



MORTGAGE DAVE'S TOP 10 QUESTIONS about getting a mortgage

1 - What is the difference between a fixed rate and a variable rate?

A fixed rate is just that, a mortgage term where the interest rate is fixed for the term. Your payments never change. A variable rate is a rate that is tied to the prime rate, say prime-.75%. As prime goes up or down your payment would change slightly. The variable is historically a better deal than a fixed but it has more risk.

2 - What is the difference between a conventional mortgage and a high ratio mortgage?

A conventional mortgage is one where the down payment is equal to 20% or more of the purchase price; a loan to value of less than 80%; and does not normally require mortgage insurance. A high-ratio mortgage is one where the amount to be borrowed is greater than 80% of the purchase price or appraised value. High-ratio mortgages generally require mortgage loan insurance provided by either CMHC, a crown corporation or GE Capital, a private insurer.

3 - What is mortgage insurance?

Mortgage loan insurance is provided by Canada Mortgage and Housing Corporation (CMHC), a crown corporation, and GE Capital Mortgage Insurance Company, an approved private corporation. This insurance is required by law to ensure lenders against defaults on mortgages with a loan to value ratio of more than 80%. The insurance premiums, ranging from .50% to 3.75% are paid by the borrower.

The mortgage loan insurance premium paid to CMHC or GE protects the lender in case of default in the event the mortgage is not repaid, and the bank has to take back the property. The benefit to the borrower is that they can purchase a home with less than 20% down, to as low as 0% down. The insurance premium is paid by the borrower and can be added directly into the mortgage amount. This is not the same as mortgage life insurance.

4 - What are my options for down payment?

The days of 5% down are almost gone. You can still put 5% down up to \$500,000 purchase price but you now need 10% down on any portion of the price between \$500,000 and \$1,000,000. If the purchase price is over \$1,000,000 you must have 20% down on the purchase price.

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MORTGAGE DAVE'S TOP 10 QUESTIONS

about getting a mortgage *cont'd*

5 - What does it cost to use a mortgage broker?

A Mortgage broker is paid by the lender for bringing them a client so my services are free. In special circumstances where you have poor credit or a special situation sometimes a private mortgage is the solution. Typically this is less than 5% of all deals and there is a fee for these types of mortgages.

6 - What is the first time home buyer transfer tax exception?

This is a one-time tax payable on the purchase of real estate. It is based on the purchase price and it is payable to the provincial government. The amount of the tax is 1% of the first \$200,000 and 2% of the balance. There is a full exemption from this tax for first time home buyers who meet all the qualifying conditions as follows:

- Never owned a principle residence anywhere in the world
- Resident of BC for the last 12 months
- Purchase price is not over \$475,000
- There is a partial tax exemption on homes valued between \$475,000 and \$500,000
- If you buy new construction at \$750,000 price or below

7 - Do we have to open an account at the lending institution?

No you don't – you just provide a void cheque from whatever account you wish the payments to come out of. A credit union may require you to join the credit union but you do not have to change banks.

8 - What costs are involved?

The mortgage broker and realtor are free services to you in a purchase. You should budget around \$1000 for a lawyer, \$300 for appraisal, \$400 for property inspection. Property purchase tax if over exception limit. Also keep in mind you will need movers and you will have to transfer hydro, gas etc.

9 - Should you use a realtor?

Yes you should. The fees for a realtor are paid by the seller so you will get the years of experience with a realtor, they will work on your behalf to find a great home, they will negotiate for you and their services are free to you.

10 - If we are preapproved do we still need to write the offer subject to financing?

Yes you do. The banks approval is not just on you, it's on the property. A preapproval is just a general approval. With a real deal the bank will verify jobs and income as well as approve the property. I suggest 5 business days to remove this subject. Usually it can be removed in two days but always have some wiggle room.

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Mortgage Professional

CLOSING COSTS: Residential Purchase

The following is a list of typical adjustments, which a purchaser of residential property in British Columbia may encounter. I hope you will find this information helpful.

