MORTGAGES BY Candice
shining a light on your financial future

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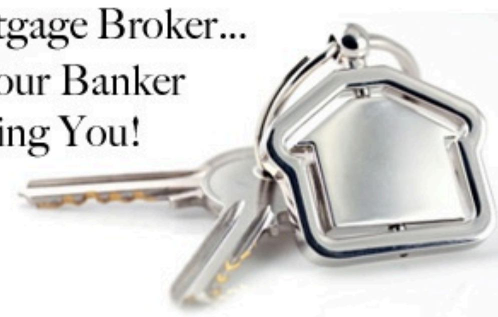
Looking To Purchase A Home?

TOP 10 Reasons You Should Use A Mortgage Broker... What Your Banker Isn't Telling You!



Although they may beg to differ, your bank does not necessarily have your best intentions in mind when you apply for a mortgage. And the entire process can be intimidating and confusing. It's tough to absorb all the ups and downs of your potential loan while filling out forms with a stranger in an uncomfortable office…all the while worrying about whether or not you're making the biggest mistake of your life.

Just like any other business, banks create "products" that are then "sold" by their employees. As a client, you only get offered what's currently being "allowed" to offer. The result is you may not get the most optimal mortgage for you, and end of paying for it in the long run.

Whether you are in the market for your first home or are interested in making changes to your existing mortgage, using a professional mortgage broker is becoming more and more common and more and more widespread. Mortgage brokers like Mortgages By Candice are small business owners who rely on personal references and referrals for a good deal of their client base, and therefore are willing to go the extra mile. The success of a mortgage broker depends on providing value for clients through hard, efficient work.

Real estate is a hot market in Calgary and Alberta, and unfortunately it's not always in the best interest of a large lender to tell you all you need to know when you need to know it about your mortgage. There are several reasons why mortgage brokers are becoming THE choice for home buyers, and communication is one of them. Mortgages By Candice is dedicated to keeping you up-to-date and informed about all aspects of your mortgage, and shining a light on your financial future.

1. Brokers offer independent advice and plenty of options.

Never forget that your banker essentially acts as a salesperson for the company they work for. They are faithful to their company above all else. And a bank's main mission is to get you to open several (hopefully ALL) of your accounts with them. Bankers work on commission and have quotas. Each account you open can add a few bucks to your banker's paycheque…and the bigger the better.

Once a bank has control of all of your accounts it's less likely you'll move to another institution. And then they get to rake in your fees. The more accounts you have, the more banks make. In fact, banks have earned slightly more from fees than interest since the late 1990s. Instead of looking elsewhere for options, those who bank with large institutions tend to inquire within for loans and insurance for the supposed ease of transferring funds between your accounts plus small incentives.

In the very worst-case scenario, a bank may pitch you a mortgage loan that's totally inappropriate for your needs. Salespeople want to sell things…no matter whether or not it's right for you.

And because customers tend to not change financial institutions very often, this puts you in a poor bargaining position. Sadly, it's even been reported that sometimes lenders will tell you that you are prequalified for a mortgage when you may not be. Sometimes banks will preapprove based on what you have written or verbally stated without verifying your details. Final approval comes once all that information has been proven. So it's possible you could make a bid on a home based on your pre-approval, and then discover a glitch has caused your pre-approval to be pulled.

Because mortgage brokers are not affiliated with any particular lender they are free to find the home loan that perfectly suits your needs. Brokers can look at offers across the board and pinpoint the most beneficial for your situation. Brokers get to know you and your goals for home ownership; you get to choose a loan that works for you — NOT for your lender.

2. **Mortgage brokers save time and your credit rating**

A broker offers one-stop comparison-shopping. Why should you spend all your time trying to find the right mortgage when what you really want to do be doing is finding the right home? Brokers work with many different lenders and are familiar with all the products each offers, so they can quickly select the ones that have the best chances of meeting your personal needs right off the bat. It would take weeks for the layman to perform the research it takes one mortgage broker a few hours to do.

Many people also don't know that each time a different lender requests your information from your credit company your credit rating is impacted. If you apply to many different lenders, you could actually hurt your chances of qualifying for pre-approval by lowering your credit score. A mortgage broker will only submit your credit information once, thereby circumventing this potential problem.

