

the right stuff



You're working for your mortgage. **Is your mortgage working for you?**

Despite a rate increase in late March, today's mortgage rates are still at historic lows in Canada. While that can mean great savings for homeowners, it also creates a lot of uncertainty if you're considering a new home or deciding what to do with your existing mortgage.

The range of attractive alternatives can also be overwhelming. "With all the options available, it has become challenging to decide on the right mortgage terms," says Paul Carey, manager, Home Equity Financing, RBC.

But whatever the environment, ensuring that your mortgage is right for you begins with an accurate self-assessment, says Chris Wisniewski, associate vice president, Real Estate and Secured Lending, TD Canada Trust. "Before you start to talk about specific mortgage terms, consider your down payment and the closing

costs associated with buying a home: legal and land transfer fees, moving expenses, insurance and adjustments on closing such as prepaid taxes. Do a real estate budget, including any additional costs that might occur as a result of your move – perhaps you need to buy a car, or your transit costs will go up."

Once you've done those calculations, Mr. Carey advises stress-testing your budget before you buy. "Just because the bank says you can afford a payment of \$2,000 a month doesn't mean that's the amount you should pay – the bank's calculation doesn't take individual lifestyles into account. It's best to try living with your new budget for a month or two to see how comfortable you are."

The same stress-testing strategy can be helpful when deciding between a variable or fixed-rate mortgage. Typically,

borrowers have paid less over time by taking advantage of variable rates, he says, but variability requires the ability to manage potentially higher payments, both financially and emotionally.

To cope with future uncertainty, you must look beyond rates, says Anjel Van Damme, director, Home Equity Specialized Programs, RBC. "You may end up having to move, or need extra funds to renovate, make an important purchase or consolidate credit card debt. There may be a promotion or a bonus – or a situation in which you're not able to afford your monthly payment."

Options such as allowing the purchaser of your home to assume your mortgage or the ability to "port" your mortgage to a new home and "add-on" (that is, borrow back part or all of the amount repaid on the principal value of the

mortgage, without the usual costs of a new mortgage) can help ensure your mortgage meets your needs even if your situation changes, says Ms. Van Damme.

Flexible payment features can reduce the cost of interest over the life of a mortgage or reduce stress in the short term. "With our mortgages, if your cash flow improves – for example, your child no longer needs daycare – you can increase payments up to 10 per cent per year or do one or more 'double up' payments," she says. "You can change your payment frequency; changing from monthly to 'accelerated bi-weekly' is like adding an extra monthly payment every year. And if something unexpected comes up, you can choose to skip a payment once a year."

You'll achieve the best results by giving yourself enough time to plan and make

decisions, says Ms. Wisniewski, noting that the pre-approval process is an opportunity to discuss your options and needs with a mortgage expert. "Once you put in an offer (on a home), things can happen so quickly. You want to make sure you're not forced to make choices you wouldn't have had you more time to consider."

Once you're in your new home, viewing your mortgage as an element of your financial plan and revisiting it regularly can help you achieve your financial goals faster, says Colette Delaney, senior vice-president, Mortgages and Lending, CIBC Retail Markets.

Even with the recent rate increases, "we are at a unique point in the market," she says. Posted five-year rates were 7.19 per cent two years ago; today, CIBC has a five-year rate special of 4.49 per cent

(which also includes two per cent "cash back" that can be used to offset prepayment charges). "Many homeowners have a mortgage that is not yet up for renewal, but given today's rates, they're wondering if it's time to transfer the mortgage to lock in for five years at a lower rate."

A conversation with a mortgage advisor will determine the course of action that's best for you. "If you make a switch, you may be able to reduce your interest costs and accelerate the rate at which you pay down your mortgage, meaning you can become mortgage-free faster," says Ms. Delaney.

Getting the right advice is the most important step in the process, she says. "Spending a little time with an advisor can provide clients with years of confidence that they have a mortgage product that is right for them." ■

Protecting your biggest investment

Among the most important things to consider before making a home purchase are knowing what you are buying by having it professionally inspected, and ensuring you have proper insurance, so that you will be covered in the event of disaster.