HOME INSPECTIONS

This is a one time cost that a purchaser may or may not incur. The purpose of the home inspection is to check for the structural, electrical and plumbing integrity of the property. This service is totally at the option of the purchaser and is not required by the lender. The costs range from \$250.00- \$375.00

APPRAISALS

If the client has 20% or more down into the purchase, the lender may require an appraisal. This is done to ensure that: a) the lending institution is not over lending on the property and b) to protect you the borrower from overpaying. A typical appraisal cost is \$200-\$300.

SURVEY CERTIFICATE/TITLE INSURANCE

Most mortgage lenders will require a survey certificate. This is prepared by a B.C. land surveyor. It shows the outline of the house as it sits on the legal lot. Lenders require a certificate to ensure that the house does not encroach on a neighboring property. If the vendor does not have one, or if the lender will not accept an old survey, then the purchaser will need to order a new survey. The cost of a new survey is approximately between \$1000 and \$2000. An alternative to obtaining a Survey Certificate is to obtain title insurance. Currently the cost is between \$150 and \$200, depending on the desired policy.

PROPERTY TRANSFER TAX

This is a one-time tax payable on the purchase of real estate. It is based on the purchase price and it is payable to the provincial government. The amount of the tax is 1% of the first \$200,000 and 2% of the balance. There is a full exemption from this tax for first time home buyers who meet all the qualifying conditions as follows:

- Never owned a principle residence anywhere in the world
- Resident of BC for the last 12 months
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- If you buy new construction at \$750,000 price or below

MUNICIPAL PROPERTY TAXES

Property taxes are based on a calendar year and are paid in early July each year for most municipalities. If the completion date is after the due date for property taxes this adjustment is a debit for the purchaser, as the previous owner will already have paid the amount for the entire year to the municipality. If the completion date is prior to the due date this adjustment is a credit for the purchaser. To calculate this amount: one day's taxes are the annual taxes, less the \$570 homeowners grant, divided by 365. Municipal utilities such as water and sewer may be included in the property taxes or may be adjusted separately depending on the particular municipality.

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CLOSING COSTS

Residential Purchases *cont'd*

STRATA TITLE

Condominiums and townhouses have a special form of title called Strata Title. You will not need a survey certificate if you are purchasing a strata title property. However, there are other expenses as follows:

- Some strata corporations charge a move in fee which is usually \$25-\$50.
- Almost all strata corporations charge a fee to provide two documents required to complete a strata purchase. These are called form B and form F. The fee ranges from \$50-\$90.
- Your law firm will ordinarily order a copy of the strata plan to ensure that you are in fact purchasing the strata unit that you intend to. The cost is approximately \$15.
- There will be adjustments for your portion on the monthly strata fees for the month in which your purchase falls.

INTEREST ADJUSTMENT

This is the interest you will pay for receiving your mortgage money before the official start of your mortgage (i.e., if your "completion date" was on the 23rd of a 30 day month, your interest adjustment would be 8 days interest).

INTEREST ADJUSTMENT

Legal fees generally range between \$700-\$1000 to convey title and register a mortgage (these figures include fees, disbursements, GST and PST) you can add another \$450 if you are selling property at the same time. There are no legal fees for a mortgage switch from one institution to another.

INSURANCE BINDER

This is a requirement by the bank to ensure that you have arranged sufficient home insurance to cover any losses that may be incurred on the purchase property. Proof of coverage by way of an insurance binder supplied by the insurance agent is necessary and usually costs \$35 (this is not applicable for a strata property).

*This lists only the major items.
Please feel free to ask me questions
relating to your home purchase.*

This information is being provided to assist in the planning of a home purchase. It is not intended to be legal advice and information set out may not be applicable in all cases. In some situations, a purchaser may be required to pay for other additional expenses such as a second mortgage, an assignment of rents, power of attorney or independent legal advice.