3. **Brokers are master negotiators**

A broker has the knowledge and experience necessary to get you the best terms and most competitive rates — every time. They are experts in negotiation…something the average Calgary home owner isn't all that used to. Many people are uncertain or uncomfortable about bargaining with their bank, which is something brokers do every day. Some customers don't even realize they can ask for a better offer than the first one presented, and your lender isn't likely to reveal this information if you don't ask.

Banks also have the bad habit of scheduling customers for appointments, and then whichever employee is available at the time takes it. There's not much of a chance you'll speak to the same person twice. Ever.

Since you will be working closely with your broker for most of the buying process, and since their reputation depends on following through on their promises, you know they will be there to answer your questions and provide advice at all times.

4. Brokers are efficient…and free!

Brokers work for you, but you don't have to pay anything. How does this work? Like others who provide professional services, brokers are paid by commission and usually receive a finder's fee from a lender for introducing them to trustworthy, dependable clients. These fees are standardized industry-wide to help keep the focus on the customer.

Brokers such as Mortgages By Candice send your application to a variety of Canada's major lenders, enabling you to access the absolute best possible terms, prepayment privileges and interest rates in today's marketplace — something single lenders cannot provide. Brokers are specialists at securing mortgages at lower than advertised rates.

Buying a home can be an arduous process, and brokers will work as hard as you do from the beginning to the end. Your broker is completely responsible for your mortgage until closing is complete, and will assist along the way in other respects. Mortgages By Candice is able to recommend reliable real estate agents, can supply helpful documentation to walk you through the moving process, and will take the time to explain the ins and outs of all the confusing home-buying terms and lingo.

5. More choices = better service

Mortgages By Candice has access to several major lenders for home buyers, and the options are not all your traditional large bank. Possibilities include credit unions, trust companies, smaller banks and other sources.

Even if the banker at your traditional institution would really like to help you get the mortgage and the home you deserve, they are limited by their selections. Pretty much every large bank operates their lending process based on the results from your income data after being plugged in to expensive computer software. For anyone who makes their living through their own means (such as farmers, entrepreneurs, owners and contractors), important elements of your business may be disregarded and you could be flagged as a credit risk.

Truth be told, big banks are not for everyone. Although you may be able to access their call centre in the evening and enjoy weekend hours at your branch, these details all cost money. A smaller bank may not be able to provide 24-hour assistance, but they may be able to offer more quality, personal service.

The most well-kept secret in the banking biz is that smaller companies can provide virtually identical mortgages as a larger company, and are not under the same pressure as their bigger neighbours to keep their business afloat. Smaller companies do not have the incessant need to “grow” that larger ones do, and that often allows them to charge less while providing greater value for the client.

Brokers like Mortgages By Candice have close relationships with lenders for those that may not fit into the average mortgage “box”, and are skilled at filtering down the options. Brokers will discuss the difference between fixed rate and variable mortgages, and closed versus open mortgages. Your personal variables matter, too. Are you a current property owner or a new buyer? How much do you have for your down payment?

Mortgages are flexible, and have some attributes that appeal to some, and others that appeal to the rest. Mortgage brokers find the best of both worlds.

6. **Gets you the best terms and rates available….plus special offers!**

Even if you’ve been pre-approved for one mortgage, there is no reason you have to stop looking. Mortgage brokers are happy to provide rate and term comparisons, and are likely able to offer a fresh perspective on your first pre-approval. There may be significant prepayment penalties attached to your mortgage that you were unaware of, or perhaps the term selected offers very little flexibility.

One “trick” commonly pulled by large lenders is to advertise an artificially low rate for a one-year adjustable-rate mortgage that jumps up substantially in the second or third year. Also, lenders actually really want you to sign up for the highest rate you can afford. Of course, bankers earn a commission on your loan – usually about 1 per cent – and if they manage to sell you a mortgage that’s more expensive than the cheapest one available, they earn a little bit more. And, it’s rare but known to happen, some lenders will actually deliberately hold up mortgage applications longer than the 60-day rate lock-in period to wait for a higher rate.

