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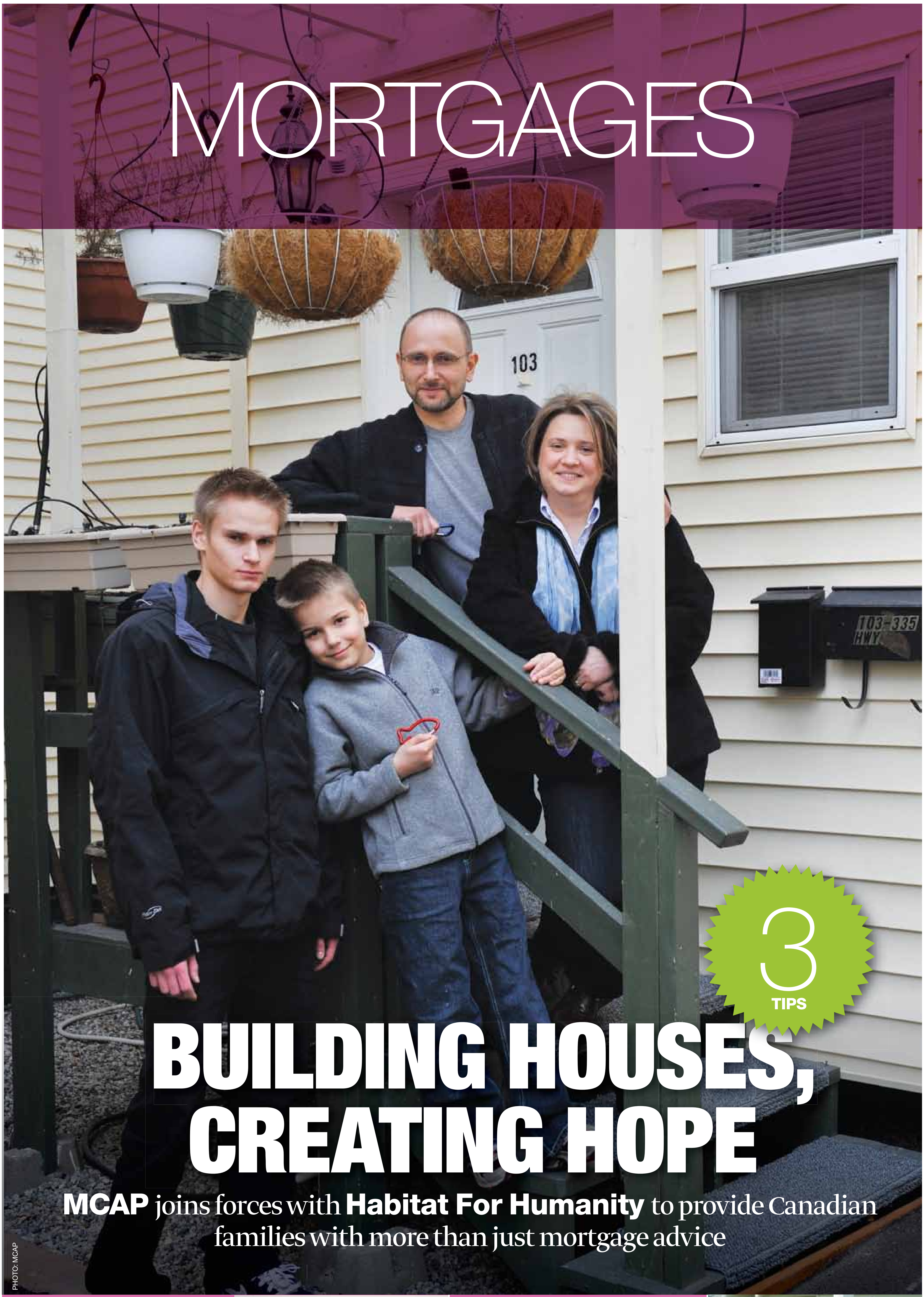

MORTGAGES

3 TIPS

BUILDING HOUSES, CREATING HOPE

MCAP joins forces with **Habitat For Humanity** to provide Canadian families with more than just mortgage advice

PHOTO: MCAP

Fixed vs. variable Which rate is right for you?

Housing trends in the GTA Downtown fringes in high demand

CHALLENGES

PHOTO:HABITAT FOR HUMANITY

TIP 1

CHOOSE THE RIGHT FEATURES FOR YOUR MORTGAGE

Canada may have avoided **the worst** of the mortgage crash that plagued the United States during the recession. But there are still changes you **should be aware** of.

The world of mortgages is changing

Mortgages have received a lot of media attention lately. Stories on consumer debt, changes to mortgage insurance rules, interest rate decisions and the overall real estate market are only some of the issues. Mortgages are of great importance as they are the most important financial commitment a consumer will make in their lifetime.

Weathering the recession

Canada did not suffer the same mortgage problems that occurred in the U.S. We did not have the same percentage of subprime mortgages, we did not have exotic mortgage products with rates being reset higher after 18 months, and we also finance our mortgages differently. However, there have been changes to the Canadian mortgage market in recent years.

Chief among these changes are the rules that govern mortgage insurance. In Canada, when dealing with a financial institution and your down payment is 20 percent or lower, mortgage insurance is required. Roughly 40 percent to 50 percent of all Canadian mortgages are insured. Two years ago the federal government announced that insured mortgages cannot have amortization periods of longer than 35 years and also require a minimum down payment of five percent. For the first time, the government also introduced a minimum credit score.

