

# Home & MORTGAGE

Fall 2011



**Margo Wynhofen, CPMB**  
B.A.Econ., Mortgage Broker/Owner  
FSCO License #10460

7 Livingston Avenue  
Grimsby, ON L3M 1K4  
Telephone: 905.309.8850  
Toll-Free: 866.864.9595  
Email: [margo@mymortgageadvisor.ca](mailto:margo@mymortgageadvisor.ca)  
Website: [www.mymortgageadvisor.ca](http://www.mymortgageadvisor.ca)

**One Mortgage Broker.  
Many Mortgage Solutions.**

ING DIRECT<sup>®</sup>  
BROKER TEAM

One of ING Direct's  
Top Brokers for 2005,  
2006, 2007 & 2009

West Niagara News Readers Choice Award for  
2005, 2006, 2007, 2008, 2009, 2010

## Review the 5 Cs of credit

Many first-time buyers worry that they won't qualify for a mortgage. Maybe their income is low, or they haven't saved a large down payment. In fact, lenders take into account a range of factors — known as the 5 Cs of credit — when deciding whether, and how much, to offer you.

Here is a look at each of the five Cs of credit and what they mean.

### 1. Capacity to repay

Your total **household income** is a strong influence on the amount of home you can afford to carry, and thus how capable you are of maintaining the payment schedule.

### 2. Character

Regardless of your salary, your **employment history** and your history of repaying debt (**credit history**) are important signals of whether you can be relied upon to repay a mortgage loan.

### 3. Capital

The size of your **down payment** influences some of the other factors. A larger down payment lowers monthly mortgage costs and therefore requires less income to carry. A lower down

payment may require additional guarantees, such as mortgage insurance.

### 4. Collateral

Since your mortgage is secured against the property, the lender will want to appraise the **home's value** to make sure it's in alignment with the amount of the loan. This is important to consider if you find yourself in a multiple-offer situation and pay significantly higher than market value or if you waive the inspection and the home is seriously flawed.

### 5. Conditions

External factors such as the **economy and markets** influence how lenders set their terms and interest rates, which can affect whether you qualify and the affordability of your monthly payments.

Even if you are weaker in some of these areas, we can review your complete financial picture and show you how you might still qualify for a home loan. 🏠



## INSIDE

**2** 6 ways to future-proof your finances

**3** How to get the most from an open house visit

**4** You can have more closet space

# 6 ways to future-proof your finances

**Most homeowners and prospective buyers worry about rising costs and interest rates. Here are strategies to ensure that you don't bite off more than you can chew.**

You've crunched the numbers and decided you can afford to buy the home of your dreams. But will you still be able to afford your dream house in a year or two? Overall increases in the cost of living as well as rising interest rates and utility costs can throw any household budget out of kilter.

Try incorporating these financial planning strategies before you purchase a home, to help ensure you can still afford it tomorrow.

## **Be conservative**

Underestimate household income and overestimate expenses such as utilities, household items, and closing costs. If you are

calculating your Gross Debt Service (GDS) or Total Debt Service (TDS) ratios, use the lower end of the recommended ranges.

## **Add some income**

Buy a property that works hard. Income from a basement rental suite could effectively chop your mortgage payments by one-third or more. If you're buying a condo with a parking space and you don't have a car, find out if you're permitted to rent it out.

## **Keep saving**

Try to avoid raiding savings such as RRSPs or TFSA's for the down payment. If you can, continue contributing to these plans after you buy your home, so you have extra funds to dip into if needed and so you maintain your planning for retirement.

## **Sign low**

If you think you might want to use your mortgage's prepayment features to increase the amount or frequency of payments, consider doing so after you've signed the mortgage documents. That way, you can go back to the original (lower) payment structure if you find yourself in a cash flow crunch later.

## **Open a line of credit**

It's always a good idea to have back-up savings for a rainy day (or a leaky roof). Consider opening a small line of credit — say, \$15,000 — which you can access for home-related emergencies.

## **Know your options**

Check whether your mortgage lets you skip a payment in an emergency. Be sure you understand the terms and conditions before accessing these features.

We will review your financial picture to help you buy a home you can afford today, and tomorrow. 🏠



## Mortgage by the numbers

**5%** Minimum down payment required, as a percentage of home price.

**20%** Down payment required to qualify for a conventional mortgage, to avoid paying mortgage loan insurance.

**30 years** Current maximum amortization available on a residential mortgage in Canada.

# How to get the most from an open house visit

The open house visit is a great home hunting tool if you use it to its full advantage. Here's how to be an open house super-sleuth.

■ **Talk to the agent.** The vending agent can provide a wealth of information. For example, you can find out whether the current owners did any work on the home, whether permits were obtained, why the owners are moving, and the general character of the area or condo building.

