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Advancing access to justice

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WHAT IS A MORTGAGE?

Down payment:

The initial amount you pay for a house

Mortgage:
A contract with a lender.

Lenders can be banks, financial institutions, private lenders, etc.

House purchase price

HOW TO PREPARE FOR GETTING A MORTGAGE

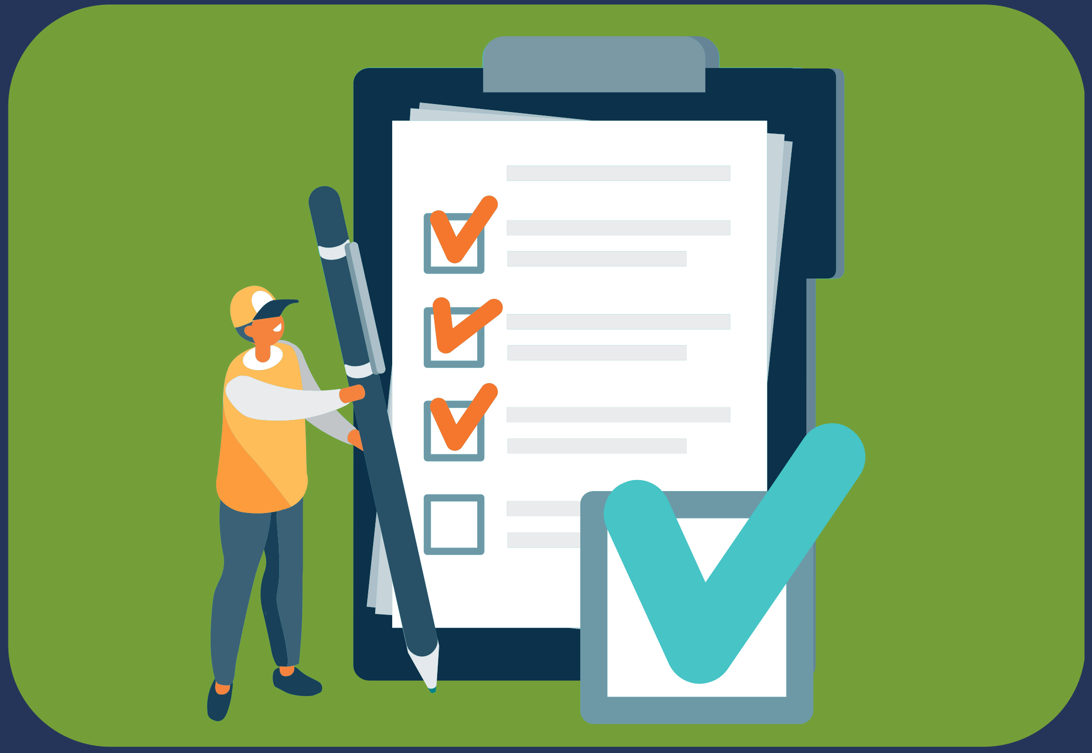
1. Credit Report

Historical report of your credit

2. Your Financial Information

- Income, employment status, expenses, debt, etc.
- Max. monthly housing cost should be 39% of your gross income
- Max. total debt load should be 44% of your gross income

3. Stress Test



A test to prove you can afford payments at a qualifying interest rate

How much down payment do you need?

Table 1: The minimum down payment based on the purchase price of your home

Purchase price of your home	Minimum amount of down payment
$500,000 or less	• 5% of the purchase price
$500,000 to $999,999	• 5% of the first $500,000 of the purchase price • 10% for the portion of the purchase price above $500,000
$1 million or more	• 20% of the purchase price

From Financial Consumer Agency of Canada

Down payment:
An amount of money you put towards the purchase of a home

What to consider when getting a mortgage

1. Mortgage principal amount
2. Amortization
3. Payment frequency
4. Flexibility
5. Interest rate

What to consider when getting a mortgage

Mortgage principal amount:
House purchase price − down payment + mortgage loan insurance premium*

***Mortgage loan insurance:** the lender may require you to get mortgage loan insurance **due to your low credit score** in which case you have to pay premium in addition to the house purchase price.