Home inspections

It doesn't cost much to buy peace of mind. Homebuyers who hire a qualified inspector to check the property for leaks, substandard maintenance and other hidden problems invest in assurance that their new home won't present them with any unpleasant surprises.

But there's more to it than that. Industry officials say a home inspection is a precaution that can save the buyer much more than money.

"It can potentially save your life," says Owen Dickie, president of the Canadian Association of Home & Property Inspectors (BC).

Poor electrical equipment and water infiltration are the most common problems that inspectors encounter when checking a home. Generally, that might include relatively minor problems like a leaky roof or faulty plumbing.

But inspectors sometimes run across major problems such as foundation failures,



which can cost tens of thousands to repair. They might even discover things that might endanger life such as a cracked heat exchanger in a furnace, potential contact with electrical systems, or inadequate railings on stairs and decks.

That means the price of an inspection can pay off handsomely in the long run. In British Columbia, where inspectors are required to obtain a licence from Consumer Protection BC, an inspection can cost \$400 to \$1,000, depending on the size and complexity of the property. Generally, a home inspec-

tion takes three to four hours to complete.

"People have to remember that a home is the largest purchase that they are likely to make in their lifetime," said CAHPI National President Bill Sutherland. "So to spend a few dollars on an inspection is good insurance in itself," he said.

Trained inspectors generally examine everything from the driveway to the roof. After the inspection is complete, the buyer client will receive a written report that can be used to educate the buyer and help them to determine a reasonable price for the home. ■

Home insurance

In order to ensure you have the insurance you need to restore your home should disaster strike, begin by imagining that the worst has already happened and you're about to make a claim.

By taking that simple step, owners and renters can avoid winding up with the wrong type of coverage, says Tim Bzowey, RBC Insurance vice-president, Home and Auto.

"Typically, people have a good understanding of their need to insure their possessions and have a general idea about what they are worth," he says. "If they have any items of higher value, such as artwork or jewellery, we encourage additional coverage for those items specifically."

Insurance can be purchased through a broker, who receives a commission, or directly from a company like RBC Insurance.

Buyers can educate themselves by checking information that's readily available on the

Internet on such websites as rbcinsurance.com and IBC.ca, the Insurance Bureau of Canada.

For the average Canadian home, a \$500 home insurance policy will typically cover the value of the building and its contents, as well as liability for any damage you may accidentally cause to someone else or their property.

Once acquired, home insurance should be reviewed periodically, Mr. Bzowey says. "It is always a good idea to at least look at [the policy] annu-

ally and make adjustments if your situation changes."

For example, major purchases may require additional coverage, and home renovations may increase a property's value, necessitating more insurance.

RBC Insurance recommends home insurance buyers seek advice from people they trust, and deal with a stable company with a reputation for good service, particularly at a time of claim. "It's a big market and there is lots of choice," Mr. Bzowey says. ■



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the right stuff



"The right mortgage is the one that serves your future goals as well as your immediate needs, so it is essential to focus on the overall cost of interest rather than the interest rate. Simple differences, such as the way interest is calculated or payment frequency, can mean a mortgage with a lower rate costs substantially more over a term of five years when the remaining mortgage balance is considered along with your monthly payment."

Michael Bequette, AMP, Mortgage Alliance

Home sweet home

Ensure your mortgage matches your means and lifestyle

Buying a first home is a Canadian rite of passage, an enormous financial decision influenced by the many emotions evoked by our first 'home sweet home.' It's not just a move – it's an accomplishment. And it's also a time when potential mistakes can create stress for years to come.