This past spring the federal government made further changes to mortgage insurance rules including a requirement that consumers qualify at the five year posted rate even though they may be taking out a variable mortgage or a mortgage with a shorter term. Other changes included limiting the amount of refinancing on a property to 90 percent of the value and requiring a 20 percent down payment on investment properties. These changes were implemented to ensure that Canada maintains a healthy mortgage market and does not replicate the problems of the United States.

Choosing your features

Mortgage insurance is just one aspect to be aware of when taking out a mortgage. A consumer must also decide on a number of other features such as: an open or closed mortgage; fixed or variable rate or a combination of both; prepayment privileges; portability privileges (taking your mortgage with you when you move). With the recent changes and multi-features available it is important that a consumer have all the information available. Part of this is doing research on mortgages by way of the internet, but also involves using the services of a mortgage professional.

Seek a professional opionion

The Accredited Mortgage Professional designation (AMP) is the only national designation for mortgage professionals. AMPs are required to pass a qualifying course and to keep up to date on emerging industry trends by taking annual continuing education courses. Overall, AMPs have been in the industry longer and are more knowledgeable about the market. When a consumer is sitting across the table finalizing their most important financial commitment they should be confident that the individual is well versed in all the aspects of the mortgage product they are recommending. For further information on where to find an AMP near you, visit www.caamp.org.

Jim Murphy, AMP
President and CEO
Canadian Association of Accredited Mortgage Professionals (CAAMP)

MY BEST TIPS

Picking a mortgage

Understanding each step of the mortgage process is key to ensuring the biggest investment of your life is the right one for you. There is no substitute for being prepared. Educate yourself and get the facts you need to make the right mortgage decision and increase your home buying confidence.

First Steps

- Know your credit score
- Save for a down payment
- Learn key mortgage terminology
- Determine how much you can afford
- Get pre-qualified
- Talk to a mortgage professional

Housing trends in the GTA

The Greater Toronto Real Estate market continues to hum along at a steady pace.

Despite a slow summer, 2010 is still turning out to be a good year for real estate in the GTA, with total sales in the first seven months of the year up 12 percent compared to the same period in 2009, according to the Toronto Real Estate Board.

Overall, sales figures for the last year show an eight percent increase from the previous year.

What's in demand?

So what types of properties are faring well in today's market? The numbers show detached homes to be the leader in housing sales, consistently accounting for almost half of all transactions through the year. Condominium apartments continue to occupy the second spot, accounting for about a quarter of real estate sales in the city, followed by semi-detached homes, condo townhouses and row townhouses.

Stevie Crawford, a Toronto realtor with RE/MAX Condos Plus and mortgage agent with Argentum Mortgage & Finance Corp, highlights a trend he's noticed with buyers who fall into the Baby Boomer category.

"We are noticing an increase in the amount of buyers within a certain age and income demographic opting for single-storey bungalows," he observes. "Interestingly, most of these buyers previously occupied larger two-storey homes above 2,500 square feet."

BOUNCING BACK
Summer started off slow, but sales are up this year 12 percent from the same period in 2009.

Western attraction

When it comes to location, Crawford says areas on the fringes of the downtown core continue to attract families because of their proximity to the city centre and easy access to transit. He cites central Etobicoke between Jane and Bloor West to Kipling, as well as the western reaches of Queen and King streets.

"As well, we cannot ignore the revitalization of River City east of the Don River," says Crawford, who writes a blog at torontorealestatetrends.com. "We are seeing unparalleled government mobility here and that's very encouraging."

MARJO JOHNE
editorial@mediaplanet.com

WE RECOMMEND

PAGE 4

Variable vs. Fixed
Doug Conick explains how to determine which is right for you.

"Flexibility can at least be as important as rate."

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MORTGAGES
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Country Manager: Gustav Aspegren
gustav.aspegren@mediaplanet.com
Editorial Manager: Jackie McDermott
jackie.mcdermott@mediaplanet.com

Responsible for this issue:
Publisher: Taebah Khan
taebah.khan@mediaplanet.com
Designer: Penelope Graham
penelope.graham@mediaplanet.com
Contributors: Linda Belanger, Scott Bergen, Tim Bzowey, Doug Conick, Bernice Dunsby, Jennifer Hines, Jessica Hume, Marjo Johne, Marcia Moffat, Jim Murphy, Cathy Preston, Peter Wouters

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PROTECTING YOUR HOME WITH LIFE INSURANCE

Buying a new home can be exciting, but keep in mind that it is a key life event that requires a thorough review of your personal financial plan, including your insurance needs.

Imagine if something unexpected - such as a serious illness or accident - happened to you or your spouse. Without the right insurance coverage, your family may not be able to afford the costs associated with owning a home.

"As a new homeowner, there is no better time to review your life insurance needs and protect your family's financial future," said Cathy Preston, vice president, Life and Health, RBC Insurance. "An insurance advisor can help you determine what type of coverage is best for you to minimize the impact of unfortunate events."

Here are some things to consider as you review your life insurance needs:

- Could your family afford to keep your home with only one income?
- Could your family pay the mortgage and cover utilities and maintenance expenses?
- Could your family maintain their current lifestyle and pursue future aspirations?

