



Why should you use a certified broker?



Put fire safety on your moving day checklist

MEDIA PLANET

September 2012

MORTGAGES

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HELPFUL TIPS FOR MAKING MORTGAGE DECISIONS

EXPERT INDUSTRY INSIGHT

The Property Brothers, Jonathan and Drew Scott share their tips on increasing your property value.

PHOTO CREDIT: ONEFLIX

Don't tackle the mortgage process alone: Let a mortgage professional do the work

Alberta's ever changing real estate market can be a challenging game to understand for those shopping for their dream home. The Bank of Canada has made it very clear that hot housing markets and high demand for capital pose a potential problem to our economy. Over the past two years, mortgage criteria for purchasing or refinancing real estate has changed substantially. Understanding mortgages is equally as challenging as picking the right house. In fact, it can be even more complex, and buyers need to be sure they understand what they're signing up for. In Alberta, we are fortunate to have a relatively stable economy. We still hear the words 'economic growth' for our province, due to our vast potential of natural resources. Housing prices in Alberta remain affordable relative to other Canadian provinces. Young people looking to enter the housing market have a

healthy supply of new and existing homes, townhouses, and condominiums. Your mortgage is a key component to the homebuying mix. When choosing a mortgage, there are a lot of big decisions to be made, so why go at it alone? Now more than ever before, consumers should enlist the use of an educated and experienced mortgage professional. For guidance, support, and peace of mind, choose an Alberta Mortgage Brokers Association (AMBA) mortgage professional. We live in the age of easy access to information; however, we still need help with real estate transactions. Experienced mortgage professionals have affiliations with realtors, home inspectors, home and mortgage insurers, home builders, movers and lawyers. You've probably heard the phrase, "Money makes the world go 'round.'" This proves ever true when buying real estate. Mortgage professionals will walk you through all the steps necessary to obtain the financing for your real estate transactions. Re-

cently, there have been a number of rule changes affecting the level of mortgage financing available to the Canadian consumer. AMBA mortgage professionals study mortgage rate markets and have access to a diverse channel of mortgage lenders. Your needs and situation come first and having an experienced professional shopping on your behalf will ensure the best possible options. There are three main areas of mortgage financing to consider:

Purchasing real estate
People purchase real estate for home ownership and investment. All real estate should be treated as an investment with a solid strategy to reduce debt and build equity. Mortgage flexibility and length of term are important components to consider. AMBA mortgage professionals are educated and trained to help you determine not only the right mortgage for you today, but also a future plan.

Refinancing real estate
Real estate equity, and how you choose to use it, requires considerable thought and professional advice from those who have witnessed a vast number of scenarios. Often, equity is used to pay off credit debt, carry out renovations and acquire loans for investments. Questions will arise that have not been considered, but mortgage professionals will address them with you. Appraisals within current market conditions are very important when refinancing. Restrictions exist on the level

and type of financing available for equity use. AMBA mortgage professionals have access to many financial partners, such as private lending companies, to address what your bank cannot.

Mortgage renewal
Many people never address their mortgage debt as their term expires. This is the perfect time to incorporate a mortgage professional to discuss the strategies available to you. AMBA mortgage professionals can help you determine whether you should put more money down on the balance, lower the amortization and help you find the right plan for you. This is the perfect time to take definitive steps to reduce the largest debt one has in life. Visit www.amba.ca to search for an AMBA mortgage professional in our directory to help you, or to learn more about the process.



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AMBA President

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Alberta Mortgage Brokers Association