Mortgage principal amount =

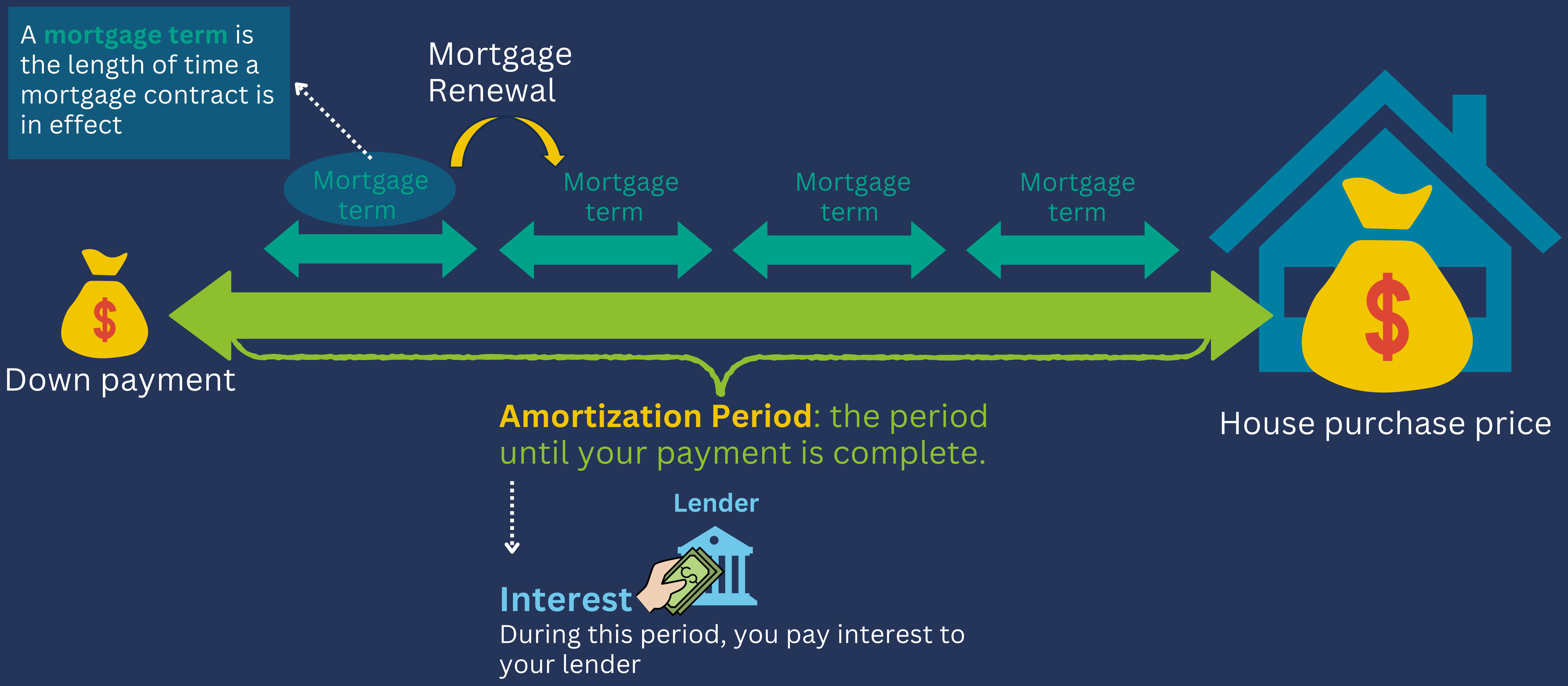
House purchase price

−

Down payment