CATHY PRESTON
Vp, life and health, RBC Insurance
editorial@mediaplanet.com

NEWS

The ins and outs of term insurance

As the name implies, term insurance provides coverage for a specific number of years, or "term". Traditional policies expire at the end of the term or when the insured person reaches age 65 or 70. Today, you can find term policies that will insure you until age 100 and beyond.

The main advantage of purchasing term insurance is the low initial premium or rate. But keep in mind that most term policies have a set renewal period. At the end of this period, you'll need to "renew" the policy at new rates. Since age is a major factor in pricing insurance, the cost will most likely increase. Look for a guaranteed renewable term insurance plan so that you are guaranteed the right to renew your coverage even if your health has deteriorated.

Term insurance can be used to cover a variety of insurance needs, such as a mortgage, personal or business loans or replacing an income after a loved one dies. Its real benefit is in providing larger amounts of coverage at a lower cost. This can be especially important to a family with small children where there is a need to provide financial security while the children are financially dependent on their parents.

When considering a term policy, make sure it can be converted to permanent coverage without having to prove you are still in good health. This convertibility feature can be extremely valuable if you decide you want to keep your coverage after the term is up.

You may require a combination of different types of insurance to provide the financial security you want for yourself and your family. This is where an independent advisor can help in designing a comprehensive insurance program.

PETER WOUTERS
Director, Tax and Estate Planning
and Retail Risk Product Marketing
Empire Life

NEWS

TIP 2
KNOW THE TRENDS OF YOUR FINANCIAL STANDING

Fixed vs. variable: which rate is right?

SHOWCASE

- **Question:** Are you caught between the cost certainty of a fixed rate mortgage and a variable rage?
- **Answer:** Evaluate the trends in your financial circumstances before you decide.

Historically, most Canadian homeowners were happy to pay a slightly higher rate in exchange for the cost-certainty associated with a fixed rate mortgage. More recently, some Canadians have shifted to variable rate mortgages, partially in response to research showing that variable rate mortgages often cost less over the long term.

Different, but the same

Despite their differences, most traditional fixed and variable-rate mortgages share three key similarities:

- They require regular, inflexible payments
- They charge penalties for repaying the debt too quickly
- Once a payment has been made, that money cannot be easily re-borrowed

In other words, traditional fixed and variable-rate mortgages provide little flexibility for homeowners whose financial circumstances change, for better or worse.

"Flexibility can at least be as important as rate."

Doug Conick
President and CEO, Manulife Bank of Canada

Flexibility can be at least as important as rate.

Most homeowners experience fluctuations in income and expenses not only from year to year, but from month to month.

A recent survey of Canadian homeowners found that, while most consider being debt-free a high financial priority, almost half failed to reduce their debt at all in the preceding 12 months.

Digging deeper, almost two-thirds indicated that they hadn't made any extra mortgage payments in the past year; however, nearly half indicated they'd be very likely to do so if they were able to easily access that money again if their needs changed. They passed up the opportunity to reduce their debt-not because they didn't have the money-but because their mortgages lacked the flexibility they desired.

Traditional fixed and variable rate mortgages can also quickly put homeowners in a precarious position if their finances take a turn for the worse. Forty three percent of those surveyed indicated they'd have difficulty making their regular mortgage payment within three months if the primary income earner lost their job.

The future of banking

Increasingly, Canadians are realizing that they can no longer look at their mortgage in isolation. Instead, they're looking for more integrated banking products that allow them to quickly and comfortably adapt to changing financial circumstances.

A new generation of "all-in-one" banking products, provide this flexibility by giving homeowners the ability to:

- Adjust their payments as their needs change, as long as they remain within their borrowing limit
- Repay their variable-rate debt as quickly as they want, without penalty
- Re-borrow any money they've already used to repay their debt, up to their borrowing limit
- Divide their debt between variable and fixed interest rates

In a world of ever-changing financial circumstances, the question for homeowners is no longer "fixed vs. variable" but "flexible vs. inflexible".

FACTS

- 69% of homeowners consider being debt-free among their highest financial priorities
- 46% have as much or more debt than they did a year ago
- 64% failed to make any extra mortgage payments in the past 12 months
- 46% would be very likely to make extra mortgage payments if they didn't permanently lose access to that money
- 43% would have difficulty making their regular mortgage payment within three months if the primary income earner lost their job
- Source: Manulife Bank survey of 1,000 Canadian homeowners, conducted by Research House July/August 2010.

DON'T MISS!

Buying a home? Know your ABC's

Buying a house is a heady prospect, whether you're a first-time purchaser or a real estate veteran. But regardless of your experience, it's important to understand the financial implications of home ownership.

"The drive to own a home sometimes overrules everything else and as a result buyers don't look at the bigger financial picture," says Ted Rechtshaffen, a certified financial planner who is president and CEO of TriDelta Financial in Toronto.

Sometimes, homebuyers simply don't know enough to ask the right questions and review the relevant factors. But it's never too late to learn, Rechtshaffen says.

As a starting point, prospective buyers should get a good grasp of how much they'll need to save to avoid being burdened by a large mortgage. In addition to the down payment, there are other first-year expenses such as land transfer taxes, renovations, moving costs and furniture.

Which rate?

