

A lifetime investment
The realities of home ownership

Mortgage brokers
The benefits to using a broker

You're moved in
But are you fire and CO-safe?

MEDIA PLANET

June 2012

MORTGAGES

4
TIPS

TO FOLLOW WHEN BUYING A HOME



NEW HOME OWNERS

The Property Brothers, Jonathan and Drew Scott, share their tips for buying and improving your home

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CHALLENGES

Buying a home is one of the largest emotional and financial decisions you'll ever make: **Prepare by learning about the process** of home buying and the responsibilities of home ownership.

Celebrate home ownership: Look to experts for guidance

A year can feel like a lifetime of change in today's economy. The Canadian mortgage industry is no exception. This past year we have been witness to vast shifts in the industry and changing realities for lenders, regulators and consumers.

Lenders

The major banks, credit unions and other financial institutions have been very busy trying to be competitive and make a profit while still attempting to attract and sustain their mortgage business. Hats off to them, as this has been very difficult to do with the fluctuations of the bond market, which control how fixed interest rates are determined.

Last year we saw incredibly low variable mortgage rates disappear almost overnight. This past March, we witnessed fixed mortgage rates dipping to the lowest in history - 2.99 percent for a 5 year fixed term. For the consumer this has been fantastic, as fixed rate mortgage terms continue to sit at all time lows. Given these continued low fixed rates and the shift in variable rates, more and more consumers

are choosing to lock in to fixed rate mortgage terms.

Regulators

In response to the uncertainty of the global economy, mortgage insurers, industry regulators and governments are more active than ever in the mortgage process. Recently, the federal government announced that Canada Mortgage and Housing (CMHC) will now be regulated by the Office of the Superintendent of Financial Institutions, which is the regulator appointed to oversee Canada's chartered banks. As a result, we should expect to see some changes to CMHC guidelines in the future.

We have seen many critical rule changes in recent years. Amortizations have been reduced to 30 years on insured mortgages, and some lenders are following suit for conventional mortgages as well. Refinancing of existing properties is now set at a maximum of 85 percent of the home's value. In addition, if a consumer chooses to take less than a 5 year fixed mortgage term, they now have to qualify at the Bank of Canada set rate that is typically higher than posted lender rates.

We have also seen lender policy changes on individuals who



Jared Dreyer, AMP
President, MBABC

are either self-employed or who work on commission; lenders have tightened the qualifications for these individuals. It is clear that the mortgage landscape has changed - these new lending rules will continue to maintain Canada's strong economic foundation and ensure property owners are not overleveraged. Moving forward, the government's goal is to encourage responsible mortgage investment.

The Consumer

With ramped up media coverage of the mortgage industry and a plethora of online mortgage information, homeowners are more educated than ever when it comes to knowing what they want. It is very easy, however, to be confused about all the lending and refinanc-

ing options available and to make a poor decision. Purchasing a home for the first time, taking out equity for investment or pleasure, or refinancing a home are important financial decisions. With the complexities of the mortgage market, making an uninformed mortgage choice can cost thousands of extra dollars. It is important to work with a mortgage professional to help assess options and gain confidence to make the right decision, as everyone has their own unique needs.

The mortgage industry is a critical financial pillar in the Canadian economy. Not only does the industry employ tens of thousands of people, it helps millions of Canadians every year buy or renovate a home, purchase a vacation or investment property and help manage their finances and debt more effectively. As we move forward in 2012, our goals are to continue to promote the benefits of being a home owner in British Columbia, work with regulators to make healthy policy changes that strengthen our economy and continue to make home ownership accessible to all Canadians.

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WE RECOMMEND



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Discuss your mortgage questions

MEDIA PLANET

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INSIGHT

Question: Are you thinking of buying a new home?

Answer: Learn everything you need to know about getting settled into your latest investment.

The secret to investing in a new home

PERSPECTIVE

When it comes to life's biggest changes, buying a home for the first time is up there alongside getting married and having a baby. The process leading up to this important investment is often filled with excitement, nervousness and uncertainty. And with record low rates contrasting with the high cost of real estate in British Columbia, many rookie home buyers are clueless as to where the market is going to go. Luckily, there are experienced professionals in the field of home buying who are more than happy to help educate first-time buyers on what they need to know when it comes to taking this enormous step.

Caution to first time buyers

Colin Dreyer, President and CEO, and John Kelly, COO, of Verico Financial Group Inc., one of Canada's largest mortgage broker networks, say that first time home buyers are more likely to get a deeply discounted rate when they take out a first mortgage because banks are trying to compete and win their business. However, they caution consumers to consider the

total cost of home ownership and not just their interest rate over the initial term.

"It's important to remember that this deeply discounted rate is typically only applicable to the first term of your mortgage, which is usually the first three to five years," Dreyer says. "Most mortgages, especially in Vancouver, have amortizations of up to 30 years; so, home owners need to keep in mind that the great low rate offered by your bank may only be applicable for one tenth of your 30 year mortgage."