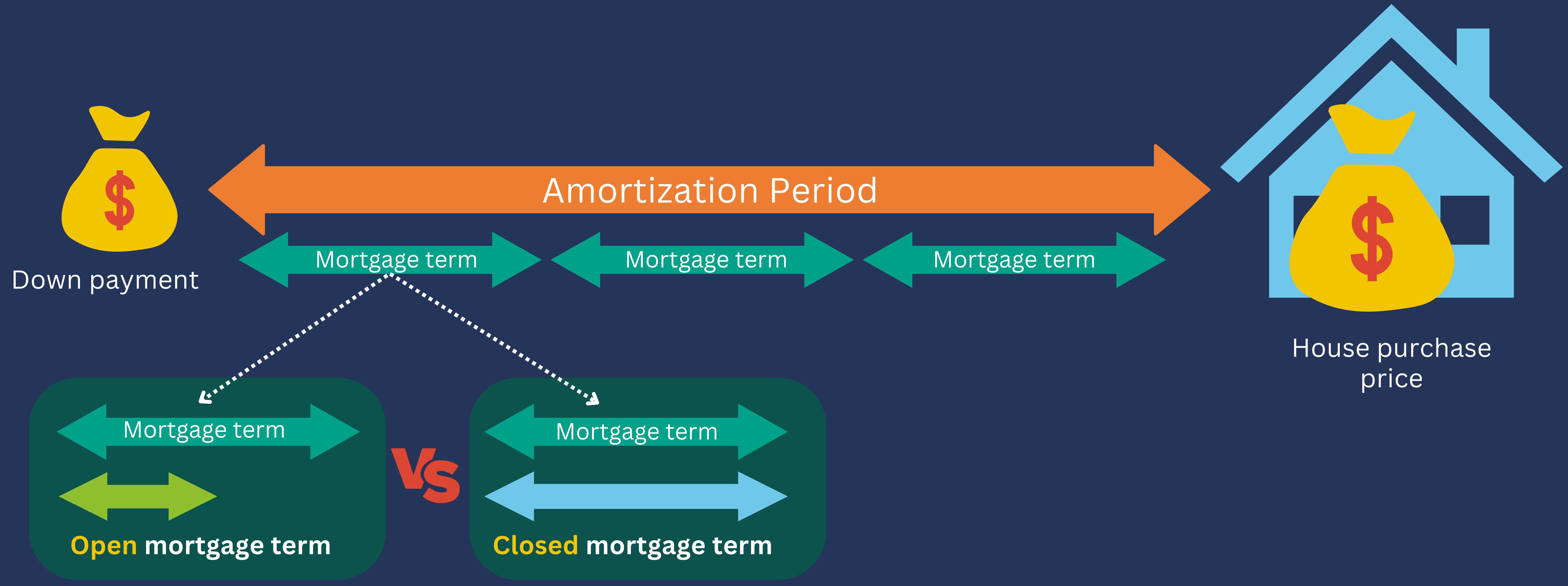
An amount of money you put towards the purchase of a home

