



MortgageFocus Update

Issue: 22

October 2008



Dear Andrea,

The first hint of winter has come and great trick or treating lies ahead. The chill in the morning is enough to get a few more layers on before the bike ride to daycare.

I am sorry I have not written in a while we had a sad moment in our lives with the loss of my father, a great man by any definition. He will be deeply missed.

Things I have noticed of late are that there is a growing number of self-employed women out there and they are really making a difference in their communities. The flexibility is obviously nice from a work/life balance, but I also think that people are gaining great satisfaction from what they do. The other thing that has come to my attention is that there seems to be a huge increase in the number of weddings. Does this mean the 20 somethings are more inclined to marry than the previous generation? Either way this is great for them and a lot of businesses that provide services in that industry.

The housing market is most definitely a buyers market at this stage. More houses are coming on the market and staying a while, which is great if you want time to think, not so great if you long for the bidding war days.

The \$1 million range seems to be very popular in mid town Toronto these days and neighbourhoods that sold in the \$200,000 range not 10 years ago are sporting new builds at a million. How young families are going to keep pace is beyond me, but people always find a way. The Condo market in the GTA remains hot, but again my bias has to ask why pay \$300,000 for 600 sqft? The Globe had an article that talked about a slowdown a month ago, and that may be starting to happen, but I am still seeing new developer tents popping up so building plans continue. I know there are lifestyle advantages to living in the core, but gosh that is small. Those of you who live in smaller communities, must look at the 2,500 sq foot plus home with a yard and 2 car garage and just laugh, unless you are having to drive downtown these days.

There is a lot to be said for working where you live, but finding the right home at an affordable price has always been the challenge.

The 8 Most Common Mistakes Homebuyers Make

Things to watch for and how to avoid them

In This Issue

[The 8 Most Common Mistakes Homebuyers Make](#)

[Rates & Products](#)

[About My Service](#)

Quick Links

[Apply Now](#)
[News](#)

[Related Topics](#)

[More On Us](#)



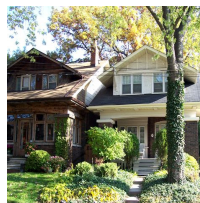
Personal Service & Unbiased Advice

Working to Save you time & money, Bring you peace of mind and Help you achieve your goals.

[To Learn more](#)



(This is part 2, part one came out 17 September, to get you copy please e-mail me or go to my web site.)



5. Not knowing about down payment choices & mortgage insurance

The options for down payment range from 5% down all the way to not needing a mortgage at all (then you are a lucky person).

1. Conventional mortgage is when you put 20% or more down and borrow the difference. When you do this there is no mortgage insurance required, ideally though you should consider getting some type of life and/or disability insurance if you do not have it already, but you should talk to an insurance agent for that.
2. Between 5% and 20% down payment will mean there is a mortgage insurance charge. This is mandated and the insurance is offered by outside insurers like CMHC and the pricing is fixed based on the amount you put down and the type of loan you are making. Longer amortization periods (e.g. 35 years) are more expensive than 25 years. There are also a range of other features and benefits, and to learn more please call me or go to <http://www.cmhc.ca/en/co/moloin/index.cfm>
3. The amount is a lump sum that can either be paid up front or it is added to your loan.

One of the easiest ways to come up with a down payment is to use your RRSPs. The Federal government's Home Buyer's Plan, is a great way for individuals and couples to take out as much as \$20,000 each from their RRSPs without incurring added tax and as long as you repay it within the 15 year time frame from when you withdrew it, then you are good to go. The plus is that if you know you are going to buy in the next few months then take advantage of the tax savings and top up your RRSP at least 90 days before you withdraw it for the purchase, and you can still use the deduction at tax time, giving you more money later.

For more details to see if you qualify go to <http://www.cra-arc.gc.ca/tx/ndvdl/tpcs/rrsp-reer/hbp-rap/menu-eng.html>

6. Focussing too much on interest rate - consider the big picture

First time buyers often shop the rates, but do not consider the products. There are a number of lenders and a lot of products. Not all mortgages are the same. So a rate of X% for one is not the better or worse than Y% for another. Rates do matter, they may determine if you can afford the mortgage for the term of the mortgage, usually 5 years. After that the market may be completely different.