"You really have to take a look at your own budget and decide whether that pre-approved mortgage fits in your lifestyle," says Chris Wisniewski, associate vice president of

Consider the risks before you buy

Bernice Dunsby, director of home equity financing at Royal Bank of Canada, lists eight common pitfalls for first-time homebuyers:

1. Not knowing your credit rating. "Having a good credit rating can improve your ability to get loans and mortgages."
2. Not being realistic about how much home you can afford.
3. Not having a pre-approved mortgage. "This
4. Assuming you don't qualify for a mortgage. "Seek advice from a mortgage specialist."
5. Too much focus on the interest rate at the expense of other equally important mortgage

features that may reduce your costs over the longer term.

6. Not knowing all the down payment options; for example, using RRSP withdrawals under the Home Buyers' Plan.
7. Overlooking payment options that may help you pay your mortgage off faster, such as selecting a shorter amortization or accelerated payments.
8. Underestimating closing costs.

Real Estate Secured Lending, TD Canada Trust. She advises would-be homebuyers to eval-

uate everything from transportation costs (will you need to add a vehicle to the family

fleet after you move, for instance, or be able to ditch the car altogether) to income

expectations and whether you are starting or adding to your family.

Ms. Wisniewski also cautions rookie purchasers to be wary of additional expenses connected with their new home, such as legal fees, land transfer taxes, moving costs, utility hook-ups, insurance, closing adjustments on payments made by the seller and surprise repairs that may loom in the near future.

Dipping into retirement savings could be an option to boost a down payment to the 20 per cent threshold below which mortgage insurance is mandatory. Under the Home Buyers' Plan, a qualifying couple may withdraw a maximum of \$25,000 each from their individual RRSPs, for a total of \$50,000, and pay that back over 15 years without tax consequences. First-timers should also investigate potential rebates, such as land transfer tax refunds for first-time purchasers.

The current low interest rate environment and the expectations that rates are headed back up mean first-timers should learn about dif-

ferent mortgage options (fixed versus variable interest rates, and various payment schedules, for example) and get a pre-approval, says Colette Delaney, CIBC's senior vice-president of mortgages and lending. "There are three things that you need to think about when determining which mortgage option is right for you: long-term affordability, your current financial situation, and how your mortgage payment will fit with your long-term financial plan."

First-time buyers need to plan for other debts and savings goals as well as the expected mortgage payment, she says. These sometimes-conflicting priorities inspired the CIBC Wealth Builder mortgage, which gives clients much-needed cash up front and pays quarterly deposits to a savings account or other investment over five years. (On a \$200,000 mortgage, for example, a borrower would receive \$2,500 in cash back over the first five-year term.) "It allows you to keep on track towards your savings goals while you pay down your mortgage," says Ms. Delaney.



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Fixer-upper or financial heartache?

We've all heard horror stories about "bargain" homes turning into a string of headaches and expenses for the new owners. But how, exactly, do you ensure that your perfect fixer-upper isn't a money pit in disguise?

Well, for starters, focus less on the property's price tag and more on what the place is going to ultimately cost you in repairs, time and energy. "Fixer-uppers are great – but what ends up happening is that a lot of people are more concerned about the price they pay instead of the work that needs to be done," says Joe Pinheiro, vice-president of sales, Mortgage Alliance, and vice-chairman of the Canadian Association of Mortgage Professionals.

Even if buyers have a good grasp of what it will cost to turn that run-down bargain into a dream home, they may overlook the cost of living somewhere else should major renovations keep them out of the property. "Home renovation is a really busy business; it's hard to get people in there to get the job done," he says. "People have the expectation that they can buy something, renovate and move in two months [later]. It often takes a lot longer than people think."

While a home inspection is generally essential for any first-time homebuyer, it is even more crucial for bargain-hunters, who need to learn whether their renovation budget is realistic. As the adage goes, "Not everything can be fixed with new carpeting or a can of paint."

"I think it is very important to get a home inspection so that you have an idea of any deficiencies, the age of the roof or the furnace, and when you may have to make repairs or replace parts of the home," says Chris Wisniewski, associate vice president, Real Estate Secured Lending, TD Canada Trust. "It gives you an idea of what is coming in the future and how will you pay for that."