What to consider when getting a mortgage



What to consider when getting a mortgage

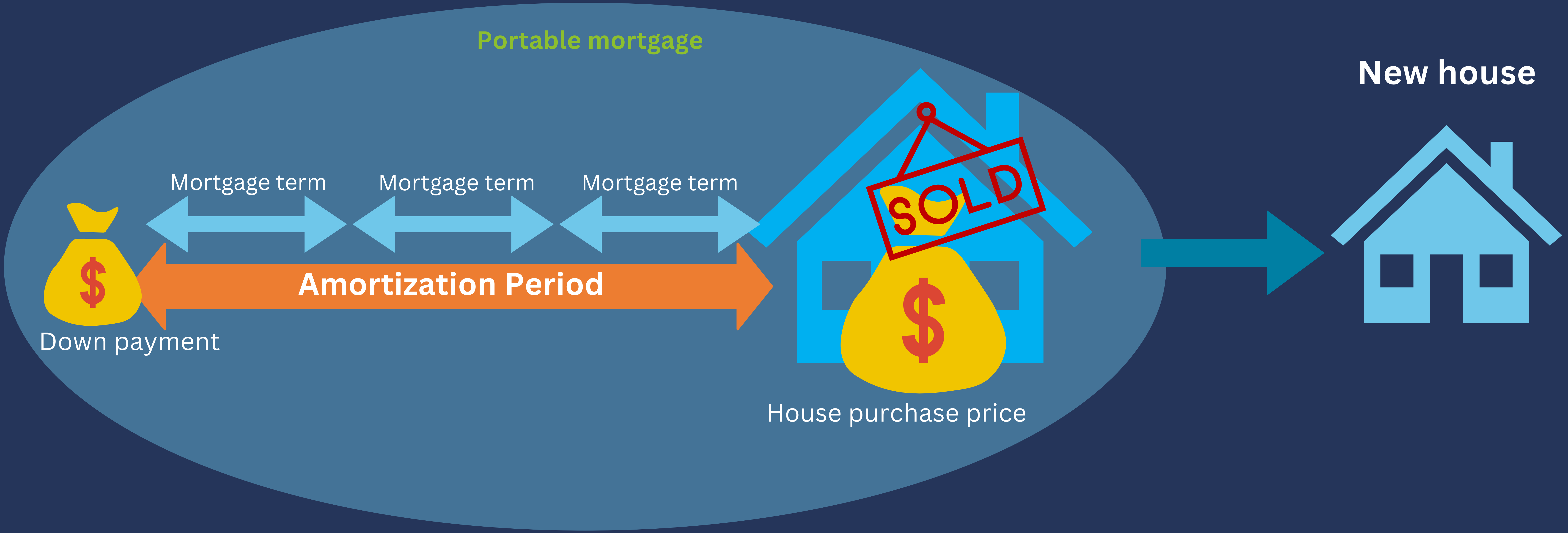
1) OPEN MORTGAGE VS CLOSED MORTGAGE



What to consider when getting a mortgage

2) PORTABLE MORTGAGE

A portable mortgage lets you transfer your existing mortgage to a new home when you sell your current one