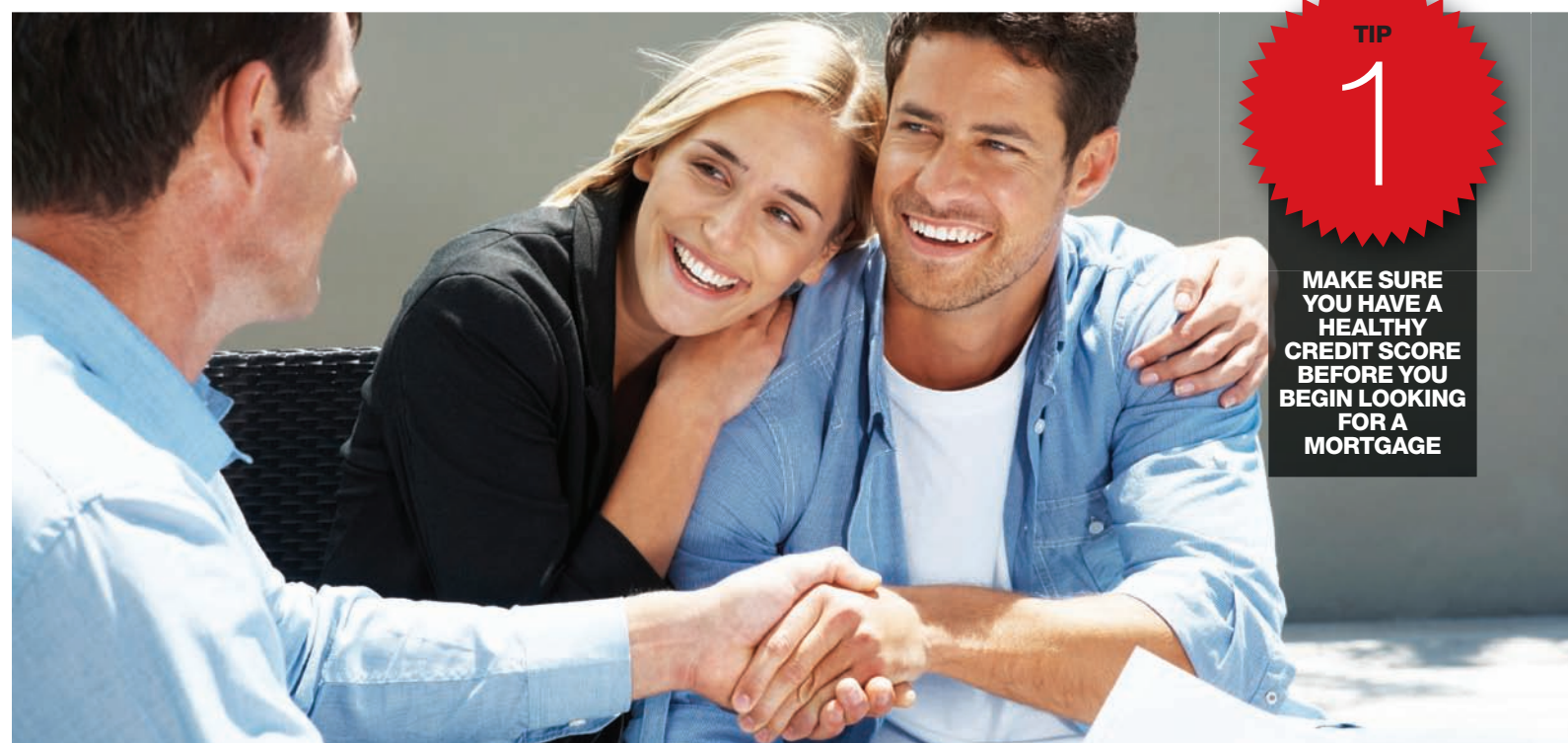
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CHALLENGES



TIP

1

MAKE SURE YOU HAVE A HEALTHY CREDIT SCORE BEFORE YOU BEGIN LOOKING FOR A MORTGAGE



YOU SHOULD KNOW

Know the facts on the new mortgage regulations

- You will no longer be able to get a 30 -year amortization period. The max will now be 25 years.
- Borrowers will only be allowed to use 80% of their properties value as collateral for home equity loans, down from 85%.
- Government backed mortgage insurance will now be limited to homes with a purchase price of less than one million dollars.

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Benefits of working with an Accredited Mortgage Professional

For most Albertans, purchasing a home is the largest financial transaction they will make in their lifetime. The journey to homeownership can seem overwhelming, but can be made easier with basic preparation and research and engaging the services of a qualified Accredited Mortgage Professional (AMP).

Information is power

In today's modern world of technology, a range of mortgage related information is readily available. A consumer need only visit www.mortgageconsumer.org - the consumer website of the Canadian Association of Accredited Mortgage Professionals (CAAMP) for a wide variety of mortgage related information including mortgage calculators, first-time buyer check list and mortgage glossary. In addition to the many resources available on this site, there is an interactive learning platform entitled "Building Your Foundation - Realizing the Dream of Homeownership" developed in partnership

with Credit Canada which provides a step-by-step guide of the key aspects of the home-buying process.