Seek out resources

"There are many strategies that home owners can employ to save money. Shorter amortizations, accelerated payments or annual balloon payments can all be utilized to lower your total cost of home ownership," says Kelly. "Mortgage brokers are experts in creating these strategies and can help you achieve your financial goals now and in the future."

The role of a broker is to be a trusted advisor, somebody who can take a look at a potential buyer's financial wherewithal, their career plans and lifestyle and

figure what would be the right fit for them. Are they planning on having a big family? How secure is their career? Is there any potential for a move to another city? All this matters greatly when buying a home for the first time. The most optimal time to visit a broker is four to six months prior to the big investment.

"One of the unique benefits of working with a broker is that because we have access to a bunch of different lending institutions, we can customize and cater a debt management plan or a mortgage plan, instead of just looking at it

as a transaction on whether you qualify or not," says Rob Regan-Pollock, a senior mortgage broker with Invis. "Everyone is unique and has a unique lifestyle, it's not one size fits all."

He adds that whether his clients don't want to change their lifestyle (or if they do want to change their lifestyle and are primarily concerned with the size of house they can get), his role is to give them full disclosure before he can help them get there.

Understanding the costs

When it comes to being proactive,

it's essential that first time home buyers do their homework. That means understanding all the costs that come with owning a home; Things like maintenance, equipment, additional heating, utilities, and repairs, to name just a few.

"All those extra costs and repairs, that if they weren't a homeowner before, they're now responsible for that can add up to a heck of a lot of money for consumer," says Scott Hannah, President of Credit Counselling Society.

Investing in a home will likely lead to lifestyle changes, so Hannah advises to put a lot of thought into location.

"Often times when people are looking to buy a single detached home versus living in an apartment, because of house prices, they've got to move away from the major centres," he explains. "That may increase transportation costs dramatically."

By keeping these tips in mind, the process of buying a first home will likely be more exciting than overwhelming.



Colin Dreyer, President and CEO;
John Kelly, COO,
Verico Financial Group Inc.

"There are many strategies that home owners can employ to save money [and] lower the total cost of home ownership,"

ELIANNA LEV

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INSIGHT



TIP
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INVESTING IN REAL ESTATE IS A GOOD WAY TO CREATE CASH FLOW FOR YOUR RETIREMENT YEARS

EDUCATE YOURSELF
and increase your home buying confidence



PHOTO: ISTOCKPHOTO.COM

Getting ready for home ownership?

Get to know the mortgage process

Getting a mortgage can be a daunting task, whether you're a novice or seasoned home buyer. That's why it's important to educate yourself before you even start the mortgage process.

Understanding the components of home financing and the various available options is a good first step, says Narrinder Dhanoya-Bhangu, Regional Vice President at Genworth Financial Canada, which provides mortgage default insurance.



Narrinder Dhanoya-Bhangu
Vice President, Pacific Region,
Genworth Canada

Options are available

Home owners with less than 20 per cent down payment are required by the National Housing Act to purchase mortgage loan insurance, which protects lenders should a mortgage go into default.

insurance—which are based on the size of the loan and down payment—tend to be similar across the various providers, consumers should still take the time to compare what each provider has to offer, says Dhanoya-Bhangu.

More than great rates

Look to organizations that organize home buying seminars through

industry partners—in doing so, clients may have access to discounts with a network of vendors.

“[As a mortgage insurance provider], we will work with our clients’ financial institutions to try and come up with a way to allow our client to stay in their home,” explains Dhanoya-Bhangu.

Home buyers often focus only on interest rates when choosing a mortgage. Rob McLister, editor at CanadianMortgageTrends.com, says there’s a long list of other factors to consider. These include the term of the loan, ability to make balloon payments, restrictions and penalty calculations.

“My best advice is to work with a mortgage planner who can do a budgetary analysis and work out the best mortgage for you,” he says.

MARJO JOHNE

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Couple to buy home in 365 days



Last year, newlyweds Natalia and Andrew Baelde were convinced they'd never own a home. Then they met Gina Best. “Now, we see what's possible,” says Mrs. Baelde.

Best is a mortgage broker who helps first-time buyers realize their dreams. In fact, she created the *365 Days To Achieve Your Dream* initiative to do just that.

“I spend a year with a couple, meeting monthly and setting goals. When the year is up, they buy their first home.” Best donates her time to one couple each year. This year it's the Baeldes.

The couple has reviewed their credit scores, started tracking their spending, and even perused neighbourhoods.

“The goal is to help them plan smarter to achieve their dreams faster,” says Best.

Follow the Baeldes’ and their journey toward home ownership at **365-days.ca**.