Knowing how interest rates work will also help home buyers decide whether they should sign up for a fixed-rate or variable mortgage, or a combination of both.

Financial literacy should include understanding the legal implications of home ownership, says Ray Leclair, a real estate lawyer and vice-president of the Title-PLUS program at Lawyers' Professional Indemnity Company in Toronto.

"People don't realize that the title to their home can be stolen," says Leclair, whose company sells title insurance to protect homeowners against this risk. "That's why it's important to have an in-depth discussion with a real estate lawyer.

MARJO JOHNE
editorial@mediaplanet.com

Paying off your mortgage

There are ways you can reduce the length of your mortgage, it will also help you in minimizing cost of borrowing.

- Increase your frequency of payment: it will save you hundreds of dollars in annual interest costs.
- Prepayments and anniversary payments: Mortgage providers allow you to make up to 20% of the entire mortgage once a year. Tax refunds or annual bonus help with these payments.
- Make lump sum payments.
- Whenever possible double your payments
- Shorten length of time to repay your loan: Ask your mortgage provider to show you how you can select 20 years amortization period instead of 25 years.
- If interest rates have dropped when you renegotiate your next term, keep your mortgage payments the same. More money will go directly to paying down the principal.

TAEBAH KHAN
editorial@mediaplanet.com

Buying your first home: down payment options and pre-approvals

QUESTIONS & ANSWERS

As a first-time home buyer, you probably have many questions, including the right down payment amount and whether you'll be approved for a mortgage.

One of the first steps in buying your home is obtaining a pre-approved mortgage. A preapproval will demonstrate to sellers and real estate agents that you are a serious buyer, which can help in your negotiations.

Another advantage of having a preapproval is that you will know how much you can realistically afford and what your payments will be before you start looking at homes. This also allows you to lock in your interest rate with a 90 day guarantee which is a great feature in a rising interest rate period.

Homebuyers will generally need to have an appraisal of the property they are purchasing in order to obtain a firm approval of their purchase.

When it comes to deciding on the right down payment amount, there are a number of options to consider:

Conventional Mortgage

A conventional mortgage requires a down payment of at least 20% and is offered on both a fixed or variable interest rate mortgage. Conventional mortgages have the lowest carrying costs because they do not have to be insured against default. So while it may take longer to accumulate this type of down payment, it will also save on mortgage costs over the long run.

Low Down Payment Insured Mortgage

Most lenders now offer insured mortgages for both new and resale homes with lower down payment requirements than conventional mortgages-as low as 5%. Low down payment mortgages must be insured to cover potential default of payment; as a result, their carrying costs are higher than a conventional mortgage because they include the insurance premium.

Using Your RRSP as a Down Payment

Under the federal government's Home Buyer's Plan, first-time home buyers are eligible to use up to $25,000 in RRSP savings per person ($50,000 for couples) for a down payment on a home. The withdrawal is not taxable as long as you repay it within a 15-year period. To qualify, the RRSP funds you plan to use must have been in your RRSP for at least 90 days.

BERNICE DUNSBY
Director, Home Financing, RBC
editorial@mediaplanet.com

NEWS

DON'T MISS!

Ensure your home insurance is updated

According to a recent RBC Insurance / Ipsos Reid survey, only 38 per cent of those Canadians who bought or acquired something of value, such as jewelry, updated their home insurance coverage.

"Most people assume their home insurance policy will cover the total value of all of their contents for any type of loss, but there can be limits," said Francois Boulanger, president and CEO of RBC General Insurance Company. "It's important for Canadians to regularly assess their belongings, including jewelry, and then check with their insurance advisor to determine if they have the right amount of coverage."

For example, an average home insurance policy provides up to $5,000 in coverage for jewelry; however, a diamond ring alone can easily exceed that amount. In fact, that same policy may only cover the replacement of certain types of losses, such as theft, not for unexplained losses such as the diamond falling out of a ring.

To ensure valuable jewelry is fully insured, policy holders can purchase additional coverage, known as a "rider", on individual items to recover the full replacement cost, for any type of loss. These types of additions can be purchased at any time and usually do not require a deductible amount to be paid.

TIM BZOWEY
VP, Property and Casualty, RBC Insurance
editorial@mediaplanet.com

NEWS

Is refinancing a good idea?

Question: Are you ready for a big purchase, but unsure how to allocate your funds?
Answer: Crunch your numbers first to determine your payment strategy.

Maybe you're in the market for a new car or finally ready to redo your tired-looking kitchen. Or perhaps you want to take everything you owe and combine them into a single debt. Is it a good idea to refinance your mortgage to pay for these expenses?

Next to cash, breaking your existing mortgage and then taking out a bigger one is generally the cheapest way to finance big expenditures, say the mortgage and money experts. Mortgages tend to have lower interest rates than credit cards, bank loans and credit lines. And payments can be spread out over a longer period.

But before rushing out to speak to your bank or mortgage broker, it's important to crunch the numbers and know all the facts, say the experts.

"Many financial institutions charge a penalty for breaking a mortgage, particularly if you're refinancing with another bank," says Meaghan Hutchings, a Toronto-based mortgage agent with The Mortgage Coach, part of the Invis network of mortgage brokers. "So you have to consider all the costs–including the penalty amount, your existing mortgage rate, appraisal fees and lawyer fees–and figure out if the cost savings from a lower interest rate will actually offset these costs."