Depending on the condition of the property, Mr. Pinheiro says would-be purchasers may want to consider hiring a building engineer to examine the structure of the home. "Anybody can fix the cosmetics. It is when you get into structural problems such as foundations, roofs, even the mechanicals" – like switching from old-style radiant hot water heating to a forced air system – that professional advice is needed, he says. "People underestimate the cost, and they definitely underestimate the time – and time costs money."



Being realistic about renovation costs and complexity can help mitigate risk of unpleasant surprises. PHOTO: ISTOCKPHOTO.COM

"The value of getting advice about your mortgage needs has never been higher than it is this year. Whether you are buying a home or have an existing mortgage that isn't yet up for renewal, a conversation with a CIBC advisor can uncover options you may not have thought about that could help to reduce the interest on your mortgage, and give you confidence in the years to come that you have the right mortgage for you."

Carolyn Kinnear, financial advisor, CIBC Imperial Service



Expert opinion

Expertise you can't live without

By Jim Murphy, AMP
President and CEO
Canadian Association of
Mortgage Professionals

Over the past few months, several changes affecting Canada's mortgage market have garnered significant media attention.

Last fall, the Minister of Finance and the Governor of the Bank of Canada expressed concern about rising consumer debt levels, including mortgage debt. Research undertaken by the Canadian Association of Accredited Mortgage Professionals (CAAMP) in January 2010 indicated that most homeowners could manage increases of up to three percentage points on their variable rate mortgage, which were at historic lows. In February, the federal government announced prudent changes to insured high-ratio mortgages, which are mortgages where



the homebuyer's down payment is less than 20 per cent. When homes are purchased with less than 20 per cent down, homebuyers are required to have mortgage insurance.

Further changes announced by the Minister of Finance, which come into force on April 19, 2010, are:

- All borrowers must meet the standards for a five-year, fixed-rate mortgage even if they choose a mortgage with a lower interest rate and shorter term, whether it be a variable or fixed rate.

- The maximum amount an individual can withdraw when refinancing his or her mortgage will be reduced to 90 per cent from the current 95 per cent of the value of the home.
- Non-owner occupied properties will require a minimum down payment of 20 per cent.

Roughly two years ago, the government implemented other changes affecting high-ratio mortgages. These included a minimum credit score of 600, a minimum five per cent down payment and elimination of 40-year amortizations. CAAMP was supportive of those changes and pleased that the Minister of Finance's more recent changes did not affect down payment requirements or reduce amortization periods to less than 35 years for principal residences. During a fragile economic upturn, where the real estate sector is key to recovery, it is important that the government not overreact

and choke the country's housing market. The government found the right balance with its targeted changes.

In more recent weeks, we have seen mortgage rates increase. Posted rates for five-year fixed mortgages, the most common mortgage product in Canada, rose by some 60 basis points to 5.85 per cent. This is also the new qualifying rate for terms of less than five years.

These changes can be confusing for homebuyers, which is why they should use the services of an Accredited Mortgage Professional. The AMP designation is Canada's only national proficiency standard for mortgage professionals. These individuals must meet a number of criteria, which include:

- Two years' mortgage industry experience. An AMP Candidate program is also available for those with less than two years' experience.
- Successful completion of a qualifying course in ethics



Homebuyers who purchase with less than a 20 per cent down payment are required to have mortgage insurance.

PHOTO: ISTOCKPHOTO.COM

- and responsibilities.
- Earning 12 Continuing Education (CE) credits each year in order to maintain their designation.

Purchasing a home and taking on a mortgage is the largest financial commitment most Canadians will make in their lifetime. They can trust in

the experience and knowledge of an AMP, who is committed to providing the highest level of service and meeting Canadian homebuyers' needs. ■

For further information on the AMP designation and how to find an Accredited Mortgage Professional near you, visit caamp.org.