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NEWS IN BRIEF

What you need to know about real estate investing

Investing in real estate is a key part of any investor's financial planning. For most of us, our homes are a big part of our net worth. And as we grow older, we build equity in our homes that can help fund our children's college or our own retirement.

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NEWS

TIP

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KNOW HOW MUCH
YOU CAN AFFORD:
SPEAK WITH A
LENDER TO GET
PRE-APPROVED

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 efficient 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.

Q: What is your current assessment of the BC real estate market — how do you see it changing in the next year?

A: The BC real estate market is maintaining a steady pace. According to the Real Estate Board of Greater Vancouver, the benchmark price of residential property in Greater Vancouver is up 3.7 percent since April 2011. Even though the actual number of sales this month has declined since last year I feel the market is in solid shape. Chat with your lender to see what rates are available to you. It's possible to make money in a hot or cold market, just do your homework so that you ensure you are making a sound investment.

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

A: 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.

DON'T MISS!
Property Brothers airs Tuesday
at 8pm ET/PT on W Network.
PHOTO: CINEFLIX INTERNATIONAL MEDIA LTD

Improving your home? Ask the Property Brothers

Identical twin brothers Jonathan and Drew Scott are the stars of W Network's "Property Brothers" reality show. Each episode features the talented and charming brothers as they help home owners through the process of buying a "fixer-upper" and transforming it into their dream home—all on a super tight budget!

Question: What should first time home buyers consider when getting a mortgage?

Answer: 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.

Q: A lot of home owners think they can make renovations themselves — at what point would you recommend hiring a professional?

A: 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 an amateur 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.

Q: What tips do you have for new home owners on ways to increase their property value?

A: 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



Jonathan and Drew Scott in
a newly renovated home.
PHOTO: CINEFLIX INTERNATIONAL MEDIA LTD

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NEWS



Greening your home: reduce energy costs and usage

- Save on heat — save money while keeping your home comfortable: Turn the thermostat down by 5 °C when you're sleeping or not home.
- Save on water heating — Every drop counts. Reduce water heating costs for your home by turning back the thermostat on your hot water heater to 50°C or 122°F.
- If you live in an older rental building your hot water and/or heat may be provided by a central natural gas boiler. Although you don't pay directly, these utility costs may be reflected in your rent. Let your building manager know that incentives are available for upgrading to high-efficiency boilers.
- Weather-stripping and caulking around doors and windows will rid your house of drafts and prevent leaking of heated or cooled air.

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NEWS



TIP
4
DO YOUR RESEARCH AND NEVER HESITATE TO ASK QUESTIONS; THIS WILL HELP YOU UNDERSTAND THE ENTIRE HOME BUYING PROCESS

THE BENEFITS TO USING A MORTGAGE BROKER



Gary Mauris
President of Dominion Lending Centres
PHOTO: DOMINION LENDING CENTRES

Mortgage brokers offer unbiased advice, and the best rates in the market.

In the market for a mortgage? It used to be that banks were the go-to lender for home buyers. Today, however, close to 30 per cent of Canadian home buyers — or roughly one in three — use a mortgage broker to arrange financing for their new dwelling, according to the latest consumer survey by the Canada Mortgage and Housing Corporation.

Professional advice

“I’ve been a mortgage broker for a

long time — almost 20 years — and when I started, almost nobody knew what a mortgage broker was,” says Garth Ellis, President of Ellis Mortgages Canada in Vancouver. “But now the majority of people know what a broker is.”

For the few who don’t know, mortgage brokers are market specialists who are tapped into a large network of lending sources that includes banks, credit unions and private lenders. For consumers, this translates to the mortgage most suitable for them, at the best rate in the market. It costs them nothing to use a mortgage broker, because the broker is paid by the lenders and not by homebuyers.

Faced with decisions

Consumers need to take the time to ensure they’re choosing the right mortgage, says Ellis. Word-of-mouth recommendations are a good starting point, he adds. In fact, the CMHC survey found that 25 per cent of home buyers found their mortgage broker through a referral source, typically a friend or a real estate agent.



PHOTO: MBABC

Gary Mauris, President of Coquitlam-based Dominion Lending Centres, says it’s a good idea to do some digging to confirm that a mortgage broker is licensed and recognized by the province’s regulatory body. In British Columbia, mortgage brokers are regulated by the Financial Institutions Commission.

“And to truly get unbiased advice, make sure you’re working with an independent mortgage broker and not someone who works for one particular bank,” says Mauris.

A commercial office space is a must for any professional broker, he adds.

“From my perspective, if I’m a consumer I would feel very uncom-

fortable dealing with a home-based mortgage broker,” he says. “A mortgage is a significant financial commitment, so as a consumer I’d like to feel reassured that I’m dealing with a solid, legitimate business that will be around for a long time.”

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NEWS



Home buying in British Columbia

When it comes to BC's current housing market, experts say things are looking stable.