While refinancing your mortgage to consolidate multiple high-interest debts is a good strategy, it requires commitment and discipline, says Anjel Van Damme, director, home equity financing products at RBC.

"It's important to be disciplined about not racking up debt again and to be committed to paying it down," she says.

For those with only a few thousand dollars in debt, consolidation may not be the best route to take, says Van Damme.

"Sometimes there are costs to refinancing or adding on to the mortgage," she says. "If you're only going to be saving a little, then maybe it's better to just be aggressive about paying off your credit card debt."

Given today's relatively low interest rates, many Canadian with fixed-rate mortgages are also looking at moving their mortgage to another bank as a way of reducing their housing costs. CIBC is responding to this increasingly popular refinancing strategy with its Mortgage Switch offer, which gives customers cash back on their new CIBC mortgage.

The cash, which is paid out upfront, helps mitigate any prepayment charges of breakage costs that may be charged by the current lender.

"Our message is that you don't need to wait until your mortgage is up for renewal to get advice about your options," says Colette Delaney, senior vice president, mortgages and lending at CIBC. "You can talk to an advisor today to review options that could help you reduce the interest you pay on your mortgage."

Whatever your reason for wanting to refinance your mortgage, the experts say it's a good idea to talk to your banker or mortgage professional before making a final decision.

"The bottom line result for this decision should be for you to better off in the short and long term," says Hutchings at The Mortgage Coach. "If the savings on lower interest rates are not going to outweigh the penalty and other related costs, then it makes no sense to refinance."

Hutching adds that even if you're not actively considering refinancing, it's a good idea to talk to your mortgage professional at least once a year to review your mortgage and see if it is still the best option for you.

"Think of it as an annual checkup to make sure you're still in the best mortgage situation possible," she says.

MARJO JOHNE
editorial@mediaplanet.com

! FACTS

Make the grade with your credit score

Want to improve your credit score? Here are some steps to take you in the right direction:

- Get the picture. To ensure creditors have accurate information about you, get a copy of your credit report through Equifax Canada (www.equifax.ca) or TransUnion (www.transunion.ca).
- Stay below your limit. Avoid going over your credit card limits, since higher balances have a negative impact on credit scores.
- Pay your bills regularly and on time. At least cover the minimum monthly payments.
- Go easy on those credit applications. Every refusal shows negatively on your credit score, so avoid applying for every zero-interest credit card offer.

MARJO JOHNE
editorial@mediaplanet.com

NEWS

A line of credit provides flexible funding

DON'T MISS!

Over the past two decades, lines of credit have emerged as the preferred form of consumer credit amongst Canadians, eclipsing credit cards and bank loans in popularity. Today, credit lines account for about 60 percent of overall consumer credit issued by the country's chartered banks.

For homeowners, a line of credit provides access to a convenient, flexible source of financing for big ticket expenses such as a home renovation or furniture purchases. Credit lines typically come with higher borrowing limits and lower interest rates than credit cards. Tying a line of credit to your home's equity can further reduce your rate and give you the option of paying only the interest when cash flow is tight.

Unlike a bank loan, a line of credit requires only a one-time application but can be accessed multiple times. Another advantage to having a line of credit? Unlike a mortgage, a line of credit can be paid off without incurring penalties.

As they've grown in popularity, lines of credit have also evolved to offer consumers more options and benefits. For example, RBC Royal Bank offers a Homeline plan, essentially a home equity credit line, which can be set up in as many as five different segments.

"So you could set up a segment for your mortgage, another segment for the purchase of a car, another for investments and another for your child's education," explains Anjel Van Damme, director, Home Equity Financing Products at RBC. "Some people find this convenient for tax purposes, plus it makes it easier to track expenses."

Some banks, such as TD Canada Trust, also offer credit lines that can be split up so that a portion is paid according to a set schedule with set amounts, just like a bank loan but at the interest rate of a credit line.

MARJO JOHNE
editorial@mediaplanet.com

INSPIRATION

Question: Did you know 1.3 million Canadians must choose between paying their rent or for their life's necessities?
Answer: Habitat For Humanity is helping these families in need by engaging Canadians in the fight for affordable housing.

MCAP gives families the key to hope

HOW WE DID IT

Most Canadians dream of homeownership. Unfortunately for many, that's all it will ever remain.

MCAP, one of Canada's leading independent mortgage companies, is working to change that via a unique partnership with Habitat for Humanity Canada that taps into the mindset of today's "Generation G" consumer. The "G" stands for "generosity" as more and more Canadians are looking for ways to make a positive difference in the lives of others.

The Key to Hope Program provides homebuyers with an easy and convenient way to help build a home for a family in need. The first of its kind, this program allows borrowers to simply add a specified donation amount to each mortgage payment which MCAP will then match and donate to Habitat for Humanity Canada.

"MCAP firmly believes in the work of Habitat for Humanity Canada, and we are always looking for new ways to engage our employees and customers in the cause," says Ron Swift, President of MCAP. "By allowing our customers to donate to Habitat through their mortgage payments, we are providing them with a simple and effective way to support Habitat."

Donating advice and time

People traditionally look to mortgage brokers for advice and to help them understand their choices in order to make the best decisions when it comes to homeownership. The option to participate in this program is yet another service mortgage brokers can offer to consumers, one that benefits the larger community.

