Your monthly home & mortgage newsletter

MORTGAGEARCHITECTS | September 2021 e-Newsletter

MORTGAGES WITH GARY.com

September means back to school (and back to reality!) For most of us. To help you reset and get back on your feet, I have some great information about approval roadblocks to avoid, finding your perfect home type and how to talk to your kids about finances!

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MORTGAGE ARCHITECTS

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5 Approval Roadblocks You Should Know

When buying a home, there is nothing worse than having your mortgage broker or lawyer call and say “there is a problem”.

If you have found your dream home and negotiated a fair price, and you have supplied all the documentation to your broker, you probably assume everything is fine. The reality is that your financing approval is based on the information the lender was provided at the time of the application. If there have been any changes to your financial situation, the lender is within their rights to cancel your mortgage approval.

To ensure that you don’t encounter any last-minute roadblocks on your home buying journey, there are five major things you must avoid for a smooth transaction:

1. Changes to Your Employment

When submitting a request for financing, whether for a mortgage or car loan or to handle personal debt, one of the most important aspects the lender looks at is employment. If you were working at Company X for five years at $80,000 a year and change jobs before your upcoming mortgage is finalized, the lender will require proof from your new employer. If you change industries, they will need more proof that you are capable of keeping the job. Plus, for employment involving overtime or bonuses, the lender often requests a two-year average, which is not possible from a new position. Another employment change that could hurt your financing approval would be moving from an employee to a self-employed contractor. A good rule of thumb is to wait to make any major employment or life changes until after the deal has gone through.

2. Down Payment Source

As mortgage financing is based on the initial information provided, you will most likely need to do a final verification of the down payment source. If it is different from what the lender has approved, it could spell trouble for your financing approval. Even if you said that your down payment was coming from savings and, at the last minute, mom and dad offer you the funds as a gift, it could affect your approval. This is an acceptable source of down payment, but only if the lender knows about it in advance and has included this in their risk assessment.

3. Existing Debt

A week or two before your possession date, the lender will obtain a copy of your credit report and look for any changes to your debt load. Since mortgage approval is based on how much you owed on that particular date, it is important not to increase your debt before the deal is finalized. Buying a new car or items for the new home must be postponed until after possession; even if they are "do not pay for 12 months" campaigns because you will need to fulfil those payments, regardless of when they start.

4. Bad Credit

One of the biggest roadblocks to mortgage approvals is credit card payments. When you are in the process of getting financing or waiting to take possession of your home, it is important that your credit score remains positive. If your credit score falls due to late payments, this can cause major issues with your financing. Even if you have a high ratio mortgage in place which requires CMHC insurance, a lower credit score could mean a withdrawal of the insurance and removal of any financing approval.

5. Missing Identity Documents

Before a mortgage is finalized, the lawyer is required to verify your identity documents and see that they match the mortgage documents therefore it is important to use your legal name when you apply for a mortgage. Even if you go by your middle name or a nickname, all legal documents should match.

To help avoid last minute roadblocks and catastrophes with your mortgage application, be sure to keep in touch with me at all times during the mortgage process. If there are any changes from your initial mortgage application, it is important to advise them well in advance and to run those changes by myself to ensure they will not affect your application.

My Mortgage Planner

the key to your new home is just a click away

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Finding Your Perfect Home Type

When it comes to finding your perfect home, there are so many more options for potential homeowners! From a single-family dwelling to a townhouse to a modular home, the choices are seemingly endless. But, before you start widening your search, let's take a look at what makes these home types different - and which one is perfect for you!

- **Single-Family Detached:** This is a stand-alone house that sits on its own lot and is the most common type of home. As these are detached dwellings, they provide more privacy with less noise from neighbours. They also tend to be larger dwellings (complete with a yard!) which gives you the space and freedom to really make it your own.
- **Single-Family, Semi-Detached:** These homes are suitable for a single family and are typically attached to another house on one side. Semi-detached homes are often more affordable to both buy and maintain. With this affordability does come somewhat less privacy and protection from noise due to the shared walls on one side.

