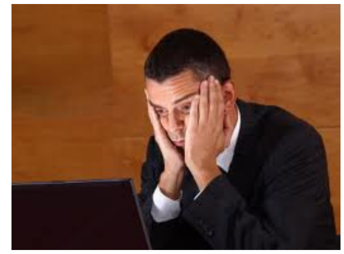
MORTGAGE *Update*

April 2013

10 Questions to help you avoid mortgage-penalty shock



Figuring out the penalty on a fixed-rate mortgage is like solving calculus equations. Homeowners who try often wind up hitting their heads against hard objects in frustrations.

It's been that way for years, and as many unwittingly discover, mortgage penalties can be disturbingly expensive.

Here are 10 questions to ask your lender about its penalty:

1. **Is your fixed-rate mortgage penalty based on posted rates, bond yields or discounted rates?** Some lenders – including the Big Six banks – base penalties on posted rates, which can drastically inflate your penalty.
2. **If I break the mortgage and stay with you, will you forgive a percentage of my penalty or apply unused prepayment privileges, to reduce my penalty?**
3. **If not, can I make a prepayment a few weeks before breaking my mortgage to lower the balance used to calculate my penalty?**
4. **What term do you use to calculate the nearest comparison rate for an IRD penalty?** Some lenders use a shorter term than the nearest term, which can significantly increase your prepayment costs.
5. **Can I increase my mortgage without a penalty?** This is important if you ever upgrade your home or need additional funds.
6. **If I sell my home and port my mortgage to a new property, how long can I take to close on that new property and still avoid a penalty?** Some lenders unreasonably require you to close your old and new home on the same day.
7. **If I break the mortgage early, do I have to pay "reinvestment fees" on top of the penalty, or pay back any cash incentives that I've received?**
8. **Can I get out of my fixed mortgage early if I pay a penalty?**
9. **Do you charge IRD penalties on your variable-rate mortgage, as opposed to the standard three-month interest?**
10. **How long will you honor your IRD penalty quote?** This is relevant if you're trying to discharge a fixed-rate mortgage while rates are dropping. Falling rates can increase your IRD penalty.

If you have any questions or concerns about your mortgage, please feel free to contact our office anytime (604) 313-3199.

Source: Globe & Mail

In This Issue

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Contact us today at:

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We did it again!!

The Canadian Mortgage Awards recognizes and celebrates excellence in mortgage brokering. Last year we were honored to have won Mortgage Broker of the year and we are finalist for 3 HUGE awards again this year.

1) Mortgage Broker of the Year
2) Mortgage Brokerage of the Year
3) Best customer service

Title Insurance

Unlike house insurance that insurers your home's structure and its contents, title insurance protects the title to your property against losses incurred as a result of undetected or unknown title issues such as:

1) Fraud (fraudulently obtained mortgages on your home) There is little protection when a mortgage is fraudulently registered against your property unless you have title insurance. And given the fact that restoring title to a property can take a significant financial and emotional toll on the homeowner, title insurance covers all your legal expenses related to restoring title
2) Errors in surveys
3) Encroachments onto neighbouring properties
4) Zoning infractions
5) Many more known and unknown defects that could affect your ability to mortgage or sell your property in the future

For a one-time premium, title insurance provides you with coverage for as long as you own the property.

Source: First Canadian Title

4 credit score myths busted

Your credit score is a three-digit number ranging from 300-900 that tells future lenders how risky it is to lend you money based on your history of making debt payments.

There are many misconceptions about what it takes to keep your score high. Henrietta Ross, the CEO of the Canadian Association of Credit (CACCS) to help us sort fact from fiction:

Myth 1: You must use major credit cards to build a good score.
Truth: If you're unable to obtain a major credit card, there are other ways to build your credit history. Making regular payments on installment loans such as a car lease can positively affect your score, as do department-store cards and secure credit cards, which require a cash deposit in the amount of the credit limit.

Myth 2: You can't make up for mistakes such as late payments.
Truth: It takes time, but your credit will become positive as you build consistency with timely payments, Ross says. How much time it will take depends on a number of factors, including how long the 'late payment' has been on your record and how long you've had the debt.

Myth 3: Paying cash boosts your score.
Truth: You need to use credit in order to demonstrate your ability to make payments. Using credit at least once every 30 days and making payments on time will keep you in good standing, says Ross.

Myth 4: I will not qualify for a mortgage if I've had a poor credit score.
Truth: Lenders look at your entire financial picture, including your assets, available cash flow, and debt-to-income ratio. They'll also review your housing expense-to-income ratio, which is a comparison of your expected monthly mortgage payment with your gross monthly income.

For more information about how your credit score will affect your mortgage, please contact us at (604) 313-3199 or info@gibbardgroup.com

Source: News Canada

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Best Mortgage Rates

Term	Bank Rates	Our Rates
1 year fixed	3.20%	2.59%
2 year fixed	3.55%	2.59%
3 year fixed	3.95%	2.65%
4 year fixed	4.64%	2.79%
5 year fixed	5.44%	2.79 - 2.89%
7 year fixed	6.35%	3.40%
10 year fixed	6.75%	3.64%
Variable Rate	3.00%	Prime – 0.35%

Rates subject to chance without notice. OAC

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