"CAAMP was supportive of those changes and pleased that the Minister of Finance's more recent changes did not affect down payment requirements or reduce amortization periods to less than 35 years for principal residences. During a fragile economic upturn, where the real estate sector is key to recovery, it is important that the government not overreact and choke the country's housing market. The government found the right balance with its targeted changes." *Jim Murphy, AMP*

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the right stuff



“When it comes to putting a dent in your mortgage, making larger payments or extra payments can add up to big interest savings and a shorter mortgage. First off, add a bit to your monthly payment – most of us can find an extra \$50 per month by cutting out a restaurant meal. Better yet, make yearly or one-off lump sum prepayments, say from a tax return. The earlier you do this, the bigger the impact.”

Paula Roberts, AMP, The Roberts Group, Mortgage Intelligence

Lender requirements vary

Certain rules apply to self-employed borrowers

You’d think being a self-employed professional or running an established small business would make someone an appealing prospect for a mortgage.

Often though, these successful individuals find mortgage shopping a frustrating experience, because they don’t fit traditional mortgage lending criteria, says Garth Ellis, president of Verico Ellis Mortgages in Vancouver.

Without an established stream of pay stubs or a salary confirmation letter from an employer, lenders have few of the conventional assurances that you can handle your mortgage obligations.

Making it even more difficult to assess your finances is that much of the money coming in to the business may be going to deductible overhead costs. These deductions reduce your net income – the number underwriters typically rely on to determine credit-worthiness.

“In many ways, you’re penalized for running an efficient operation,” Mr. Ellis says. “Good business planning means taking advantage

of all the perks and tax breaks self-employment can create. Unfortunately, this makes the borrower’s financial position look worse than it actually is.”

Small business owners are usually expected to provide detailed financial statements for their company for at least the previous two years.

In order to meet lender requirements, it’s important to calculate and highlight all the “add backs” to determine the true net income from your business. A mortgage professional can help you identify deducted items, such as depreciation or home-office expenses, that you can include.

Since your corporate structure can also affect a lender’s interpretation of your actual income and future prospects, it’s also important to identify whether you’re operating as a sole proprietorship, a partnership or a limited or incorporated company, Ellis adds.

It’s all about establishing the long-term health of your business, says Cara Savege, a mortgage consultant with Invis in Vancouver. “Lenders want some evidence that payments

can be made for the life of the mortgage – not just over the next couple of years.”

For this reason, she recommends maintaining thorough financial records so you’re ready when it’s time to apply for a loan.

And that means filing your tax returns on time as well, Mr. Ellis warns. “If you’re not up to date on that one, you’re in big trouble.”

Other factors, such as a solid credit score or offering a larger amount as a down payment, can also improve your chances, says Paula Roberts, a mortgage broker with The Roberts Group in Unionville, Ont.

“If you have a good credit history and require a fairly low loan-to-value, then this will certainly help with your application,” she says.

In some instances, small business owners opt for “stated-income” mortgages where lenders don’t verify the borrower’s income so closely. These are available even if you’ve been self-employed for only a short time, providing you have experience in the relevant industry.



To qualify for a mortgage, small business owners are typically expected to provide detailed financial statements for their company for at least the previous two years. PHOTO: ISTOCKPHOTO.COM

But they can be costly. Since it’s a riskier loan from the lender’s perspective – applicants might overestimate or even exaggerate their income – the interest rate is usually higher, as might be the insurance premiums.

Earlier this year, CMHC started tightening the rules for

self-employed borrowers who don’t provide detailed tax records, requiring a down payment of at least 10 per cent when purchasing a home, rather than the previously required five per cent.

All of which means that while searching for a mortgage on your own is certainly possi-

ble, it’s not recommended, says Mr. Ellis. “An experienced mortgage broker has access to a wider network of lenders and can assemble the right kind of paperwork for a particular file. That’s pretty tough to do when you’re already working full time in your own business,” he maintains. ■

In order to meet lender requirements, it’s important to calculate and highlight all the “add backs” to determine the true net income from your business. A mortgage professional can help you identify deducted items, such as depreciation or home-office expenses, that you can include.