"With 1.3 million Canadian families having to choose between paying their rent or paying for life's other necessities, Habitat for Humanity Canada is always looking for new ways to engage Canadians in the fight for decent, affordable housing," says Stewart Hardacre, President and COO of Habitat for Humanity Canada. "By allowing Canadians to add on any donation amount to their mortgage payments, Key to Hope allows homeowners to share the joy of homeownership with fellow Canadians in need."

A decade of aid

MCAP has been a partner of Habitat for Humanity Canada since 2000. In that time, the organization has generated over $1.9 million in charitable donations. The goal of Key to Hope is to raise at least an additional $1 million for Habitat over the next five years so that even more families will experience the benefits of owning a decent and affordable home which include improved health and a stronger connection to the community.

By making it so easy for homebuyers to participate in the program, this goal should easily become a reality.

PROFILE

MCAP

- **MCAP is one of Canada's largest independent mortgage companies, spanning from Vancouver to Halifax**
- **HFH Canada is a national, non-profit organization promoting affordable homeownership as a way to break the cycle of poverty.**

MARJO JOHNE
editorial@mediaplanet.com

HOUSING HOPE
The Nguyens are just one of the 1800 families HFH has helped since 1985.
PHOTO: HABITAT FOR HUMANITY

Question: Thinking about taking the plunge and buying, but wary of impeing mortgage responsibilities?
Answer: If you're looking for a long-term living situation, buying may be best.

Renting or owning: Which is best?

To those in the housing market unable to decide between buying or renting, a Toronto real estate broker has some firm advice: Buy the home.

In reality the decision to rent or buy is not so simple, admits Joanna Duong, who works at Coldwell Banker Terrequity Realty. It has been shown that people who invest in home ownership over long periods of time accumulate more wealth than those who rent over the same time.

"When you purchase a home, this is something that is going towards savings. You make a down payment, you pay the mortgage and the property usually appreciates over time," she explains. "When you rent, you're paying someone else's mortgage."

Duong says choosing to purchase a home should depend on several factors, of which the market isn't of paramount importance.

"The market changes. Your personal situation matters more," she says. "You need to ask yourself whether you are financially prepared and psychologically, whether you're ready for the commitment."

Benefits of buying best when owning over time

The benefits of home ownership are achieved by owning over a long period of time. For those not expecting to stay in one place longer than a few years, Duong says renting likely makes more financial sense.

One of the worst mistakes buyers can make is to be ill-equipped to handle unexpected but inevitable costs. In addition to the down-payment-usually a minimum five percent-and moving costs, the buyer has at least two months of mortgage payments saved in order to be what Duong considers "financially prepared."

"Homeowners pay for all maintenance, all electrical, utilities out of pocket. All renovations, a leak; the homeowner pays for that. They also have to pay property taxes or condo fees," she says. "Renters pay first and last month's rent up front, maybe a security deposit or a maintenance fee and then rent every month. And if something breaks, they can call the landlord."

Dollar for dollar, homeowners' costs outweigh those of renters-initially, annually and over time.

"But all that goes towards equity. It's security and it's an investment."

JESSICA HUME
editorial@mediaplanet.com

Design your dream home on the cheap

Canadians have a high propensity for living in homes they don't love as much as they could, a Toronto interior designer says.

Even if ideas for change are entertained, following through with the project can seem an overwhelming and sometimes expensive endeavour says Jeff Schnitter, partner at Seven Haus Designs.

"People will live in a place for five, 10 years and they're never happy with it," Schnitter says, explaining that regardless of the space being considered for redesign, some basic questions need to be answered first. "We're figuring out how to best use a space, so you need to know what that space is, what you want to do there, what you like. You need to understand the opportunities in any given space as well as the challenges it presents."

Designing on a budget

For those wanting to redesign on a budget, three things to remember are paint, art and fabric.

Painting-from one wall to all walls and even floors-can change the feel of any space with as dramatic or subtle an effect as desired. Further savings can be achieved by doing the labour oneself.

Art work can contribute a sense of authenticity and style. Depending on size, colour and mood, strategically placed art can enrich the space or be a focal point.

Rather than buying new furniture, existing items can be updated or completely made over simply. Replacing new fabric on couches and chairs with new upholstery can save money and create a different aesthetic.

In addition to reupholstering, painting old furniture or removing paint can bring pieces back to life.

Mirrors can open up a room, providing more light and the illusion of more space, if placed well.

Think beyond the big box store

Changing small appliances such as lights and lamps can be done easily and cheaply by staying on top of auctions, flea markets, street sales and online opportunities. That said, Schnitter advises to hold off on the purchasing of smaller items for a room until the main components of the redesign are completed. Problems, he says, can arise when inspiration for redecoration comes from one object.

Rather than using specific and potentially arcane items-art works, a piece of furniture or clothing-as the inspiration for the look of the room, Schnitter suggests taking a broader approach and developing a big picture vision for the space.

"First figure out what you're going to do with the space, then arrange the room. Add the details in layers."

Size matters, but neither large nor small is better

Dispelling any delusions that designing for small spaces is more difficult than large, Schnitter explains that less spaces can result in better design: having a limited area "forces you to think more specifically."

Perhaps mostly importantly, Schnitter urges that we stray from our design-comfort zones.