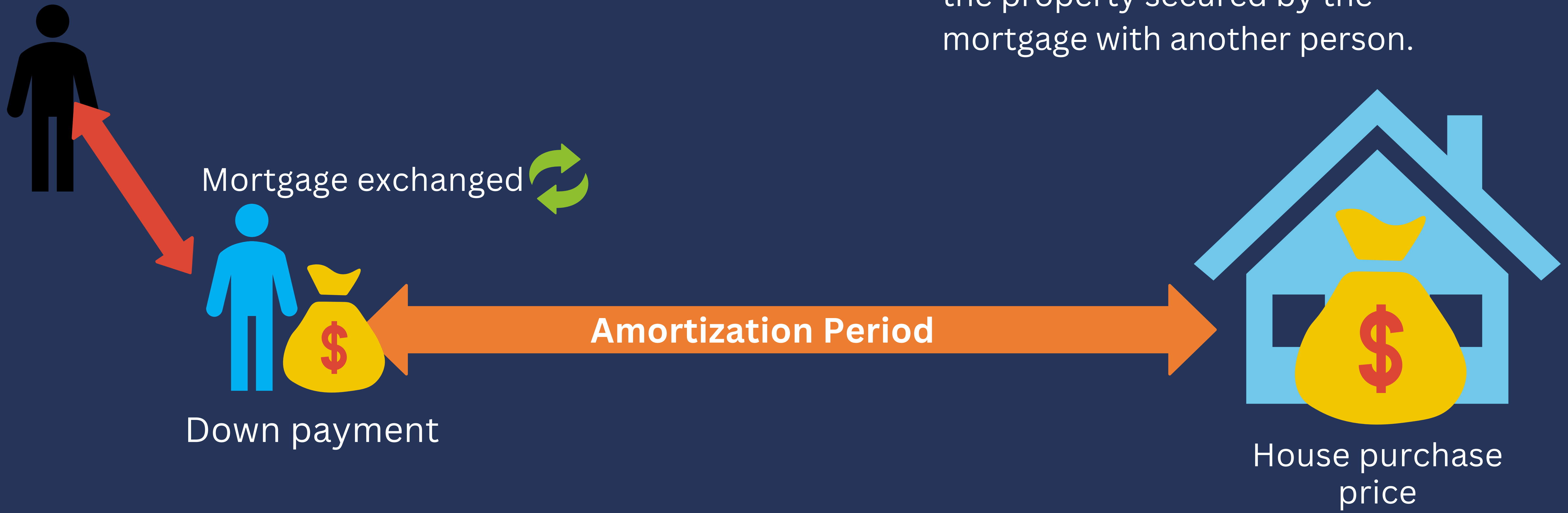


4. Flexibility - Portable mortgage

What to consider when getting a mortgage

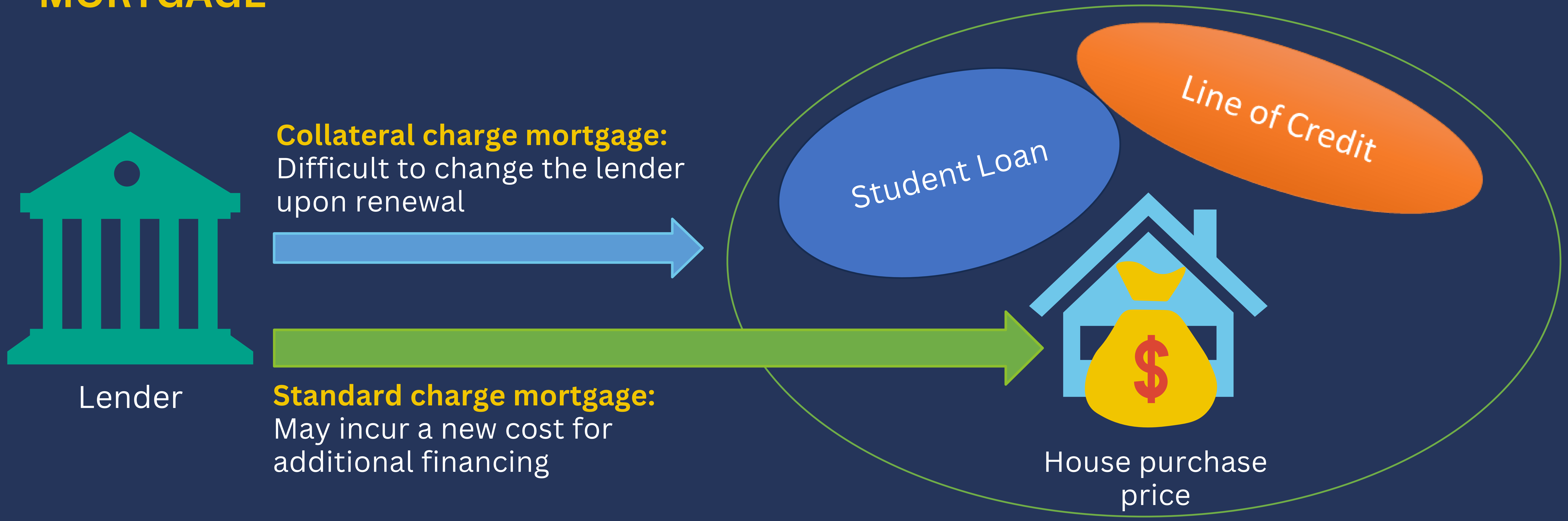
3) ASSUMABLE MORTGAGE

An assumable mortgage allows you to exchange a mortgage and the property secured by the mortgage with another person.



