



MORTGAGE POST

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Managing Your Mortgage: Tips to make informed home financing decision^{-Cmhc}

Whether you are buying a home or refinancing an existing home, it is important to make informed housing finance decisions that will help make homeownership viable and affordable over the long term. Take the time to plan and review your mortgage options, terms and conditions and prepare yourself for managing your mortgage in the future.

Mortgage Planning Tips

When financing a home, the following considerations can help you to save money and provide for greater economic stability in the event of financial challenges down the road such as lower income levels, increased monthly expenses and/or higher interest rates.

1) Consider a lesser mortgage amount than the maximum you can afford

Mortgage Professionals use two simple calculations to determine the maximum mortgage that you can afford. The first calculation, your Gross Debt Service Ratio, assumes that your monthly housing costs (mortgage principal and interest, taxes and heating expenses and half of the monthly condo fee if you are purchasing a condominium) should not be more than 32% of your gross monthly income. The second calculation requires that your entire monthly debt load (including housing costs and other debts such as car loans and credit card payments) not exceed more than 40% of your gross monthly income. This figure is your Total Debt Service ratio.

While these ratios help to determine the maximum mortgage and payment that you can afford, obtaining home financing at these levels may not leave you with much room to comfortably deal with any unexpected changes in your monthly budget. Taking a smaller mortgage can help to ensure that your monthly housing costs remain within your means.

2) Evaluate the impact of an increasing interest rate on your monthly payments

Over the past few years, interest rates have been at historical lows. While this helps to make homeownership affordable today, an increase in interest rates could have a significant impact on your future monthly housing costs. For instance, homeowners renewing a mortgage of \$250,000 with a 5% interest rate could see an increase in payments of \$300 per month if rates were to increase by 2%. Evaluating the impact of increasing interest rates on your monthly payment today may help you to avoid financial difficulties in the future.

As a mortgage professional, I'm here to help you feel financially prepared for owning a home —I'm always available to answer your questions.



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3) Plan to be mortgage free faster by reducing your amortization period

The amortization period of your mortgage is the length of time it will take to pay off the entire mortgage. A longer amortization period can help to reduce your monthly housing costs, but will result in significantly higher overall interest costs. For example, choosing a 30 year amortization over a 25 year period on a mortgage of \$250,000 would lower your monthly principal and interest payments (\$1,334 vs. \$1,454) but will result in additional interest costs of over \$44, 000. Besides higher interest costs, maximizing both the amortization period and mortgage amount can leave little room for flexibility in the event of future changes in your financial situation.

4) Create a “cushion” in case of unforeseen financial difficulties

In addition to choosing a shorter amortization period, there are other ways to pay your mortgage down sooner, save money, and create some breathing room should you face unforeseen financial difficulties in the future. These include making accelerated weekly or biweekly payments, taking advantage of pre-payment privileges such as making lump sum payments to your mortgage principal, and increasing your regular payment amount. Ask your Mortgage Professional for additional information on these topics when arranging your financing.

5) Seek help if you have difficulty making your mortgage payments

When unforeseen financial circumstances impact your ability to make regular mortgage payments, it’s important for you to take quick action. With early intervention, you can work together with your mortgage professional to find a solution to your financial difficulties. Your mortgage professional wants to establish and maintain a positive relationship with you over the long term, and is fully trained and equipped with the tools to help you deal with the temporary financial setbacks that you may be facing.

MORTGAGE APPLICATION TIPS; What your Broker or Lender Needs to Know-Cmhc

Your mortgage broker or lender requires certain information before they can approve you for a housing loan. Use this list to make sure you bring everything you need with you when applying for a mortgage.

The Importance of Being Prepared

The most common reason for delays in getting approved for a mortgage is missing or incomplete information. As a home buyer, the best way to make sure your mortgage or prequalification application is processed as quickly and accurately as possible, is to bring all the information you need with you when you meet with your broker or lender.

What Do You Need to (provide) Bring With You?

- Several pieces of government-issued identification, preferably those including a photo.
- Your current address and at least two previous addresses (as applicable).
- If you’re renting, a letter from your landlord confirming your rent history.
- The name and address of your current employer and past employers (as applicable).
- Proof of employment, including pay stubs or other proof of income (salary, commission, pension, etc.), your position with your current employer and past employers depending on how long you’ve been working there. Other useful documents include a T4 or, if you are self-employed, Full T1Generals & Notices of Assessment (NOA) for the previous two years.

- Proof of a down payment and where your down payment will come from (e.g. savings account, RRSP, sale of another property, gift, etc.). If a family member will be paying for a portion of your down payment, you will also need a signed letter from them acknowledging the purpose of the gift, and that it is non-repayable.
- Recent financial statements for the past several months (bank accounts, investment statements, sale of previous property if applicable, etc.) to show your down payment as well as the contact information for your bank.
- Your current debts and other financial obligations (including credit card balances and limits, car loans or leases, student loans, personal loans, lines of credit, child support or alimony payments, other mortgage loans, etc.).
- Information about the property you are looking to purchase, including a copy of the MLS listing, a signed Offer to Purchase, cancelled deposit checks, copies of previous appraisals, building specifications, current property tax statements, heating costs and condominium fees (if applicable) once you have made an offer on a home.

Talk to Your Broker or Lender

Not all lenders have the same requirements. So talk to your broker or lender before you meet with them, and ask them what they'd like you to bring to your initial interview.

COOKING CORNER



Caramelized Butter Tarts

- 12 ounces all-purpose flour
- 1 1/2 teaspoons salt
- 1 1/2 teaspoons sugar
- 1 1/2 teaspoons lemon zest
- 4 drops vanilla extract
- 9 ounces butter
- 4 ounces eggs
- 4 teaspoons water

Filling:

- 1/3 cup butter
- 1 cup brown sugar
- 2 tablespoons milk
- 1 egg
- 1/2 cup raisins
- 1 vanilla bean

Combine the flour, salt, and sugar in a mixing bowl. Add the lemon zest and vanilla. Cut in the butter and mix until the butter is in pea-sized pieces. Add the eggs and water and mix until combined. Divide the dough into 18 pieces and roll each into a circle. Press the dough into tart pans.

Filling:

Melt the butter, brown sugar and milk in saucepan and stir until the sugar starts to dissolve. Take the pan off the heat and whisk in the egg and raisins.

Preheat the oven to 350 degrees F.

Bake the tart crusts for 12 minutes. Divide the filling among the tarts and bake until bubbly, about 5 minutes.