"People can fall into patterns and it can be difficult to break out of them," he says, adding that exposing oneself to a multitude of styles and options can be a good way of breaking from tradition. "Trust me, it's a lot more fun if you go beyond what you originally thought was possible."

JESSICA HUME
editorial@mediaplanet.com

CHANGE

City dwelling gaining popularity

The debate between downtown dwelling and the suburban lifestyle is a polarizing issue, and a Toronto real estate broker says she is seeing commuting woes dissuading potential homebuyers from purchasing in low density areas.

Deirdre Kutasi, who works at Coldwell Banker Terrequity Realty, says 98 percent of her business comes from people seeking downtown homes. Even though the city is more expensive, she says she is seeing more people opting for gritty downtown than spacious living in Toronto's outer areas.

Big homes, big lots, big commutes

The appeal of suburban lifestyle is obvious-large homes on large lots, plenty of parking and privacy from the neighbours. Many people who work and run businesses from home prefer the space suburban living affords them, Kutasi explains.

But with that space comes distance and the task of driving which deters many from purchasing homes outside the downtown core.

"The main reason people don't want to live in the suburbs is the commute," Kutasi says. Now with current construction projects, she says the drive is even worse. But the cost of suburban living for those who work downtown goes beyond time spent commuting, she says. Vehicle payments, insurance and gas costs add up.

"People understand that living downtown you save that hour commute."

Besides, what city folk lose in space they make up for in culture, restaurants and variety, Kutasi says.

"There's more to do downtown-more arts, more culture. Neighbourhoods are closer and you actually get to know your neighbour."

Because downtown property is limited, the investments generally have greater returns as the resale values increase, along with demand. That said, the land transfer tax, imposed in 2007 by Mayor David Miller, means city dwellers pay a fee of one- to two-percent of the purchasing price on top of all other closing costs.

Like many others choosing to live inner city, Kutasi moved from Mississauga to her High Park area home recently and says the mobility the location offered was key.

"I live a five-minute walk from the subway. In the suburbs you have to drive everywhere."

JESSICA HUME
editorial@mediaplanet.com

NEWS

TIP 3

YOU DON'T NEED TO BE IN POOR FINANCIAL STANDING TO SEEK ADVICE

Mortgage brokers dish out advice

Banks often come to mind right away when people think about mortgages.

But these days, a growing number of Canadians are looking beyond them and turning to mortgage brokers for help in financing their home or refinancing an existing mortgage.

"What a mortgage broker does essentially is shop the market for the best rates on behalf of their client," explains Jim Rawson, regional manager for Invis, a mortgage brokerage with more than 800 consultants across Canada. "We're just like an insurance broker, except we deal in mortgages."

From being fringe players in past decades, mortgage brokers today have established themselves as important resource for real estate consumers. Close to 40 percent of all home purchases and refinanced mortgages in the past year were done through a mortgage broker, according to survey results released this year by the Canada Mortgage and Housing Corporation, a government-owned agency that provides mortgage loan insurance, mortgage-backed securities, housing policy and programs, and housing research.

By comparison, the CMHC's 2006 survey found mortgage brokers accounted for only 33 percent of real estate financing in Canada.

what are the benefits of using a mortgage broker?

Respondents to the latest CMHC survey said mortgage brokers saved them time and helped them get the best deal on their mortgage. About 80 percent of respondents also said the broker they dealt with took the time to fully understand their financial situation and mortgage needs.

"The broker is really working for your benefit," Rawson explains. "And unlike the person at the bank who may also deal with other products such as RRSPs and GICs, the mortgage broker is really a specialist in only one field–we live and breathe mortgages, it's what we do all day long."

Rawson is quick to point out that mortgage brokers work with banks as partners. But whereas banks sell only their own products, mortgage brokers have access to the various institutions that lend money for mortgages, including banks, credit unions, trust companies, pension funds, insurance companies, finance companies and even individual lenders.

Some mortgage brokers, such as Dominion Lending Centres, which has more than 1,700 mortgage professionals across Canada, also have proprietary low interest rate product lines negotiated exclusively with the various lending institutions.

Debunking misconceptions

But despite the growing popularity of mortgage brokers, a few misconceptions persist, Rawson says. One fallacy is the belief that mortgage brokers deal only with people who have low incomes or tarnished credit histories.

Then there are the people who think using a mortgage broker will result in additional fees. In fact, Rawson says, banks and other lending institutions pay mortgage brokers a finder's fee for sending business their way.

"You as a consumer don't need to pay your mortgage broker a fee," he says.

For homebuyers who aren't sure whether to deal with a bank or mortgage broker, Rawson offers this advice: have a talk with both parties.

"Sit down with both and ask them the questions you need answered," he says. "It's an important decision so you need to take the time to make sure you have all the facts."

MARJO JOHNE
editorial@mediaplanet.com

EVENT ALERT

Tweens achieve "celebrity status" by giving back

Celebrities make headlines daily for their philanthropic work urging others to get involved and do their part. The tween generation is a segment that is easily inspired by famous people. Tween role models such as Justin Bieber and Miley Cyrus are no exception when it comes to helping their communities and giving back. Although busy with their careers, these young stars still make time to volunteer and support charities.