Rates have dropped significantly overall since the 1980s, and homeowners shouldn't be shy about asking questions. There is plenty of competition for your business, so take advantage! Many institutions that provide financing or mortgage insurance will offer incentives for qualified customers, including discounts on appliances, retail points programs and shopping clubs. Your broker will help you determine if any of these are worth your time so you get the deals you deserve.

Mortgages By Candice has numerous resources available to bargain for the best rates and most beneficial offers. And, unlike regular lenders, Mortgages By Candice will review your mortgage several times a year to see if it's still the best product for you. Rates change and new products come on the market regularly, and Mortgages By Candice keeps an eye on them all.

7. The truth about renewing, refinancing and home equity

Renewing, refinancing and looking into home equity loans can be thought of as opportunities. You CAN change lenders, and these are the perfect times to do it.

Renewing

Your lender is required to send you a renewal notice at least 21 days before the end of your current term. About three months before that, start shopping. Since it's more than likely you are not in the exact same financial situation you were in five or ten years ago, your mortgage shouldn't stay the same either. Maybe you've just received a raise and are in a position to make higher payments. Or interest rates have changed. Or perhaps you're simply curious. Whatever your reason, when renewal time comes around definitely take the time to compare your current lender's offer with others. Provided there are no major complications with your mortgage, if you renew with a new lender they will generally process the application and take on any fees that may be applied.

Refinancing

There is useful equity in your home, and refinancing is becoming an often-used method of achieving long- and short-term life goals.

People often refinance when their financial situation has changed. It may be that you have recently received a raise and can afford to pay more monthly. Or, perhaps you've changed careers, resulting in a temporarily lower income. Cash-out refinancing allows you to replace your home mortgage for more than the amount currently owing, and then use the "extra" cash to help start up a new business or go back to school. Refinancing also applies to those who are tired of their adjustable rate mortgage and would like to switch to a fixed rate. Or, maybe mortgage rates have dropped since you bought. Refinance with lower rates and save! Refinancing can be a useful tool for improving your financial situation while also reaching your objectives.

Home Equity

To achieve your financial goals, make use of the value that's literally in the walls around you—the equity in your home. A home equity loan can be a simple way to leverage the value of your home into capital to start a business, send your kids to school, or perform some much-needed renovations. You can borrow up to 75 per cent of your home's value and request a lump sum payment, or else use the account like a credit card. Interest will only accrue on funds that you use, and are often lower than most credit cards or other consumer loans, making home equity loans a great tool for paying off high-interest debt.

Leveraging your home equity into a loan that can help you make your ambitions a reality can have excellent benefits in the long run.

8. For the Entrepreneur!

Banks make it tough for self-employed people. Mortgage brokers make it easy! If you have a low down payment, or bad credit, mortgage brokers can provide alternatives. There are several mortgages that apply to Alberta's innovative people.

- **Entrepreneurs/Business Owners:** Alberta's self-employed can apply for specialty mortgages by providing proof of income. Basic earnings declared on your tax return should be adequate to apply.
- **Long Amortization Mortgages:** The average mortgage length is 25 years, however you may choose to lower payments and plan for a longer amortization, such as 30 or 35 years.
- **Poor or Damaged Credit:** If you have damaged credit, a new mortgage that you can prove you can afford can vastly improve your rating over time.
- **Private Mortgages:** Available to those who may not meet the criteria of institutional lenders.
- **Vacation Property:** There are specialty mortgages available for those with vacation properties or secondary homes.
- **Interest Only:** It's possible to work a deal with your lender where you pay interest on a certain percentage of your mortgage only. Interest only mortgages usually provide lower monthly payments.
- **Investment Property:** Mortgages for rental or earning properties are common in Calgary and surrounds, and are an excellent way to earn revenue. The biggest issue for those considering becoming a rental property (or investment property) owner is how to come up with the down payment. It's nearly impossible for most to even imagine putting 25 per cent down on a building that could be worth several million. A mortgage broker can help you locate lenders that allow lower down payments on investment properties. You may also want to discuss options for using equity from any existing properties you own to access an adequate down payment. Joint ventureship is another choice you could consider, and it's possible to take out loan insurance on high ratio mortgages in order to help with qualification.

