Gibbard Group Financial

Mortgage Update

May 2016

Is Now the Time to Refinance?
A Winning Strategy

With rates still at record lows, now is the perfect time to refinance your mortgage. Give me a call so I can determine if refinancing is the right solution for you.

You can take advantage of low rates in a variety of ways:

Refinance – Refinance your mortgage at a lower rate. Even if you have to pay a penalty, the savings may be worthwhile.

Restructure Debt – Reduce high credit card debts and soaring credit interest rates.

Access Equity – Access equity to finance investments, large purchases or child’s education.

Refinancing becomes cost-effective when current interest rates are lower than your current mortgage rate. **Don’t wait for lower rates, contact me so I can help you save over the life of your mortgage!**

To keep up to date on:

- Economic news important to *your* mortgage
- Get a heads up when interest rates are changing
- Current interest rates

Contact us today at:
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Managing your Mortgage

Tips to make informed home financing decisions

When financing a home, the following considerations can help you save money and provide a 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.

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 35 year amortization over a 25 year period on a mortgage of $250,000 would lower your monthly principal and interest payments ($1,254 vs $1,454) but will result in additional interest costs of over $90,000. 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.

Sources for your down payment

First-time homebuyers have a variety of options for funding their down payment

- Accumulated Savings
- Money gifted from immediate family
- Money from your RRSP

Using your RRSP for your down payment

With the Home Buyers Plan provided by the Canadian government, you can withdraw up to $25,000 from your Registered Retirement Savings Plan (RRSP) and use the money for a down payment.

For more information or to download a copy of the Home Buyers Guide or Withdrawal Form, please click here.

Best Mortgage Rates

Term	Our Rates
1 year fixed	2.29%
2 year fixed	2.24%
3 year fixed	2.29%
4 year fixed	2.54%
5 year fixed	2.59%
5 year special**	2.54%
7 year fixed	3.44%
10 year fixed	3.84%
5 year variable	P - 0.30%
5 year special**	P – 0.35%

Rates subject to change without notice. OAC
**Special conditions apply

How do "gifted "down payments work?

You can purchase a home with a minimum of 5% down payment but if you don't have access to this much money, a lot of folks will rely on a non-repayable gift from a family member to help with the required down payment.

Who can donate? - A gifted down payment can't come from just anywhere. The person giving you the gifted funds must be a relative and not a party who might be interested in closing the transaction. In some cases you can also receive a gifted down payment from a spouse or fiancé.

Verification letter- If your down payment is a gift, you'll have some additional paperwork. A lender will require a letter from the donor before it can finalize and approve your loan. Each lender has a specific gift letter that they require. Click HERE for an example gift letter. The gift letter states the name of the donor, the amount, the date, and contains a statement confirming that the funds do not require repayment of any kind.

Proving the source- You will also need to prove that the donor gave you the funds. You will need to provide your bank statement showing the funds in your account. The donor may also need to supply confirmation that they have adequate funds in their account, but each lender is different on this item.

source:cmhc

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