guarantees the rate offered and locks it in for up to 120 days. This protects you from any increases in interest rates while you are shopping (phew!).
- Pre-approval lets the seller know that securing financing should not be an issue, which is beneficial in competitive markets!

Quick Tip: Don't forget about the closing costs! These range from 1 to 4% of the purchase price and should be factored into your budget.

Step 7 - You're Ready to Shop

You made it!! Once you have your down payment and have qualified for a pre-approved mortgage (your credit score is in order and all documentation has been provided), you are ready to start searching for your perfect home. If you're stuck, I would be happy to give you recommendations for a realtor, if you don't have one already.

My Mortgage Planner
the key to your new home is just a click away
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GET IT ON Google Play
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Up for Renewal?

When it comes time to renew your mortgage, most lenders will send you a renewal letter when there is 3 to 6 months remaining on your term. While nearly 60% of borrowers simply sign and send back their renewal without ever shopping around for a more favorable interest rate, I would urge you to take a moment to check out your options.

Most standard mortgages are on a 5-year-term, meaning the market rates could be very different from the time you initially began your term to today! Despite this, lenders tend to provide higher rates on renewals versus new clients as typically the ease of renewal will prevent you from seeking out new rates. But, with my help, finding a better rate is not as difficult as it sounds - and it could end up saving you a couple hundred dollars a month!

It may turn out that your bank is offering a great rate, in which case you can simply submit the renewal! However, I urge you to take this opportunity to contact me about finding a lower rate to ensure you aren't missing out. As your trusted mortgage advisor, I have access to dozens of lenders and hundreds of rates allowing me to narrow down the best options for you.

If your mortgage is coming up for renewal in the next 3 to 6 months, and you want to find out what lower rates may await you, contact me today! I can help you find the best option for where you are at in your life now and help you to ensure future financial success. I promise you will thank yourself for reaching out!

Maximizing Your Holiday Budget

Along with holiday joy come holiday bills, to avoid a sleigh-size tab, plan ahead to save money and maximize the payoff. Here are a few quick tips to make the holidays less stressful on your wallet!

- **Order Online:** Avoid getting stuck in the hustle and bustle of holiday shoppers by ordering gifts online from your laptop or phone. The time you save can be put towards spending more time with friends and family.
- **Be Thrifty:** Start early and keep an eye out for special sales. Many retailers have Black Friday and Cyber Monday deals to help you get a jumpstart on holiday shopping. Get inspired with coupons and get into the routine of flipping through flyers delivered to your home and online.
- **Trust Your Budget:** Your budget keeps you on track during the rest of the year, so why not lean on it now? Starting the season with a plan and a maximum spending limit will help alleviate stress while shopping. There are plenty of free budget-tracking apps that connect right to your bank accounts and can be pulled out of your pocket for reference at any time - especially when you're feeling overwhelmed at the mall.
- **Get Crafty:** Everyone appreciates the handmade touch in a gift, and DIY-ing this holiday can help you save money. There are wonderful options that can be found online, even for beginners. Examples include homemade wreaths, body scrubs, and fun photo scrapbooks that can be done alone or in a group, and you'll end up with a gift that money can't buy. If you're not sure where to find these clever and cost-effective ideas, Pinterest is a great place to start.
- **Time is Money:** Instead of buying gifts, spend quality time with your friends and family while you give back to others. Sharing the experience and splitting the cost of hosting a dinner for a family in need will offset the cost of spending money on

each person and double the amount of joy spread during the holidays. It feels good to pay in kind.

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