CAN YOU GET A MORTGAGE?

Let's Find Out What it Takes in ***10 Minutes***!

eBook for Helping Renters Become Homeowners

QUANTUS Mortgage Solutions

Richard's MORTGAGE GROUP

About the Author

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Chris Richards is a licensed mortgage professional since 2008, focused on helping renters become homeowners. He is also an experienced landlord and believes real estate is understandable and an excellent foundation on which to build financial security for you and your family. Also self-employed, he knows the ropes and the challenges borrowers face.

As it relates to mortgages, especially for first time buyers, the first thought is often simply – I don't even know where to start. If this is you…

Welcome to "Can You Get a Mortgage?"

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CHAPTER 1

Success Defined

This is an introductory eBbook designed to answer some very basic questions about what it takes to get approved for a **Mortgage Loan in Canada**. I will consider the book a success if you smile, knowing that you are on-track for an approval, and if you're not on track, that you have discovered the steps and direction you MUST take to get on track while time is still on your side.

CHAPTER 2

Mortgage Defined

First things first, a mortgage is simply a loan for a house. The mortgage contract is for a certain length of time called the **term**. Five years is most popular term for mortgages and easiest to qualify for. At the end of your term, you will need to renew your mortgage contract for another term, which is easy assuming you have paid on time as agreed with the lender and your credit rating is still good. You keep renewing your mortgage until your house is paid for in full, which is called the **amortization period**. If you sell your house or move, you can usually take your mortgage contract with you (**port it**) to the next house, or cancel it, subject to a penalty.

CHAPTER 3

ICE & Mortgages

To get a mortgage, things have to *ALL* line up.
You can remember them as ***I.C.E.,*** like the ice in your drink.
ICE means you have to have *enough* of these 3 things...

1. Income   2. Credit   3. Equity / Down Payment

In this eBook, my goal is to help you determine if you are ready to get a mortgage pre-approval. Let's Get Started!

CHAPTER 4

The Rule Books

"For the most part, the Canadian Government makes up the mortgage lending rules"

As it relates to mortgages, there are rule books prescribed by the Canadian Government that the banks and mortgage lenders have to follow. Here is a summary of the 3 basic "ICE" requirements for any mortgage approval…

INCOME	1st, you have to prove you reliably make money. That means *steady and predictable* income sufficient to cover all your payments, including loans, credit cards, credit lines, support, etc. and – of course – the new mortgage payment and property taxes. There is a maximum ratio of monthly debts to monthly income permitted, so if you have a lot of debt and payments, given a fixed amount of income, then there might not be enough left over for the home you'd like to buy.
CREDIT	2nd, you need credit history on your credit report (www.equifax.ca) and the history needs to show – in the past 2 years at a minimum – that you have generally paid all your bills on time and that no one is chasing you to get paid. FYI, whether you know it or not, most organizations that lend you money or extend you credit (send you bills) report your repayment patterns monthly to Equifax, which then shows up on your credit report as a "credit score" (risk rating). Mortgage lenders look at your past repayment track record as a reliable predictor of your future payment habits. Good news is that credit can be fixed, it just takes time.
EQUITY	3rd, you've got to have "skin in the game," which is the money you put into the purchase of your home. Rule book says your minimum equity / down payment needs to be 5% of the purchase price (OAC), so $15K for a $300K purchase as an example. Plus you have to prove you have a further 1% set aside to cover the costs of a lawyer, property inspector, appraiser, taxes, etc., called "closing costs." The only way ZERO-down is an option is if you borrow the 5% separately from the mortgage, for example on a line-of-credit.

In the next few chapters - 5, 6 & 7 - we look at ICE in more detail, both good and the not so good so that you can get an understanding of how lenders view things and to help you start with your own self-assessment. I encourage you to print this guide so it's easier to read.

Instructions: Make a check mark or note for each situation that relates to you, whether good or a potential problem, then review where you're at.

If you think you might already have the ICE (all 3 things in place), please contact me and I'll see if I can get you pre-approved for a mortgage today! If you're not sure, contact me anyways and I'll do my best to help.

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CHAPTER 5

Income

"You have to prove your income is reliable and sufficient enough to pay the new mortgage and your existing debts."

Your income is *probably okay* for a mortgage if…

- You have been at a permanent job with a guaranteed minimum hours/salary for more than 3 months and have some experience or training in your field.
- You have had the same income source for at least 2 years, even if the income/hours are not guaranteed.
- You have been self-employed for 2 years or more and can prove it.
- You make enough money to pay the new mortgage and your current payments.
- Your personal taxes are filed and paid.
- You have permanent disability or pension income.
- Any income coming from child tax benefits or from the ex- as alimony or child support payments represents 1/3rd or less of your total income.