Tweens–children aged 9-12–are often unaware of the opportunities available to them and how easy it is to volunteer and get involved in charitable work. Parents can help their kids get involved by finding them initiatives that they can participate in. A good start for tweens could be volunteering at a local community centre or food bank, taking part in a park clean up or playing with pets at a local animal shelter. Other ideas include:

- Helping to cook or serve a meal at a homeless shelter
- Adopting a senior citizen "grandfriend" and writing him or her letters and visiting
- Holding a door open for someone
- Recycling
- Baking cookies and bringing them to a local firehall or police station

A chance to win, a way to help

Another way is to enter a contest that helps make a difference. For example, from October 4th to November 12th, Genworth Financial Canada and Habitat for Humanity are offering students in grade four, five and six the opportunity to share their thoughts about "what they love most about their home". By entering the Meaning of Home Contest, students have the chance to help funds go towards the building of a home for someone deserving in their community. They will also enjoy 'celebrity status' by hosting a pizza party for their entire school. Encourage your kids to enter the contest by logging on to www.meaningofhome.ca and having them write about what they love most about their home.

Volunteering is a great way for kids to learn that helping others can make you feel like a star.

LINDA BELANGER
Community Leader, Genworth Financial
editorial@mediaplanet.com

PANEL OF EXPERTS

	Scott Bergen Director of Marketing and Product Development Manulife Bank of Canada	Marcia Moffat Vice President Home Equity Financing, RBC	Jim Murphy, AMP CEO and President, CAAMP
Question 1: Can one qualify for a mortgage if they are unable to confirm their income?	**There are certain** cases where a homeowner with limited income can qualify for a mortgage. For example, small business owners often reinvest much of their income back into their business and may have little income to declare at tax-time. However, if the business is established and the client has a good credit rating, they could qualify. Another example is retirees who have significant assets but limited income. Again, with a good credit history, they could qualify for a mortgage.	**When applying for** a mortgage to purchase a home or refinance a current home, there is generally a requirement for the lender to confirm annual income to ensure the mortgage is affordable. However, programs that have been developed to assist homebuyers who may not be able to meet these qualifications or do not have the ability to provide income confirmation. For example, homebuyers that are new to Canada and may not have history here may qualify, as well as the newly self-employed, and home buyers who have put a significant down payment toward their purchase or equity in their homes.	**Yes, there are** mortgages designed for borrowers like the self employed and new Canadians. However lenders do not want to take on unreasonable risks so they look to factors other than income confirmation as evidence of the borrower's capacity to make payments. For example, they may require evidence that the borrower has a good credit score and can manage credit well, or require evidence that the borrower has significant net worth. Lenders also typically require a larger down payment.
Question 2: Does paying a mortgage bi-weekly really save money or reduce amortization?	**This can help** because borrowers are making a couple of extra payments each year. An even more effective strategy is to take full advantage of prepayment privileges, which most types of mortgages allow. Some people hesitate to make extra payments because they don't want to lose access to that money in case their needs change. However more flexible mortgages, such as Manulife One, allow clients to re-borrow that money if their needs change in the future.	**Most people think** of a mortgage payment as a monthly payment - however if you take that monthly payment and split it into a bi-weekly accelerated payment, you will be paying your mortgage off faster - the equivalent of 12 months in 24 payments, giving you the opportunity to pay off your principal faster. For example, if you have a $100, 000 mortgage. And your interest rate is five percent, your mortgage payment would be $581.61. Changing to a bi-weekly accelerated payment equates to $290.81 every two weeks and saves you over $12,500 in interest costs during the life of your mortgage, cutting down your amortization period from 25 years to just over 21 years.	**The key to** saving money is to switch to accelerated bi-weekly payments. If a person had a monthly mortgage payment of $1000 they make payments of $12,000 over a year. If they switched to non- accelerated bi-weekly they would pay $461.54 every two weeks or $12,000. However if they switch to accelerated bi-weekly, they pay $500 every two weeks or 26 payments per year or a total $13,000 over a year. It is the increased total yearly payment that reduces amortization.
Question 3: Fixed vs. variable, what's the difference?	**The primary differnence** between fixed-rate and variable-rate mortgages is whether or not the rate is locked in. With fixed rate mortgages, clients typically pay a slightly higher rate in exchange for payment stability. With variable rate mortgages, clients typically pay a slightly lower initial rate but the interest rate and required payments may fluctuate up or down. A third option is an "all-in-one" account that allows clients to combine fixed and variable rates and offers some flexibility for clients to adjust their payments as their needs change.	**With a fixed** rate mortgage, your interest rate and payment will not increase during the term you have selected. But remember, you won't be able to take advantage of any decline in rates that may occur until the end of your fixed rate term. A variable rate mortgage fluctuates with the prime rate. The advantage of a variable rate is that it is usually one of the lowest mortgage rates offered-meaning you may save money now. Keep in mind that if prime rate rises, your mortgage payment may not change, but your interest rate will rise, possibly increase your interest costs over the life of your mortgage and lengthen the amortization of your mortgage.	**Fixed interest mortgages** have the rate set at the beginning of the term. So a five year mortgage may have the rate set at 3.99% and it remains constant over the five years. Variable rate mortgages have rates that can change up or down over time because the rate is tied to a benchmark rate that can fluctuate. Many variable rate mortgages allow the borrower to convert to fixed rate if they fear rates are about to rise.