Buying for the first time?
Do your homework first.



Homeownership is often the biggest investment of a lifetime. Knowing all the various costs of buying a home and purchasing within your means are the keys to homeownership. Understanding your mortgage options, the impact of rising interest rates and monthly payments, will help you make an informed decision. Genworth Financial Canada provides easy to understand homebuyer information about purchasing responsibly at www.HomeownershipHelp.ca

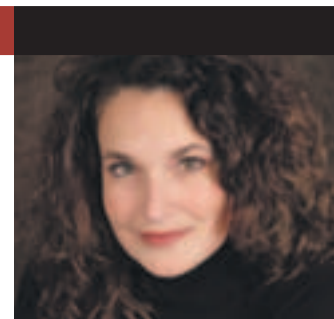


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"I tell my first-time-buyer clients to think about their mortgage in proactive terms. That means not just setting and forgetting their payments for the length of their term, but treating their mortgage like an investment. For example, increase mortgage payments within reason to pay it back faster and save interest. And everyone should sit down with their mortgage professional and look at their mortgage at least once a year."

Georgia Stamatakos, manager, residential mortgages, TD Canada Trust



Foreign transactions

A home in the sun

For snowbound Canadians wishing to become snowbirds, home ownership in the U.S. sunbelt of Florida, Arizona and California looks more attractive than ever. The loonie is high, interest rates are at near-historic lows and the sub-prime crisis has put sun-kissed property "on sale."

Before Canadians jump into U.S. home ownership, however, there are some risks and potential pitfalls to consider – namely, taxes, mortgages and the downward housing price spiral that seems to be ongoing in many areas.

Property taxes are a major consideration for buyers in Florida, which subjects non-resident owners to higher rates, notes chartered accountant Colleen Gibb. "People might be buying from a resident of Florida who tells them that their property taxes are \$3,000, but [as a] non-resident, your taxes can be three times that," she says.

Beyond property taxes, you may face a U.S. income tax bill for capital gains realized when you sell the property. (In some cases, the Canadian government will give a foreign tax credit if taxes are paid in the U.S.) Unlike Canada, America also has an estate tax. Finally, rental income can be taxable in both the U.S. and Canada, says Ms. Gibb.

Obtaining insurance can also be a headache if the property is going to be vacant for much of the year, she notes.

Another consideration many prospective buyers overlook is the effect of a down market on condo common-area or maintenance fees, she says. "If the condo has been short of owners for some time and they haven't been collecting all the common-area fees, you have to wonder if the fees are going to go up substantially."

As for the question of whether to obtain your mortgage in the U.S. or here at home, Ms. Gibb suggests buyers seek a U.S. lender. "Their mortgages are for a lot longer than ours are, and you can get fixed, locked-in rates."

David Kuo, a district manager for HSBC Bank Canada, has found that the increasing affordability of sunshine real estate for Canadians has made mortgage professionals at his bank busier on both sides of the border. "We have branches in California and Florida, so we are able to leverage the existing relationship we have with our customers here in Canada and help them with their mortgage."

Mr. Kuo believes that the cross-border muscle of an international bank such as HSBC makes the purchase of out-of-country real estate easier for clients. "If you don't have any relationship with a local financial institution, I think that it will be more difficult to obtain a mortgage, while we have a standard process to buy foreign real estate, and we do a lot of leg-work and communications for customers."

"People might be buying from a resident of Florida who tells them that their property taxes are \$3,000, but [as a] non-resident, your taxes can be three times that."

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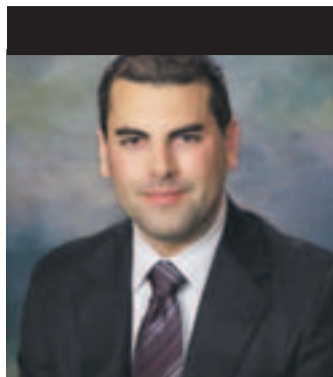
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"When people ask me if they should go fixed or variable, I really have to look deeper into their individual circumstances. It's all about giving the proper advice – not only in terms of mortgage rates, but in lifestyle protection and long-term goal planning. Many of my clients opt for our Homeline plan, where they can have a fixed and variable component at the same time, but with the probability of rates continuing to increase, it's the advice that goes along with the plan that can make the real difference."