Self-Review for INCOME:

How many probably okays? ______________

How many potential problems? ______________

There *might be a problem* with your income if…

- You are unemployed or not employed in Canada.
- You are on maternity leave without a guaranteed return-to-work date.
- You are on probation at your job (normally 3 months by law) or started a totally *new career* within last the 6-9 months (unrelated to past experience).
- You have had your current income source/job for less than two years and your hours / shift fluctuate and are not guaranteed.
- You have become self-employed within the last 2 years.
- You have a lot of personal debts relative to your income.
- You are not up-to-date on your personal income taxes or owe the government taxes.
- Your income benefit is subject to review/ non-permanent.
- You are separated / divorced and there is not yet a legal separation agreement.

CHAPTER 6

Credit

“Your credit history has to demonstrate that when someone lends you money, that you will likely pay them back as agreed.”

Your credit is *probably okay* for a mortgage if…

- You pay your bills, credit cards, and loans on time, and no worse than 30 days late on rare occasion.
- You have had credit extended to you from at least two different companies (2 credit cards, or a credit card and a car loan, for example) for at least two years.
- Your balances relative to limits are modest (not maxed).
- You are new to Canada (or a young adult) and can prove you have paid your bills on time for the last 12 months via reference letters from landlord, utility companies, insurance, cell phone, bank reference letter, etc., even if you don’t have much credit established on your credit report.
- You had a bankruptcy or consumer proposal that was discharged over two years ago, and you have taken steps to re-establish your credit for at least 12 months since and there have been no further credit hiccups / late payments.
- The bad stuff (from when you were young and foolish!) happened more than 6 years ago, as it will no longer show up on your credit report (in most cases).
- Your credit score is above 630 (www.equifax.ca).
- Your credit score is above 600 and you have a good co-signor.
- You have 25% or more down payment / equity, regardless of credit score.

CHAPTER 6

Credit CONT'D

There *might be a problem* with your credit if…

- You have active collections or written-off accounts, including cell phone company disputes.
- You have unpaid judgments against you.
- You have unpaid collections, or recently paid collections (within last 3 to 6 months).
- You have any late payments in excess of 60 days in the last two years, without a really good reason.
- You don't have any active credit in your name and had past credit difficulties.
- You pay cash for everything.
- You have applied for credit everywhere you can.
- You are close to or over your credit limits.
- You have multiple credit cards / credit lines and loans all with high balances.
- You have been in Canada for more than 5 years without establishing credit.
- You had a bankruptcy that is not yet discharged or discharged within the last 2 years.
- You had a consumer proposal that is not yet discharged or discharged within last 1 year.
- You had a foreclosure or a 2nd bankruptcy.
- You haven't (re-)established a credit rating with at least two forms of active credit for 24 months.
- You paid your collections and bad accounts, but they are yet to show as paid in full or settled with zero balances on your credit report (happens all the time).*
- You recently paid collections just because you want to get a mortgage.
- Your credit score is under 630 and you don't have 10% down payment.
- Your credit score is under 600 and you don't have at least 25% down payment.

Self-Review for CREDIT:

How many probably okays? ____________

How many potential problems? ____________

*You can obtain a copy of your credit report at www.equifax.ca. You are welcome to review your report and any questions with us. Just schedule a call!

CHAPTER 7

Equity/ Down Payment

"You have to have some of your own money in the deal, and more is always better."

Your down payment is *probably okay* for a mortgage if…

- You have personal savings, RRSP, TFSA, investments, etc. accumulated over time.
- A close family member "gifts" you all or a part.
- Your employer gives you a bonus or loan.
- You get a big tax return.
- You sell something you own – like a car.
- You borrow the money from an accredited lending source like a bank.
- You have enough to cover the minimum 5% down payment and 1% closing costs for your target home.
- In all cases, you can clearly document where it came from, going back 90 days.
- And, if you have a BIG down payment, like 25% or more, we can often get around any of the Income and Credit requirements in the previous sections (so call!).

Self-Review for EQUITY/DOWN PAYMENT:

How many probably okays? ____________

How many potential problems? ____________

There *might be a problem* with your down payment if…

- Your RRSP is actually a LIRA.
- The money was recently a cash deposit with no paperwork ("mattress money").
- The money is coming from the property seller or builder.
- The money/gift is coming from a spouse or partner who is **not** going to be on the mortgage.
- The landlord says he will credit you part of the rent you have paid if you buy his house.
- The money is coming from overseas from a country on the government's no-can-do-list.
- You don't have the paperwork to support what you sold.
- You have money, but can't prove where the money came from, or it is illegal or untaxed money (tips).
- The money cannot be traced.

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CHAPTER SUMMERY

SELF-REVIEW RESULTS

To qualify for a mortgage today you should have:

Income: 2 or more OKs, and no potential problems
Credit: 2 or more OKs, and no potential problems
Equity: 3 or more OKs, and no potential problems

How did you make out – got the ICE?