Know the Steps

Make sure when finalizing a mortgage to ask lots of questions such as why is a certain product being recommended; what are the penalties if you withdraw the mortgage early or want to pay it off faster; what mortgage product makes the most sense given your overall financial situation etc. It is imperative to research, plan and be disciplined about your finances in order to be successful in your quest for homeownership. Understanding each step of the home-buying process is key to ensuring you will make a wise decision that suits your financial situation.

Keep your standards high

Once you have completed your research and become familiar with the terms and products available, look to the services of a mortgage professional who has achieved their Ac-



Jim Murphy
CAAMP President

credited Mortgage Professional designation. The AMP designation is the only national proficiency standard for Canada's mortgage professionals. The AMP was developed as part of CAAMP's ongoing commitment to increasing the level of professionalism in Canada's mortgage industry through educational and

ethical standards. AMPs must meet a number of qualifications which include successfully completing mortgage practice education covering ethical practice and responsibilities and completing Continuing Education (CE) units each year in order to maintain their designation.

Trust in numbers

Trust in the experience and knowledge of Canada's nearly 3,500 Accredited Mortgage Professionals who are committed to providing the highest level of service and meeting Canadian homebuyers' needs. An AMP will provide you with mortgage peace of mind.

JIM MURPHY

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PANEL OF EXPERTS

	<p>David Stafford Managing Director, Real Estate Secured Lending, Scotiabank</p>	<p>Ron McClenaghan AMBA President</p>	<p>Roger Marion Regional Sales Manager, Mortgage Development, Servus Credit Union</p>
<p>Question 1: What tips could you give to someone looking to start planning in advance for home ownership?</p>	<p>Buying a home is the single largest investment most Canadians will ever make. It's important to know how much of a mortgage that you can comfortably afford and how big your monthly or bi-weekly payments are likely to be.</p> <p>The more that you can put towards a down payment, the less that you'll need to borrow and the more that you'll save in interest over the years. By law, Canadian banks can only provide mortgage financing if you have a minimum 20% down payment, unless the mortgage is insured against default.</p>	<p>It is important to formulate a realistic wish list for the type of home that suits a person's lifestyle. You will need to do your research. However, by using the services of a mortgage professional, the team you need may already be in place.</p>	<p>Determine your Life Plan and align this to your Mortgage Plan. A life plan is knowing what is important to you and your family as well as what you would like your lifestyle to be. Location is an important factor in planning for home ownership. Have you considered your children and their needs? Some things worth considering are: neighborhood schools, daycare/day home availability, and recreational opportunities. Also, look at your work location and transportation keeping in mind that commuting costs time and money.</p>
<p>Question 2: Other than good rates, what other factors should I consider when looking for a mortgage?</p>	<p>The one thing that will not reduce the amortization curve or shorten the life of your mortgage is the interest rate. Therefore, when looking for a mortgage, it is important to ask about the pre-payment options available. Some low rate mortgages have more restrictive pre-payment options which restrict your ability to pay off your mortgage faster causing you to pay more interest over the long run.</p> <p>Also ask about the penalties and options available if you wanted to break the mortgage term early if for example, you sold your house, or wanted to borrow more money.</p>	<p>Your life will probably take a few turns through the years, so you need to make sure the terms of your mortgage can be portable with flexible methods of accelerated repayment without penalty. Most people will move and own an average of three homes in their lifetime. Employment circumstances may have you on the move and increased or decreased salary could have you wanting change.</p>	<p>Affordability is always important. Outside of the traditional rate and mortgage payment relationship have you factored in the cost of home ownership itself, such as: insurance, property taxes and condo fees (if applicable), regular home maintenance and monthly home costs like power/water/heat/cable/phone/internet.</p>
<p>Question 2: How can a homeowner pay down their mortgage more quickly?</p>	<p>There are a number of small changes that homeowners can make which will make a big difference in helping them become mortgage free faster. These would include moving to bi-weekly payments, making small extra lump sum payments, even \$500 a year makes a difference, and small annual payment increases of say 2%.</p>	<p>First and foremost, people need to be committed and dedicated towards reducing their mortgage with a strategic plan. You need to know what effects 'amortization.' By making payments more frequently, such as weekly or biweekly, will help reduce the loan sooner. Take advantage of pre-payment privileges, should you receive income bonus payments. Be sure to lower the number of years remaining at renewal time to a payment you can meet. This can save you years of interest payments.</p>	<p>Review your prepayment options prior to signing any closed mortgage. The key options are lump sum payments and a payment schedule. Lump sum payments can be made up to 20% of the original mortgage amount per year. In order to pay your mortgage down more quickly, increase your original payment up to 20% per year or simply round up your payment. Set up your payments as bi-weekly or weekly accelerated which results in an extra mortgage payment per year thereby reducing the number of years to pay off your home.</p>