9. Explains hidden costs

Prepayments: Lenders base their business on interest, and they expect to earn a certain amount for a certain amount of funds provided. By making a large prepayment you are, in effect, reducing their total earnings, and so lenders have placed serious restrictions on their use.

Prepayment penalties are referred to as Interest Rate Differentials (IRDs), and most often apply to fixed, closed mortgages. The IRD takes effect if you pay off your mortgage prior to the amortization date or make a payment on the principal that exceeds your prepayment privileges.

Most variable mortgages either do not have prepayment penalties or operate using a standard three-month interest penalty. But if you are a variable mortgage holder it's still a very good idea to speak with your lender or broker before making a payment over your allotted amount. Some lenders will charge penalties for making a large payment before the end of your term (especially if there's a chance rates will rise before your next), and if you're planning to switch lenders some refuse to consider prepayments made 30 to 90 days before you request discharge.

Mortgage prepayment penalties can actually make a large payment not worth your while. It may be wiser to make several small payments, or even to refinance altogether.

Mortgages By Candice is not only able to assist you in making a good decision about your prepayment, but is also your best bet for a successful refinance (if that's where you're headed).

Not a lot of fixed-rate mortgages last for very long. The average five-year mortgage is refinanced by three years in, but not all those are subject to penalties. Mortgage brokers can help figure out what fees you may face should you suddenly be able to make a large payment for each particular lender. These are questions you SHOULD ask. Brokers can take a look across the board to compare penalties for prepayments made at certain intervals of your mortgage, and the answers you get will also clarify the type of mortgage that is best for you.

More Penalties to Watch Out For

- When refinancing or buying a home, inquire about penalties for increasing your mortgage. This is a very viable and often-used option for renovations or emergency funds.
- Ask about moving day procedures. Incredibly, some lenders require that you close on both your old and new home on the same day.
- Definitely ask about refinancing. Some fixed mortgages will NEVER let you refinance or move to another company unless you sell your home.

If you make a prepayment, watch your statement. Often those extra payments will sit in an escrow account and not be put towards your principle because it's outside of the parameters of your agreement. Extra payments confuse payment schedules, and banking software often isn't set up to include them.

For a comprehensive look at what to expect from your closing costs, download our complete Closing Costs document here.

10. Brokers will make sure you have all the insurance you need.

Brokers are experts in the housing market. It is their job to explain the language so you can choose a mortgage and insurance with confidence. If you do not have a life insurance policy, or if you are not sure your current policy provides adequate coverage, qualified mortgage broker or lender would never let you agree to sign to a mortgage without first discussing Creditor Life Insurance and Disability Insurance. Both protect your family in the awful event that something happens to you or the policyholder. If an untimely death should occur in your family, Creditor Life Insurance issues the amount owing on your mortgage to the lender, thus relieving your family of the financial burden of payments and ensuring they will have a home forever. Disability Insurance supplies equally comprehensive coverage by guaranteeing monthly mortgage payments in the case of a debilitating injury or illness that may prevent you from working.

If you are currently paying "balance protection" on your mortgage through your bank, there is likely no need. Balance protection is extra insurance provided through the bank that is probably already covered by your personal life insurance or your Creditor Life and Disability Insurance. Plus, balance protection policies are usually not even that great. They often cap out at far less than the complete value of your mortgage, and can be extremely difficult to get out of if you want.

Default insurance for high-ratio mortgages

Loan Default Insurance must be obtained by those unable to provide more than a 20 per cent down payment and/or who have a loan to value ratio greater than 80 per cent. Loan Default Insurance rates start at 0.5 per cent and vary according to the down payment and authorization. These fees usually can be added directly to your mortgages payments. Canadian providers are the Canadian Mortgage and Housing Corporation (CMHC) or Genworth.

If you have any further questions about how a mortgages broker can benefit you, please contact Mortgages By Candice today. Operating in the areas of Calgary, Okotoks, Bragg Creek, High River and Turner Valley.