Chris Cornborough, RBC mortgage specialist

Borrowing 101

Buy a home for keeps

Q&A

with Peter Vukanovich
President and COO
Genworth Financial Canada

A home is often the largest purchase Canadians make in their lifetime. The economic environment changes rapidly, and there is a plethora of new options. It is essential that consumers do their homework to ensure that they buy a home they can afford.

A common rule of thumb is that your combined household expenses should not be more than 40 per cent of your household income before taxes.

Next, you'll have to decide on the type and size of mortgage that best suits your needs. The two basic options are a conventional mortgage, which requires at least a 20 per cent down payment, and a high-ratio mortgage, which is designed for people who do not have the 20 per cent down payment. If you purchase a home with a high-ratio mortgage, you must pay mortgage



default insurance, which transfers the risk of default from the lender to the mortgage insurer.

What are the benefits of mortgage insurance for homebuyers?

With mortgage insurance, homeowners who have less than 20 per cent of their home's value to put down are still able to obtain a low rate of interest.

Mortgage default insurance helps buyers own a home more affordably and stay in their residence during difficult financial times.

One of our priorities is to provide first-time homebuyers with the information they need to make good decisions and achieve their homeownership goals.

What are some of the most important considerations when choosing a mortgage?

Both a conventional and high-ratio mortgage can have a variety of mortgage features, such as a longer amortization period, which allows you to pay a smaller monthly payment over a longer period of time. A lower mortgage payment every month frees up money to cover other monthly expenses, but may also mean higher interest costs over the life of the mortgage.

Other decisions about a mortgage involve the choice between a variable rate, which involves a fluctuating interest rate; and a fixed-rate mortgage, which, as the name implies, means you pay a fixed rate for a set term such as three, five or 10 years.

If you choose a variable-rate mortgage, it's important to understand that your monthly payments may increase if interest rates rise. By selecting a mortgage with prepayment privileges, such as lump sum, accelerated bi-weekly or monthly payment options, you can reduce your amortization period and save thousands of

dollars in interest in the long run.

You're really looking at what is affordable for you, today and in the future.

How can potential homeowners be sure they've covered off all the basics?

To help you understand your choices and ensure you're financially prepared, many websites (including HomeownershipHelp.ca) offer a wealth of financial information for homebuyers. Speaking to a mortgage professional will also help you work through your specific needs.

You mention that mortgage insurance can help homeowners stay in their homes during difficult financial times – what do you recommend as the best course of action for people who find themselves in that position?

When life delivers an unexpected blow, such as a loss of employment, serious illness or marriage breakup, it can be difficult to stay on track. These scenarios shouldn't mean that your home, and everything



Look for a mortgage that is affordable today and will continue to be in the future. PHOTO: ISTOCKPHOTO.COM

you've worked so hard to achieve, is put in jeopardy. Often, there is help available if you know where to look. If you have a Genworth-insured mortgage, for example, you can take advantage of the Homeowner Assistance Program (HomeownerAssistance.ca) at no extra cost. The program enables you to work with Gen-

worth and your lender to establish alternative arrangements so you can stay secure in your home when times get tough.