A new homeowner fire and carbon monoxide safety checklist

TIP
2
RESIST SPENDING THE MAXIMUM YOU QUALIFY FOR WHEN CHOOSING A MORTGAGE

Put fire safety on your moving day list

Moving is exciting anytime, even more so when you're taking possession of your first home. But it's important to inspect all fire and carbon monoxide safety devices immediately when settling in.

Here is a simple but essential move-in safety checklist:

- You have under three minutes

to escape a fire. So make sure you have smoke alarms on every level of your home.

- Replace any smoke alarm over 10 years old whether battery operated or hardwired.
- Never remove an alarm's batteries or take it down from the ceiling to silence a nuisance alarm from cooking or shower steam; instead buy alarms with a Hush button.

- Install at least one carbon monoxide alarm if you have a gas, propane or wood-fired furnace, fireplace, water heater or appliance or an attached garage or carport.

- Replace any CO alarm over seven years old whether plug in, battery operated or hardwired.

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INSPIRATION

The Property Brothers share their professional insight



TIP
3
KEEP FEES AND CLOSING COSTS TOP OF MIND WHEN ORGANIZING YOUR BUDGET

What should first time homebuyers consider when getting a mortgage?

■ “Before you even look at whether a closed or open, variable or fixed mortgage will work for you, it’s important to get all your ducks in a row. Pull your own credit report to address any concerns prior to talking with lenders. Have a letter of employment from your work, copies of past tax returns and pay stubs. Also have a clear list of any assets or debt that you carry. The more information you have, the easier the process will be with your lender.”

A lot of homeowners think they can make renovations themselves – at what point

would you recommend hiring a professional?

■ “Nowadays, everyone believes they can do a DIY project; however, you should never take on a task that is outside of your skill set. Most people do renovations because they’re trying to add value to their home, but if your finishes look to be done by someone who is not a professional then you are not adding the value to your home that you think. In fact, the only thing you are doing is putting doubt in the buyer’s mind, as they will wonder what other tasks behind the walls you have tried to complete without a professional.”

What tips do you have for new homeowners on ways

to increase their property value?

■ “If you do not have a designer’s eye then bring someone in that does. Most contractors or designers will give you a free quote as to what they could create in your home, so why not give them a chance to share their vision? Stay away from being overly bold or unique with your home improvements as you may not be able to recoup your costs when you look to sell. For example, removing the only bath tub in a house to showcase a contemporary shower design may be something you like; however, buyers with kids will most likely need a house with a tub. Try to give each room a feature that will draw a buyer’s eye such as an infinity fireplace in your living room, energy effi-

cient windows, or a dual sink vanity in your bathroom. If your budget is tight I would suggest a mild update to the entire house and then take a few extra dollars to put aside for areas such as kitchen and master bathroom. This is a better strategy over spending your entire budget on only one or two areas as buyers will almost always remember the negatives over any positives within your house.”

What was your favourite renovation project since the start of the show?

■ “It was the home that we designed for Zack and Liat. They were searching for a larger home for their growing family but it was very important for them to have elements

of their faith present in their dream home, such as a kosher kitchen. I found them a fixer upper in a great Jewish community and when Jonathan finished the renovation it not only met their requirements but also exceeded them. Originally they felt the home was too small for their needs but when we were finished, we were able to show that the appropriate layout and design can make a home feel twice the size.”

Property Brothers airs Tuesdays at 8 p.m. on W Network!

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