If you think you CAN be mortgage approved or are getting really close, congratulations! Please contact us at 1.888.540.1715 ext 1 or click below and we'll confirm it for you within 10 minutes without you having to make and keep a bank appointment.

"Speaking of banks, did you know that 70% of mortgage consumers contact their personal bank to arrange their mortgage simply because they are unaware or unclear about what professional mortgage brokers are, what they do, and how they are paid? More importantly, they are unaware of the significant benefits of using a mortgage broker to help get their mortgage approved or to help overcome problems. I am going to discuss this next in Chapter 8. Thanks for sticking with me!"

In summary, in the last 3 chapters I talked about the **Income, Credit & Equity** (or **ICE**) requirements to get a mortgage. These are just general guidelines to help you understand what it takes, and if you are still unsure, please just ask us – we don't bite! As I said in the eBook introduction, even if you just discover the steps you MUST take to get *on track for a mortgage* then that is progress, and we are still here to help.

CHAPTER 8

Getting a Mortgage Approved

"Remember, the banks are in business to lend you money. You and I just have to help them say "Approved," that's all!"

In this section, I want you to understand how a mortgage broker can help you get to YES faster than any other means. This means you need to know what a mortgage broker does, and why you would choose to work with a mortgage broker over your bank.

So What is a Mortgage Broker?

Here's my definition: (this is my job!)

- An independent, licensed mortgage specialist retained by the *client* (you) to help them get pre-approved and to shop the mortgage market (including banks, trust companies and other financial institutions).
- The mortgage broker will provide independent advice on how to qualify for and where to get a mortgage commitment to fit the client's particular needs. It is a similar service to that of an insurance broker or travel agent in that a professional mortgage broker is a highly trained specialist within a very complex industry.
- The broker can often obtain mortgage commitments with better terms, options and interest rates than the client can obtain on their own, thereby saving the client considerable time and effort, as well as potentially *savings thousands of dollars over the term of a mortgage*. Often a skilled broker is the difference between **Approved** and **Declined**!
- The mortgage broker is typically paid a fee or commission by the lender, but only upon the successful funding of a mortgage (**no charge to you!**). If the broker intends to charge you a fee, as would be the case in commercial, agricultural, business and non-bank (private) lending, this must be disclosed up front to the client.

Free Consultation

CHAPTER 8

Getting a Mortgage Approved CONT'D

Mortgage Broker vs Bank

- As mentioned, 70% of mortgage consumers contact their personal bank to arrange their mortgage simply because they are unaware or unclear about what professional mortgage brokers are, what they do, how they are paid. More importantly, they are unaware of the benefits to using a mortgage broker. The other 30% of mortgage consumers, especially the Internet-savvy generation, have already discovered that *mortgage brokers are an excellent source of information (like this eBook)* that also saves them time and money.

MORTGAGE BROKER	YOUR BANK
Access to a wide range of loan products with different rule books (aka Choice).	Only able to offer one line-up and one rule book. If you don't fit, you're out.
Experts in a range of mortgages from numerous lenders.	Expertise in their own product line-up only.
The *right* loan for your circumstances.	Not likely to know or care if there is a better solution at a different institution.
Advice and help with credit.	"Sorry, call me in 6 months."
Represents you without conflict of interest. Forces the banks to compete with better terms and lower interest rates.	Banks need to maximize profits and get what they can, especially if you are unaware or inexperienced.
Service, consistency, professionalism or we won't get referred by you.	Bank reps come and go. Your relationship is often with the bank, not a person.

CHAPTER 8

Getting a Mortgage Approved CONT'D

What to do if there are some potential problems in getting approved for a mortgage… some "cracks in the ICE", and you really really want to get your own place?

1. Have an informal pre-assessment discussion with your mortgage professional to confirm what you need to do to get on track, learn how much home you could afford, and determine how long it will take to get approved if you follow the advice given.
2. Ask for a letter or email summarizing the action items and a business card to keep track of your mortgage professional.
3. Follow the advice carefully and accurately.
4. ***Be loyal to those that help you.*** That means if a mortgage professional agrees to help you and bends over backwards doing so, ultimately reward him or her 1) with your mortgage business, and 2) by referring them often to your friends. That's why we are helping you in the first place. That's how we earn a living. That's why I wrote this eBook.

Summary

- To get a mortgage you need reliable income, reasonable credit history, and down payment / equity to work with.
- If you are missing any one of the three, it's easy to fix, although it might take time, so best to get on track now.
- All you need is a goal or strong desire to own your own home, and direction from a mortgage professional that is willing to help.
- Please feel free to call 1.888.540.1715 ext 1 to schedule a free consultation or follow the link.

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Free Mortgage Review:
www.richardsmortgagegroup.ca/client-questionnaire

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