Fixed Rate:

- These mortgages often have the greatest appeal for first time buyers since they know what their payments will be and can budget accordingly and there are no surprises during the term of the mortgage because the rate stays the same.

Variable rate:

- Often unless you request a change your payments will remain the same, similar to a fixed mortgage, but the amount going to pay interest and the amount going to lower the debt may vary depending on the rate. If rates go down you are paying down faster, but if rates go up, and you do not make changes to the payment then more is covering interest and less of the payment goes to principal.
- Historically this has been the best for long term savings, but it has risk and it is not for everyone.
- Get a combination. A variable mortgage that will not go any higher than the fixed rate set at the time you sign the deal. There are a number of other choices, but sitting down with someone who can go over it with you and help you decide what is right for you.

Remember that everything has a cost so all rates are not created equal.

7. Not actively choosing your payment schedule

There is what you can "afford" and there is what you are comfortable with. Technically you might be able to "afford" to pay down your mortgage really quickly, but maybe you want to use some of the money for other lifestyle things like a holiday or hockey lessons for your kids.

You also should look at your comfort level with debt. If you are the kind of person who would rather live with an old sofa and get rid of the mortgage sooner then work that into your choices.

Options to consider:

1. Standard mortgage: 25 year amortization, monthly payments, keep it comfortable
2. Longer amortization, up to 35 years, lower the payments (or get a bigger loan), pay it monthly the cost here is significantly higher interest is paid over the life of the mortgage
3. Regardless of amortization period consider more frequent payments, weekly (52), bi-weekly (26), bi-monthly (24). It may make it easier for you to budget if you match your pay periods.
4. Use pre-payment options offered by many lenders, or if you have an open mortgage, just pay extra into the mortgage when you feel comfortable.
5. Consider increasing your payment amount every year, the same amount or more that your rent would increase if you were still renting.

Adding the last three strategies to your toolkit can take years off the mortgage and save thousands in interest. But if you do not think you can take advantage of the pre-payments then get a "No Frills" mortgage and save with a lower interest rate.

8. Not factoring in closing costs

When doing a budget to determine what you can afford for a house stop and add 1.5% to the cost of buying. So if you thought you could buy a \$300,000 house but it would be tight and the \$4,500 in closing costs would kill the deal, then scale back and rethink.

What are closing costs?

- Lawyer fees: Working with a specialist in real estate will mean they will do the job right
- Land transfer tax: this is a tax set by the province (and the city if you are in Toronto) that is a percentage of the purchase price. This is a scaled tax so the higher the price the more you pay.

- Bill adjustments: this covers amounts pre-paid on utilities and property taxes so that the money goes back to the seller or if amounts are owing then the buyer is credited
- Professional inspection: It is always a good idea to have the home inspected and to make the offer conditional on inspection so that if there are any problems you can either walk away from the deal or make adjustments to the purchase price to cover the cost of the repairs
- If it is a new construction then there are a range of other issues including taxes and government rebates, this take a little more homework.
- There are also ongoing costs, moving costs and set up costs, these might add to your bill, so make sure you have enough on hand.

If you want to find out more about mortgages or learn more about getting ready to buy then contact me or go to www.great-mortgage-rates.ca

Andrea Meynell

Mortgage Agent

416.486.1113 in the GTA
Outside the GTA call 1.877.486.1113
Andrea@great-mortgage-rates.ca

Rates and Products

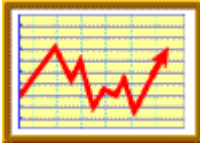
Deals offered daily

The big news in the financial sector these days is that the rich guys that created the mess will be successfully bailed out, I gather bonuses already promised will still be paid. The markets are still shaking out some bad apples, but things seem to be less dramatic. Canada has been protected by the fact that we are not quite as big spenders, and probably saved in part by not having mortgage interest as a tax deduction as they do in the US, which must have encouraged people to push the limits a bit.

