

SPECIAL REPORT

7 Costly Financing Mistakes Most First Time Home Buyers Make And How To Avoid Them

As your mortgage broker; my only job is looking out for your best interest.



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“How Can I Get Into A Home Of My Own Even If I Don’t Have A Down Payment?”

Dear Aspiring Home Owner:

I am a Mortgage Specialist with CBM Canada’s Best Mortgage Corp. For most people, buying a home is the largest investment they will ever make. Unfortunately, many people choose to rent and pay someone else’s mortgage, simply because they do not think they can buy a home of their own. For some, this might be the case, but for many others, home ownership may be right around the corner.

Today, there are many different options to help you purchase your first home. By learning the secrets outlined in this report you can...

- Avoid making costly financial mistakes and paying unnecessary interest
- Avoid throwing your money out the door on rent
- Learn how your rent payment can be your mortgage payment
- Enjoy the pride and satisfaction of owning a home of your own

Almost every first time home buyer I have consulted has made at least one of the 7 costly mistakes that had to be corrected before I could improve their financial situation. You are probably making at least one of these same 7 mistakes so this special report is designed to help you avoid unnecessary financial pitfalls when financing your home.

Mistake #1: Overextending Yourself

When you are applying for a mortgage, you must be able to qualify for the payments. In other words, you need enough income to be able to support your mortgage payments, property taxes, heat (in most cases), and all your current debts. There are two important debt servicing ratios used for qualifying purposes. The **Gross Debt Service** (GDS) ratio only allows you to commit up to 32% to 44% of you’re gross household income toward the mortgage payment (includes principle, interest, property taxes and heat (P.I.T.H) .. For condos, this also includes 50% of strata fees and for mobiles on pads, it includes site rental. The **Total Debt Service** (TDS) ratio only allows you to commit up to 40 to 44%% of gross household income towards housing obligations and all other debts. These ratios vary depending on the your credit score and equity)

“Having a payment that you’re comfortable with will give you PEACE OF MIND and make home ownership so much more rewarding!”

These are maximum ratios; your CBM broker will work with you to find a mortgage payment that fits your personal needs.

If your income does not allow you to qualify, there are other options, such as **having a co-signer, looking into a consolidation loan for your debts, finding a property with a mortgage helper (suite to rent out), or trying an alternative lender.** There are a few specialized lenders that allow for higher ratios when qualifying for a mortgage however, the rates may be somewhat higher. When qualifying for a mortgage, make sure you are comfortable with the payments.

If you want to keep your payments the same as what you are currently paying in rent, then only purchase a home with a value that will keep you at that level, even if you can qualify for more. Having a payment that you're comfortable with will give you peace of mind and make home ownership that much more rewarding.

Mistake #2: Not Counting The Cost of Bad Credit

When applying for any kind of loan, **having good credit is very important.** This is especially true for mortgages. You may have a good stable job, down payment and plenty of income to qualify, but if you have poor credit, it becomes more challenging to get an approval from the lender.

Having poor credit, not only makes it harder to qualify for your mortgage, it can also increase your interest rate and your monthly payments. If you do end up qualifying with credit issues then you should be prepared to pay a higher interest rate. The difference between the best rates and those available to clients with credit issues can be significant.

If you want to qualify for the best rates, make sure that you...

- Keep you credit card balances below 50%
- Make all payments on time
- Avoid having too many credit bureau inquiries.

In these cases, the only option would be a private mortgage with a higher interest rate and fees attached. These types of mortgages are only for a short term (usually 1-3 years) with the goal of getting your credit back on track and switching to a conventional mortgage at the end of that term. Even though having poor credit may be more costly than good credit initially, you can still get into home ownership and start building your net worth (instead of throwing your money away in rent). In a rising real estate market, house prices can climb much faster than your savings, so there could be a heavy cost to waiting.

How good your credit rating or “scores” are depends on several factors such as:

- **current credit balances** (try to keep the balances below 50% or pay off each month),
- **amount of credit available** (having too much can disadvantage you),
- **late payments** (how many, how late, how recent, type of account) and
- **number of credit bureau inquiries** (too many may lower your credit score).

