

# Smooth Moves

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This flyer is intended to provide general information only, not legal advice.

**Questions?  
Contact us.**

**The Notary Group**

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The Notary Group is the trade name for Janzen & Caisley Notary Corp., a Professional Notary Corporation.

## Subject to Financing...

Relying on a mortgage or line of credit to help you buy your new home? Here are a few tips for getting your financing in place in time.

### Start early

Start your planning and research about 4-6 weeks before you think you will need your mortgage to fund. Your approval process might take two days, or two months, depending on how organized and creditworthy you are.

The amount and type of financing you can get is affected by your credit history. If you have been slow, or bad, at repaying other loans or credit cards, lenders may be less willing to lend you funds for a mortgage at a reasonable rate.

Your credit history is shown on a report that you can get, usually for free, from a credit-reporting agency. Order a copy of it before you start, so you can address any problems and improve your status.

Review the information on the office of Consumer Affairs' website to find out more about how to get a copy of your credit report, and improve your rating.

### Pick a mortgage specialist or broker

A "**mortgage specialist**" works at a specific bank or credit union, and helps you find the right product from that lender's available options. Use a mortgage specialist at your bank or credit union if you want to continue dealing with them.

A “**mortgage broker**” is someone who has met certain educational requirements, and has been licensed, usually by the Mortgage Brokers Association of BC. Use a mortgage broker if you have not decided which lender to use, or if you want to compare products and rates across several lenders.

Get referrals from friends or family, so you can find a professional who best suits your needs and style.

### Decide which type of financing you want

Your mortgage broker or specialist can help you choose which one of the many types of financing is best for you. Types of financing can include:

- **standard loan:** a set amount of money borrowed, to be paid back over a set period of time; the payments can be fixed amounts, or varying amounts, depending on the type of interest rate you pick.
- **line of credit:** you can borrow up to a maximum dollar limit, and the repayment period and amounts are more flexible, and can be set in negotiations with your lender.
- **combination products:** some products are part loan, part line of credit. These products let you decide how much of your borrowed money should be a fixed amount, and how much can be flexible.

All of these loans will be secured against your property with a mortgage.

### Maximize your down-payment

If you are borrowing more than 80% of your purchase price, you will have to qualify for a “high-ratio” mortgage.

High-ratio mortgages cost more. They can have higher interest rates, require shorter amortization periods, and extra, high ratio mortgage insurance. High ratio mortgage insurance premiums are calculated as a percentage of the loan, and the amount of your down-payment.

The insurance premium is generally added to your mortgage principal. Your mortgage broker or specialist can tell you how much this insurance premium will be.

## Get your paperwork in place

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Your mortgage broker or specialist will tell you what they need from you to process your application for a mortgage. At the very least, make a list of your assets and liabilities, find your notices of assessment for your last two years of income taxes, and a pay stub. You may also need to provide proof of other income, confirmation of employment, or copies of balances or statements from other loans.

## Address common challenges

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You must disclose any information that would affect a lender's decision to loan you money. Let your mortgage broker or specialist know right away if you intend to rent out the property (or a portion of it); if any of your down-payment funds are coming from another family member; if there is anything unusual about your identification (eg. your ID doesn't show your full legal name, or doesn't match); if there is anything unusual about your Contract of Purchase and Sale, or the property you are buying.

## Do your math

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When considering how much financing you will need, remember to think about:

- the costs involved in buying the property
- the costs of any repairs you need to do
- whether you have to pay your lender any approval fees
- whether you will need to buy any furniture
- whether you need to do any debt consolidation
- how much of a "down-payment" you can afford
- how much you can afford to pay each month, including property taxes, strata fees, utilities and other monthly costs

## Get pre-approved

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Pre-approval is when you have been given ***conditional*** approval for financing from a lender. Get pre-approved so you know approximately how much

financing you can hope to receive. Once you have picked a home, give your lender the information it requires about the property so the lender can give your application final approval.

**Note that pre-approval does not guarantee that your financing will actually happen.** Several things could lead to your lender refusing to approve your financing, even after you have been pre-approved, such as a change in your employment circumstances, the property being inappropriate for the type or amount of financing, or down-payments coming from family members.

### Address financing in your contract

If you have only been pre-approved for financing, you may need to include a "subject to financing" clause in your Contract of Purchase and Sale.

This clause should be clear. "Subject to financing" is **not** an appropriately worded clause. A well-drafted clause should indicate the date by which the financing should be available, the maximum amount you are willing to borrow, the maximum interest rate you are willing to pay, the maximum term and amortization periods, and whether property taxes are to be included in these calculations or not. Your **REALTOR®** or notary can help you prepare a well-drafted clause.

Removing this "subject to" clause obligates you to buy the property regardless of whether your lender gives you final approval or not.

### Questions? Ask us!

The Notary Group has offices throughout the Okanagan. Please check our website at [www.thenotarygroup.ca](http://www.thenotarygroup.ca) for information on branch locations and phone numbers, or you can e-mail us at [info@thenotarygroup.ca](mailto:info@thenotarygroup.ca) for more information.