The decline in the stock markets seem to be having a bit of a rebound as the forced sales take off some of the downward pressure on prices, so with time portfolios will bounce back a bit. Canada is getting hit a bit harder than first expected because of the decline in the cost of resources, but one has to imagine that that will bounce back with OPEC cutting production, people having more kids, and once developing countries keeping the taste for the good life and increasing demand.

The Bank of Canada's efforts recently have brought Prime rates down to 4%, this is fantastic if you have a variable rate loan, however it is a indicator that there is some concern in economy. There was a big jump in mortgage rates in the last month and no one really wants to sell variable rate mortgages, hence the prime plus 1% or more at many lenders, but some rates have drifted down recently, so there may be some growing stability in the financial markets.

Lenders though are still competing like mad so there are deals to be had. If you have good credit and a good income and the bank starts with the posted rate, then **walk away**, they are **not** serious about your business. Why deal with someone who is going to make you work for it?



Fixed rates for 3 to 5 year mortgages are low with a 5 year running between 5.75% and 7.2%. The 7.2% rate is clearly not the best choice but it is out there. The variable rate products are still all over the map, some lenders are offering prime PLUS 1% (today that would be 5%), but there is one lender out there willing to do a variable loan at prime still. So it keeps things interesting for rate shoppers and it also means that some lenders are standing out right now in terms of their offering.

My main recommendation these days is the HELOC (Home Equity Line of Credit) at prime or the excellent 1 year rate of 4.35%. With both of these you can see if things settle down in a year and then decide what to do and with the signs saying Prime may drop a gain the former looks very good to many people.

If you have credit issues then rates are higher and with fewer lenders working in that market the rates have gone up, particularly in lower density regions of the province. Deals are still possible, but harder to find.

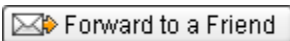
Remember there is a lot to consider when you are getting a mortgage and rate is only part of it. Make sure you are comparing apples to apples, and if you have not been happy with the cost and options of your last mortgage and it is coming up for renewal then now is the time to get the mortgage that lets you manage **your money** the way **you want**. Whether that means having the option to pay it down incredibly fast, or pay interest only while you get a new business started. There is a lot of choice out there.

Want someone to do all the work for you and just have to make a choice between a couple of excellent alternatives, at **NO CHARGE** when you qualify for regular mortgage financing?

Working with someone that **wants** to get you the best deal, one that is tailored to your financial and lifestyle needs is going to make you more comfortable that you have seen what the best have to offer and that you are getting a good deal. I handle your file personally and I am not tied to bank hours. I know that 9 times out of 10 I can offer a better alternative. Sound appealing? Call to learn more.

Andrea Meynell, MBA
Mortgage Agent
416.486.1113 / 1.877.486.1113
Andrea@great-mortgage-rates.ca

License # M08006171



Energy and persistence conquer all things.
Benjamin Franklin

My goal is to help people find the right mortgage and the best rate and remove perceived obstacles to getting them the loan they need or want.

I am honest and will take the time to educate my clients about the market, the process and their choices.

You give me the greatest compliment when you send those you care

about to me for their Mortgage needs. I am 100% committed to providing you and those you send to me the highest quality of service and dedication to their needs.

Sincerely,

Andrea Meynell, MBA
Mortgage Agent
Assured Mortgage Services
TEL/ FAX: 416-486-1113 or 1-877-486-1113
EMAIL: andrea@great-mortgage-rates.ca
WEB: www.great-mortgage-rates.ca

License # M08006171

**Special
Gift
Offer**

You and your referral will receive a special gift for all loans that close.

Offer Expires: **Something is always on the table with**

an "early bird" bonus if it closes by 15 December 2008

[Forward email](#)

 **SafeUnsubscribe®**

This email was sent to andrea@great-mortgage-rates.ca by andrea@great-mortgage-rates.ca.
[Update Profile/Email Address](#) | Instant removal with [SafeUnsubscribe™](#) | [Privacy Policy](#).

Email Marketing by



Assured Mortgage Services - Corporate Offices Only | 6511-B Mississauga Road | Mississauga | Ontario | L5N 1A6 | Canada