■ **Spot tattletales.** Check for signs of disrepair, such as water stains or sagging plaster.

■ **Look outside.** Walk around the outside of the home to get a sense of the property. Look for cracks in exterior walls, blistering shingles, and opportunities for water seepage, such as grades that run toward the house. View all of a condo's common areas.

■ **Collect info.** Take a copy of all print materials. The feature sheet will have photos, room measurements, and specifics



about the utilities. Take a good look at any additional documentation provided, such as a pre-listing inspection, a survey, or seasonal photos.

■ **Listen to other viewers.** If others are impressed, you may have competition. If they express concerns, you may be alerted to an issue you hadn't noticed.

■ **Come back.** If your first impression is positive, book a private visit through your agent. Together, you can take a more discerning look and check out areas and systems that you weren't able to see during the open house. Walk around in the space to see if it feels like this could be home. 🏡

## Plan a perfect open house

As a seller, the open house weekend is your chance to make a good first impression on prospective buyers. When your doors are opened to strangers, you also want to protect your home and belongings. Follow these tips for a safe and successful showing.

■ **Declutter.** Get rid of items you no longer want, and pack up everything you can and move it to storage. Store extra furniture and rearrange what's left for easy traffic flow.



■ **Make it safe.** Keep valuables in a safe place off-site, such as a safe deposit box or in the home of a trusted family member. Make sure personal and financial papers are locked up in a filing cabinet or safe.

■ **Shipshape.** In addition to repairing areas that could otherwise discourage buyers, ensure that there are no areas that are unsafe for visitors, such as loose handrails or dimly lit stairwells. Give your home a thorough cleaning inside and out — even consider hiring cleaning and landscaping services.

■ **Set sail.** On the big day, protect your floors by placing a mat at the door for shoes. Turn all the lights on and open the curtains. Make sure your home is fresh and neutral smelling. Plan an activity that involves getting every member of the family — and any pets — out of the house from at least an hour before to an hour after. Better yet, plan a weekend getaway. 🏡

# Fall Almanac

## You can have more closet space

Older homes have wonderful vintage features, but they often lack one feature that's essential for modern living: closets. Here are some elegant ways to add storage to your home.

- Take any wall with about 60 cm of clearance in front and install pre-fab wardrobes. Crown moulding nicely simulates costly custom built-ins.
- Hunt for an armoire at an estate sale or online. Give it punch by painting it a bold shade that suits your décor.
- Convert a tiny spare room that's too small for a bed into a dressing room by painting it a different colour and adding open storage units from a big box hardware store.
- Install floating shelves in awkward nooks and recesses.
- Utilize wasted space under eaves by hanging shelves cut to fit the slope.
- Make the most of vertical space with shelves and baskets to hold lesser-used items. 🏠



## Plant NOW for a colourful winter

Start "forcing" bulbs in September or October, and you could see cheerful blooms in your home in January or February of 2012!

- 1. Plant** in light potting soil in a container at least twice as tall as the bulb(s) and with good drainage. Position bulbs close together but not touching, with the pointed side up, just below the soil surface.
- 2. Water** well, and keep soil moist at all times. Do not allow to sit in water.
- 3. Chill** in a dark cool basement (or fridge). Each type of bulb requires a different chilling period, ranging from a couple of days to 10 weeks.
- 4. Move** in stages to a warm sunny place when bulbs show strong growth (roots growing out of drainage holes, and an inch or two of stem showing).

Purchase a forcing kit from a nursery or home store, or buy the elements individually. Some varieties can also be forced in water. Paperwhite narcissus are considered quick and easy to grow. 🏠

## Ready to hunker down for winter?

You could be just one weekend away from keeping warmer this winter and saving money on your utility bills.

- Try the online Home Heating System Cost Calculator to see how much you could save each year by replacing an old furnace with a high-efficiency unit or switching fuel types. Go to Natural Resources Canada at [www.nrcan.gc.ca](http://www.nrcan.gc.ca) > Heating Systems > Home Heating System Cost Calculator.
- If your home was built before 1980 and has hot water radiators, install a heat reflector behind each one. They are inexpensive and easy to install.
- Stock up now on furnace filters so you have a ready supply for the winter. Replace disposable filters every two to three months or when dirty.
- Consider installing ceiling fans in frequently used rooms such as the family room. Remember to set it to winter rotation (typically clockwise). 🏠

©2011 Ariad Custom Communications. This newsletter is copyright; its reproduction in whole or in part by any means without the written consent of the copyright owner is forbidden. The information and opinions contained in this newsletter are obtained from various sources and believed to be reliable, but their accuracy cannot be guaranteed. Readers are urged to obtain professional advice before acting on the basis of material contained in this newsletter. Readers who no longer wish to receive this newsletter should contact their Mortgage Broker.