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THE MORTGAGE APPROVAL PROCESS

STEP 1

PRE-APPROVAL - find out how much you can afford

- Call Mortgage Dave to get preapproved (takes approximately 10 minutes) - in this step we will discuss the amount you qualify for, options on prepayments, terms, etc. and customize your mortgage for your unique needs.
- A pre-approval also allows us to hold a mortgage rate for up to 120 days while you shop.
- Shop for a new home and finalize a purchase with your realtor.
- Realtor sends me the required documentation.

STEP 2

APPROVAL

- I submit the deal to the chosen lender for approval.
- I will need proof of employment (a job letter and paystub if employed and the last two years notice of assessments and T1 generals if self employed).
- The bank may ask for other documentation re down payment etc.- this can be emailed or faxed to me.
- Get the home appraisal and inspection if needed/ wanted (no appraisal needed for high ratio insured mortgages).
- We meet to sign the mortgage commitment and other documents (this can be done by secure email if we cannot meet face to face).
- You advise me who your lawyer/notary is.
- Now that we have met all the conditions of the bank you can remove your subject to financing clause on the purchase contract.

STEP 3

MORTGAGE CLOSING

- About a week before closing the bank sends the mortgage instructions to your lawyer/notary.
- Your lawyer/notary will call you for an appointment to sign the mortgage documents.
- The lawyer/notary will advise of everything you need to bring, such as:
 - Balance of down payment
 - Identification
 - Proof of home insurance, etc...
- Once everything is signed at the lawyers/notary you just have to wait for possession day.

STEP 4

MOVE IN!

- Completion Date arrives- Mortgage process completes and lawyer/notary transfers funds to appropriate parties.
- Possession Day arrives- You get the keys and move in to your new HOME!

STEP 5

UNPACK, CELEBRATE, RELAX & enjoy your new home!

- Buying your first home can be exciting and a bit frightening all at the same time. Remember that there are no stupid questions. If something doesn't make sense or you have a question, just give me a call.

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STATEMENT OF COMMITMENT

- I will respond to your inquiry within 2 hours or better, Monday to Friday 8 am- 6pm. Outside these hours I will endeavour to return your call as soon as I am able.
- I know your life can be hectic so to the best of my ability I will work around your schedule to get your financing done.
- Getting a mortgage can be very stressful so I will work hard for you to get your financing approved quickly so you can relax.
- I will always represent your best interests when it comes to product features and rates.
- I aim to be your mortgage advisor for the long term; I will regularly follow-up with you:
 - I will contact you after the mortgage closes to make sure everything went as outlined.
 - I will give you a closing package that includes a CD with electronic copies of all your documentation for handy reference.
 - I will send you 10 e-newsletters a year when the Bank of Canada reviews prime rates to keep you updated on rate trends and changes in the mortgage market that might affect your decisions.
 - I will review your mortgage every 12 months to see if there is any advantage in taking advantage of new rates.
 - I will contact you 6 months before maturity to discuss options for renewal.
- I will always protect your data with the highest security possible and any important documents sent by email will be sent by secure email.
- I have 26 years of experience and I encourage all your questions and will treat them all with deep respect. It is imperative to me that you are fully comfortable with your decisions.
- I will consistently seek out timely opportunities for you to make mortgage decisions that benefit you.
- I will treat your referrals with respect and gratitude. I promise to take care of your family, friends and co-workers as well as I took care of you.

EASY

FAST

SECURE

EFFICIENT

Let me help you with your mortgage needs...



RATE ALERT:
Be the first to know how Bank of Canada rates affect you. Sign up for the Mortgage Dave e-newsletter.



BOOK CONSULTATION:
Call to book an in person or phone consultation with Mortgage Dave.



RENEW MORTGAGE:
Time to renew? Email or call to discuss the best options.



APPLY FOR MORTGAGE:
Apply online at mortgaedave.ca or call to apply in person.

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