What to consider when getting a mortgage

4) STANDARD CHARGE MORTGAGE VS COLLATERAL CHARGE MORTGAGE



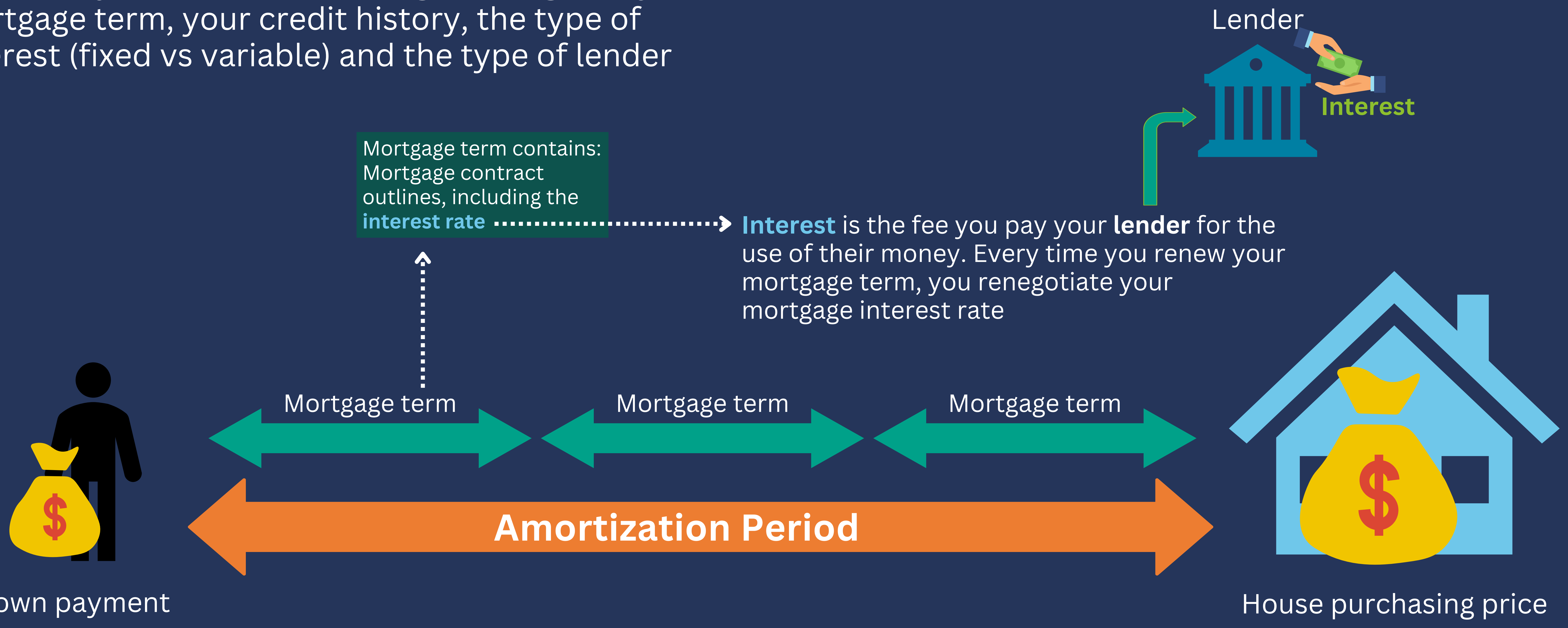
4. Flexibility - Standard charge mortgage vs collateral charge mortgage

What to consider when getting a mortgage

Interest rate

Decided by the factors including the length of your mortgage term, your credit history, the type of interest (fixed vs variable) and the type of lender

A mortgage lender is an entity, often a bank, that provides financing for the purchase of real estate