To keep a good standing, make sure to make all your payments on time and try to avoid any unnecessary inquiries into your credit. Try to avoid multiple “hits” to your credit, as this will only lower your score. One of the benefits of using a CBM broker is that we can pull your credit file once and use it to shop 50 lenders.

In other words, before you get a mortgage, don't go out shopping for a new car or furniture and have sales people all over town running credit checks on you. Your CBM broker will be happy to explain your credit bureau with you and advise you on how to improve your score.

Mistake #3: Not Knowing Your Down Payment Options

There are a number of different options available for you to get into your first home. Did you know that you can buy your home with no money down? This is made possible with “100% financing or a 0 down mortgage”. *This product will work for you if you have good credit history, but have not accumulated the required down payment.* However, you must be able to prove you have **your closing costs**.

Did you know that you can buy your home with no money down?

This is made possible with
100% Financing or a
0 Down Mortgage!

If you decide to put 5% down or more, there are a number of places this money can come from. You can **use your own savings or investments such as RRSP's** (ask a CBM broker for a copy of the government run RSP home buyer's plan). **You can get a gift from a family, friend, or any party that is not tied to the purchase.** There are also **cash back incentives** from the lender, or you can borrow it from a **personal loan, line of credit or credit cards** as long as the ratios are in line and you qualify.

Call your CBM broker and they will help you choose a down payment plan that works for you.

Mistake #4: Not Budgeting For Closing Costs

“Knowing what to expect up front will allow you to prepare and save for the costs incurred when buying!”

When you are ready to purchase your first home it is important to be aware that of all the closing costs to complete the deal. There is nothing worse than going through the process and finding out that the costs of completing the transaction are higher than you thought and you are short on cash and can not close.

Closing cost can include: legal fees, survey fees, appraisal fees, home inspection fees, property transfer tax, GST, house insurance, property tax adjustments and moving costs.

Ask your CBM broker for our report “12 closing costs you want to be aware of”

Mistake #5: Not Getting Pre-Approved

This is a very important step before you even starting to look for a home. Many people get excited about buying a home and want to start looking at homes as soon as possible. Before you meet with a real estate agent and start considering different properties you need to know what you can afford. **There is nothing worse than finding a home you want and not being able to afford it.**

Getting pre-approved not only helps you know what you can afford, but it also can save you a significant amount of interest. Most pre-approvals have a 90-120 day rate hold. This means the interest rate will not go up during your pre-approved period. If rates happen to go up and you end up buying a home within your pre-approved timeframe - you are guaranteed the rate you were originally pre-approved for, not the new current higher rate. Alternately, if rates happen to fall in this period, you will get the lower rate. You win either way.

A pre-approval allows your Realtor to negotiate a better deal for you. The seller will be more negotiable if they know they have a “qualified” buyer interested.

“Getting pre-approved not only helps you know what you can afford, but it also can save you a significant amount of interest!”

Remember the lender has pre approved your application and NOT necessarily the home you are trying to buy. Always put a “subject to financing” clause on your purchase offer and call a CBM Broker to initiate your application.

Make sure you deal with a professional who specializes in residential mortgages. The mortgage industry is extremely complicated with hundreds of options and choices. **Using a CBM Broker can make the difference between getting into a home of your choice or having to rent forever and paying off someone else’s mortgage!**

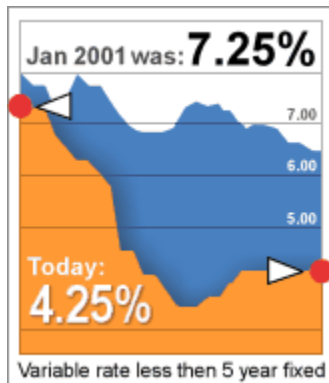
Mistake #6: Not Choosing the Right Mortgage Product

When it comes down to getting a mortgage, there are a number of products available for you to choose from. Choosing the product that is the best for your situation is very important. Your CBM broker will explain ALL your options to you and help you select the one that best fits **your needs.** In addition to getting the best rate, pay attention to ALL the terms of the mortgage.