- **Duplex:** These structures contain two single-family units on separate levels and are great options for individuals looking to reduce home purchase and carrying costs - live in one unit, rent the second! This type of home also provides unique flexibility for older families, giving you the option to move adult children or aging parents into the second unit as needed. As expected, these units offer less privacy than single-dwelling homes and can sometimes have increased noise through the floor or ceiling.
- **Townhouse or Row House:** These are a row of single-family homes, which are connected on both sides to the next home (excluding the end unit, which is only connected on one side). Townhouses typically have private yards but, in some cases, it may be freehold or condo-style with shared ownership rights and responsibilities. However, these homes are typically more affordable and easier to maintain, though you may have to consider strata or maintenance fees. Similarly to duplexes, these home types have less privacy and may have noise from shared walls.
- **Condominium:** These are low- or high-rise buildings containing multiple apartment units. Condos are excellent starter homes for single adults, or couples, as they are affordable and require minimal maintenance. Some buildings even have shared amenities, such as a fitness center or swimming pool or party room. QUICK TIP: Always check for these amenities and if you would be interested in using them. If not, why pay for them? In this case, you might be better off finding a condo with less amenities and lower strata fees.
- **Modular or Mobile Home:** Growing in popularity are modular homes, which are prefabricated homes delivered to a home-site for installation. These homes are owned by the individual, while the land it sits on could be rented or owned outright. These types of homes are highly affordable and extremely flexible; if you relocate, you can sell the mobile home with the property or keep the home and relocate it! If renting land in a mobile home community, there are also those costs to consider.
- **Carriage House or Urban Infill:** A carriage house is located on the periphery of a single-family detached house. Similarly, are urban infill homes which are a modern solution to crowded cities. These homes are often located in interesting, urban environments and have their own character. They are also generally less expensive, but there is potential for noise pollution if you are in a busy location. Due to the size, there is also limited inventory and limited or non-existent yard space. But if you’re looking for something affordable and unique, these are a great option!

Finding the right home to suit your needs means considering your lifestyle and budget now, as well as where you’ll be a few years down the road. Want more information or need help deciding the best option for you? Contact me today to learn more about your options when it comes to buying and owning a home.

How to Talk to Your Kids About Finances

A vast majority of parents are currently supporting their children (ages 18-35 years) financially, spending an average of $5,623 per year! This is an extensive additional cost that most parents cannot afford. In fact, over 30% of parents are seeing delayed retirement in order to help kids with post-secondary costs and are facing an inability or delayed timeframe in paying off their own debts.

As much as parents want to help their kids, it should not be done at the jeopardy of your own future. In fact, when it comes to teaching your children about money, there is no better time to start than now!

Financial independence is a critical skill for future success that your children will not learn anywhere else. Not only does financial literacy help your children have more success in life, but it allows them to move out sooner and it avoids delaying retirement!

So, how do you teach your children about money?

- **Review Your Attitude Towards Money:** The first and most important thing is to examine your own attitude towards money. Are you a penny pincher? Frivolous spender? Do you buy on impulse, or take a long time to make a purchase? How much debt do you have? Your financial habits will shape your children’s. To ensure that you are setting them up for their best financial future, parents need to consider what messages they are sending with their own money habits.

- **Give Your Children an Allowance:** Providing an allowance to your children (especially one exchange for chores) is an age-old way of teaching your kids about money. A good guideline is $0.50 to $1.00 per year of your child's age. For a 10-year-old, this would be $5 to $10 per week.
- **Teach Your Child to Save:** If you are giving your child $10 per week in allowance for chores, encourage them to put even just $0.50 per week into a piggy bank. In six months, show them how much money they have saved and talk to them about why it is important, and what they can do with that larger amount now.
- **Encourage Kids to Think Before They Buy:** While it's hard to get a 10-year-old excited about an RRSP, there are other ways to help them plan ahead. One is to encourage them to think about their purchases before they commit. They saw a toy on TV they have to have? Teach them about how advertisements are designed to make you want something. Ask them to wait a week. Do they still want it?
- **Involve Your Children in the Family Finances:** It is more valuable than you might think to let your kids see and hear you discuss financial planning; let them be part of opening and paying bills or planning vacations. Explain why you pay certain things and discuss affordable choices. This helps them be part of the conversation and will work to instill a sense of financial responsibility as they grow up

Remember, you are the best example to your children about money. Don't be afraid to share the ups and downs with them. Be patient with your kids, but don't give up! The best thing you can do as a parent is to promote financial security and independence.

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