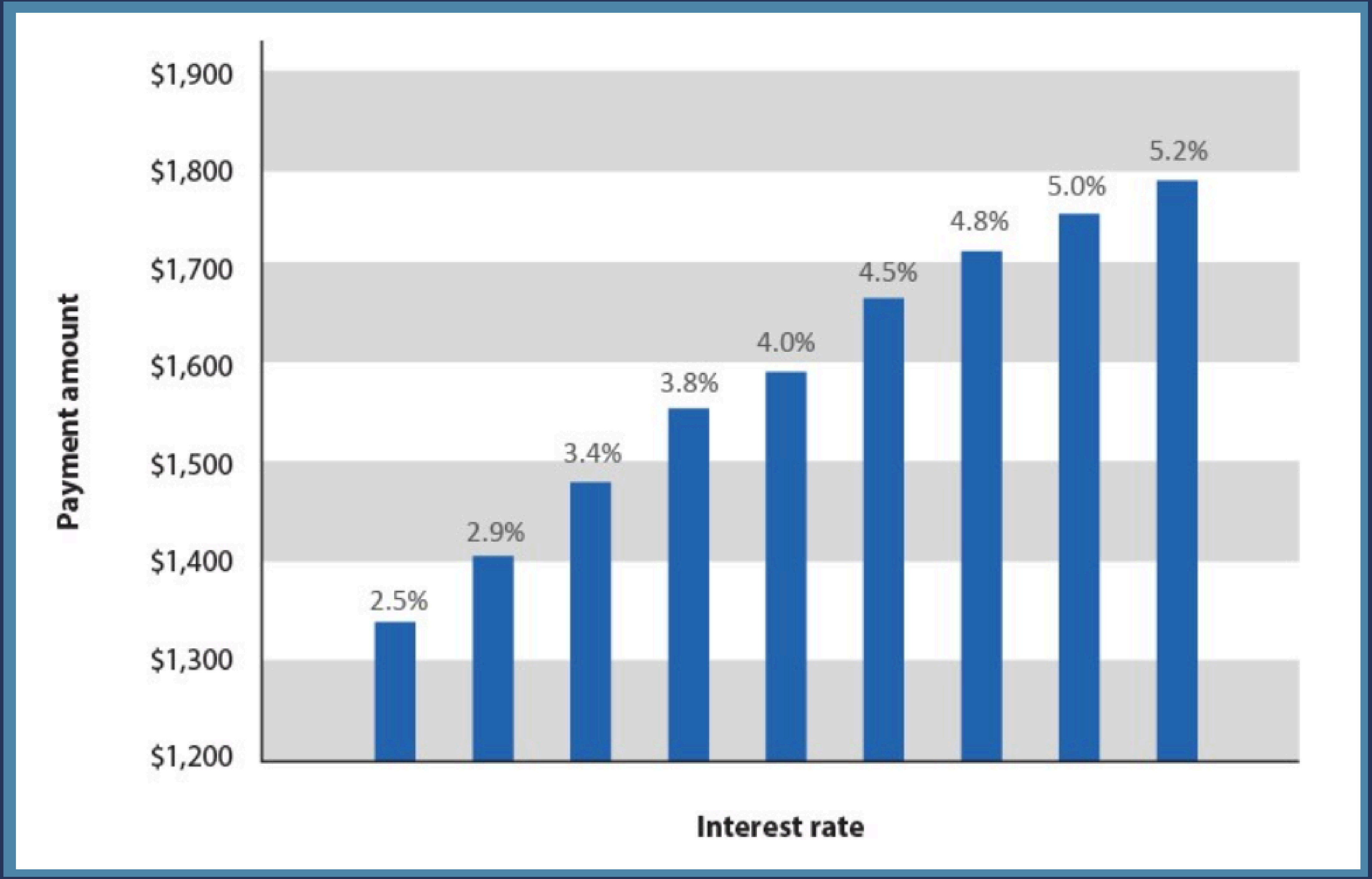
What to consider when getting a mortgage

Interest is the fee you pay your **lender** for the use of their money. Every time you renew your mortgage term, you renegotiate your mortgage interest rate. Lenders usually provide two options for for your mortgage interest; fixed and variable interest rates

Fixed Interest	Variable Interest
Interest fixed during the mortgage term	Can change during the mortgage term
Usually higher interest rate	Usually lower interest rate
Hybrid (combination) mortgage: mix of fixed interest and variable interest	

What to consider when getting a mortgage

- The lender may offer you high interest rate from the start if you have low credit score
- Your payment may increase due to inflation
- You may protect yourself from rate increase by:
  - interest rate cap
  - convertibility feature



From Financial Consumer Agency of Canada

What to consider when getting a mortgage

Traditional mortgage:
Heavily regulated
⟶ Less risk

Private mortgage:
Less regulated
⟶ More risk

What to consider when getting a mortgage

Private Mortgage

Pros	Cons
Easier qualification process	Higher interest rates
Faster approval and funding	Shorter loan term
Customized terms and conditions	Higher risk of predatory lending practices
Access to Alternative Financing Options	

INVESTOR PROTECTION CLINIC

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