Should I get a variable rate or fixed rate mortgage?

The CBM Broker will provide you with information to assist you with the decision of a **variable or fixed rate product.** Variable Rate Mortgages (VRM) and Adjustable Rate Mortgages (ARM) are very popular because they give you the lowest interest rate at the time, the risk is the rate may go up. Most VRM and ARM are well below the prime rate, unlike line of credit mortgages which are usually at prime. The interest rate floats with the lenders prime rate and when this rate changes, so does your rate and payment (in most cases).

Most variable products are for a 5 year term (except the line of credit) and if you pay the mortgage out before this time, you will have to pay a penalty (Usually 3 months interest).



The good thing about this product is that if prime rate starts to climb, you have the option to lock into a fixed rate product at any time without penalty. However, when you want to lock in, some lenders will give you the best fixed rate at the time, but others require you to negotiate the rate. Your CBM broker can recommend a lender which guarantees you the lowest rate rather than one which will force you to negotiate. It is hard to negotiate with a lender who will charge you a 3 month interest penalty if you are not happy with their rate.

You have the option to choose an open mortgage or a closed one. Usually the rate is better with a closed variable mortgage, but **with an open product, there are no penalties for early payout.**

If you are not interested in the variable rate mortgage, you can opt to choose a **fixed rate product.** This offers you the security of knowing your rate for the term of the mortgage. If this is the case, you will have to choose a term, and most lenders range from 6 months to 10 years, but some go higher, up to 25 years.

The advantage of a fixed rate product is that your payment will never change over the life of the term you choose even if interest rates go up. This will give you peace of mind in knowing what your payments will be for that period. Most lenders will allow you to take this mortgage with you (upon qualification) if you sell your home and buy another (called porting a mortgage). However, if you decide to get out of your mortgage before the term is up, you will have to pay a penalty.

Some lenders will allow the purchaser of your home to assume your mortgage upon qualifying which will save you this penalty. If your rate is below current market value, then, your assumable mortgage becomes a selling feature. Your CBM broker will explain your options to you and help you select a mortgage term that fits your personal needs.

Mistake #7: Not Getting Multiple Lenders To Compete For Your Business

One of the biggest mistakes people make when getting a mortgage is going to their bank and taking the rate the bank gives them. Even though the bank often gives a discount off the posted rate, most of the time it is not the best rate available. People think that because they are getting a discount that that is the best rate going. In most cases, the rates given by the banks are not the best on the market. **That's why most sophisticated consumers hire an independent mortgage broker, such as CBM brokers, who have access to many different lenders with the best rates available.**

For instance, **which scenario do you think will give you the best deal?**

OPTION 1 – with one lender who says they are offering you their best product; or,

OPTION 2 – with a CBM Broker you will have 40 lenders to choose from; they are all competing against each other to get your business? It's an obvious answer. Having multiple lenders to choose from will not only guarantee you the most competitive rate, it will also allow you to find the best product for your specific needs and give you the peace of mind knowing you are getting what you want and need and the best rate!



Why does CBM offer this report free of charge?

Why do we offer this report free of charge?

We are offering these helpful tips free of charge because we want to be your mortgage advisors. We offer more than simply a loan. We will personally advise you on how to use and apply the principles contained in this report.

Worried that you can't remember all of what is contained here? Call us. We want to earn your business. We currently have over 40 creative programs to fit your needs. Please contact us toll free 1-877-593-7738 to set up your FREE No-Obligation consultation where we will tailor a program to fit your needs at the best rate.

Lance Cook

President, CBM

P.S. if you would like to get started now please visit our website at: www.CanadasBestMortgage.com to fill out our 1 minute Pre-Qualification Application and we will contact you to schedule your free consultation and get you into the home of your dreams with the best terms availableregardless of your credit!