Combined with a little bit of education and effort, programs such as this can make the difference between losing your home and finding help when you need it the most. ■

If you choose a variable-rate mortgage, it's important to understand that your monthly payments may increase if interest rates rise. By selecting a mortgage with prepayment privileges, such as lump sum, accelerated bi-weekly or monthly payment options, you can reduce your amortization period and save thousands of dollars in interest in the long run. *Peter Vukanovich*

Cross-country checkup

Economic impacts hit home, but differently

From the Maritimes to the West Coast, views on the impact of the financial crisis, economic recovery, interest rate increases and regulatory changes vary. Here's what our panel of mortgage experts offered:

VANCOUVER

In Vancouver, where the average price of a detached home topped \$900,000 in the spring of 2008 and rebounded past \$1 million in the spring of 2010, the impact of the financial crisis was muted and short-lived, says Garth Ellis, AMP, Verico Ellis Mortgages.

"It wasn't a massive contraction," he says. "By the late fall of 2008, it had turned into a perceived buyers' market, with many people thinking it was time to move up. They were preparing for the deal of the century, but just as the buyers weren't feeling any real financial pain, neither were sellers. There were very few fire sales."

Since last spring, he says, activity has steadily increased, to the point that property val-

ues have been near pre-crisis levels for a number of months.

The anticipated end of low interest rates is driving a lot of today's activity, he says. "People are very serious about buying. A lot of people are getting pre-approved in preparation for stepping up into more expensive properties."

Mr. Ellis says he doesn't expect the new regulatory changes (see page 3) to have a significant impact on market activity. "These policies really make a difference to potential buyers on the fringes of affordability, those stretching the amortization, with minimum down payment and qualifications. That's a lot of stretching. In many cases, they're now saying, maybe instead I'll adjust my lifestyle, spend less and accumulate more of a down payment – or

buy a smaller house."

Given all the changes in the marketplace, more people are seeking objective, qualified advice, he says. "It's impossible for people to keep up, so they're seeking out professionals who have designations such as the AMP (Accredited Mortgage Professional) to help them navigate these uncertain times. They don't have the time, inclination or desire to get into the inner workings of CMHC or bond rate spreads."

ST. JOHN'S

On the other side of the country, in St. John's, Newfoundland, "There have been a lot of ups and downs," says Keith Stapleton of Mortgagebrokers.com. "The St. John's economy can be somewhat different than other

areas of the province and country; we're a small market and we have some large projects really carrying us right now. I think we've fared better than the national average."

Mr. Stapleton doesn't expect the recent mortgage increases or regulatory changes to make a difference to buying plans in St. John's, with one exception. "I think it will have a noticeable effect on self-employed clients. The criteria for the CMHC Self-Employed Simplified program have been severely tightened, and in the current economy, more and more people are self-employed."

But for all homebuyers, it's more important than ever to arrange a pre-approval as early in the buying process as possible, he says. "It answers so many questions, and pro-

vides much more clarity and financial certainty."

TORONTO

In the Greater Toronto Area, the economic downturn kept buyers "on the fence a little bit, but there hasn't been a dramatic effect as far as prices are concerned," says Joe Pinheiro, AMP, Mortgage Alliance. "In the downtown Toronto area in particular, the strength of the financial sector over the past 18 months meant there wasn't a lot of unemployment, unlike other areas, such as southwestern Ontario, that rely heavily on the manufacturing sector."

The recent rate increases have only served to heighten activity, he says. "We're seeing bidding wars, which has driven overall prices up."

The new regulatory changes are unlikely to have a significant impact on the overall GTA market, says Mr. Pinheiro. "It will probably cool some speculative behaviour, but in my view, it is pent-up demand, well-paying jobs and a lower interest rate environment that have driven activity, not speculation."

In a heated environment, professional advice can help consumers avoid regrettable decisions, he says. "First-time homebuyers in particular fear that if they don't buy now, prices might be considerably higher later on, along with higher interest rates. I don't believe that to be true – I think we will see a levelling off of prices even this year, once the pent-up demand has cooled and interest rates have risen. ■



"When seeking a mortgage, the priority of most borrowers is finding the lowest interest rate. But being solely focused on the interest rate may end up costing more unless borrowers also consider features such as prepayment flexibility, type of penalties and portability. These details vary with each lender and are important considerations when deciding on the right mortgage for you."

Cara Savege, senior mortgage advisor, Invis

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