Stable times ahead

Regional Executive Vice President of Remax Western Canada Elton Ash says generally speaking, BC will continue to enjoy a pretty buoyant real estate marketplace.

"There's a tremendous amount of demand from local and worldwide (buyers)," he explains. Ash says the Lower Mainland and the Vancouver area is enjoying a tremendous amount of attention

from Mainland China — specifically West Vancouver and Richmond.

Outside of the Lower Mainland, things are also looking steady. Ash says that areas like Peace River are driving a tremendous market as a result of their natural resources and oil and gas industry.

He goes on to say that the Interior and some parts of Vancouver Island are experiencing a soft market because Canadian recreational dollars are flowing south instead of westward.

"In the 90s to early to mid-2000s, Canadian recreational dollars and

US recreational dollars were flowing into British Columbia," Ash says. "Then of course the US sub-prime crisis hit."

BC's market to be envied

The crisis resulted in a dramatic drop of real estate evaluations, especially in the US sunbelt. As a result, a lot of Canadians are buying real estate properties as second home and vacation homes in the US, as opposed to BC. However, he stresses that overall, BC's housing market is in an enviable position, not only nationally but also worldwide. Ash points out that Vancouver is leading the country in

luxury properties.

Cameron Muir, Chief Economist with British Columbia Real Estate Association, agrees that things should remain steady in the province.

"Headwinds in the global economy are going to keep consumer demand for housing on an even keel going forward, with prices remaining unchanged at their current level," he says. "I don't expect to see much change to pricing at all."

ELIANNA LEV

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DON'T MISS!

YOU'RE MOVED IN... but are you fire and CO-safe?

Moving is exciting, especially if you are taking possession of your first home. But it's important to inspect all fire and carbon monoxide safety devices immediately when settling in.

- You have under three minutes to escape a fire - make sure you have smoke alarms on every story of your home.
- Replace any smoke alarm over 10 years old whether battery operated or hardwired.
- Never remove an alarm or its batteries to silence a nuisance alarm from cooking; 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 an attached garage or carport.
- Replace any CO alarm over seven years old, whether plug-in, battery-operated or hardwired.

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Question 1:
If I am self employed or
have bruised credit, can I
still qualify for a mortgage?

As a self employed individual or someone with bruised credit, you may qualify for an alternative mortgage. These mortgages are designed for individuals who, for various reasons, may not meet the credit requirements of their bank. Alternative mortgage lenders will work with their borrowers to find the solution that best fits their needs. It is a “common sense” approach that evaluates the merits of each applicant individually. These lenders have a deep understanding of this segment of the market and the clients they serve.

Absolutely. There are a number of alternative and private lenders in the marketplace today that specialize in lending to those with bruised credit, little or no provable income, the self-employed, previously bankrupt, new to Canada and many others traditionally declined by conventional lenders. Brokers can help you locate these lenders and educate you on their mortgage products. The mortgage interest rate for challenged borrowers is typically higher and generally based on risk. This is often a short term solution (1-2 years), as the borrower’s goal should be to get back into a mortgage with a lower interest rate and longer term. A good broker will give you guidance.

Depending on your circumstances you can generally get a mortgage under most circumstances. Because of your situation you may have to go to a different lender than you were maybe thinking and you may also be facing a higher rate than you might see advertised generally. Always remember to ask around and get a broker to help you find the best deal to match your circumstances.

Question 2:
Other than great rates,
what should I consider
when looking at mortgage
options?

Choose a mortgage that’s right for you. While rates are important, overlooking other details may end up costing more in the long run. There are other options to consider which can save money. Be aware of both the prepayment options and penalties attached to your mortgage. Prepayment options allow you to make additional payments towards an outstanding balance or increase the amount of payments with the increase being re-applied to the outstanding balance. Both of these privileges will allow you to pay your mortgage off faster and save in interest costs. Costly repayment penalties may apply when paying your mortgage balance prior to the maturity date—be informed.

Your wants, needs and goals will dictate what is most important for you to consider. A good mortgage broker can use their substantial product knowledge on a variety of mortgage products offered by numerous lenders, to find the best option for you. Frequent payments and/or a smaller amortization period — the number of years it takes to fully repay your mortgage — are crucial for paying down a mortgage quickly, allowing less time for interest to accrue. Prepayment options and possible associated penalties are important to consider if you need a short term solution, such as a bridge loan between a purchase and a sale. The lowest interest rate is often not an indicator of your best long term option.

You should always look at the options that are built into any mortgage offer you consider and understand prepayment options, whether that be monthly or annually. You should consider costs to close out your mortgage early as you never know what the future holds. Some low rate specials have extremely heavy penalties whether you are contemplating a sale or refinance. It is also good to understand the flexibility of moving your mortgage in the event that you are looking to move up!

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