Gibbard Group Financial
Mortgage Update

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Homebuyers: Avoid These Common Mortgage Pitfalls

1. Not checking your credit report before applying for a mortgage
Your credit score can have a huge impact on the best rate you'll be able to secure. You don't want to discover your credit score is sub-par in the middle of a mortgage application. Knowing this information beforehand gives you time to improve your score, or address any errors that may appear on your report.

2. Thinking it's all about the rate
Let's be honest, who doesn't want the cheapest mortgage rate possible? And indeed it is important to find the best deal that meets your needs. But don't be too quick to jump at the cheapest rate without making sure it has all of the features you need/want, and that it doesn't stick you with higher-than-normal penalties should you need to break your mortgage early. Just remember that penalties on certain "no-frills" mortgages can end up costing *many* thousands of dollars, nullifying any rate savings.

3. Not understanding the importance of the down payment
Many first-time buyers see a down payment as a big, almost-insurmountable obstacle to home ownership, but when you get into the nitty-gritty of it all, there are many more considerations beyond simply coming up with the money. Things to consider:

- How big of a down payment will you/can you make?
- The source of your down payment funds

4. Not setting (and sticking to) a budget
A budget paints a clear picture of your financial situation and lays the framework for ensuring you can afford all of the hidden (and not so hidden) costs associated with buying a home—not to mention all of the costs that follow after the closing.

How to protect yourself from payment shock at your renewal

Rates have increased substantially over the past few weeks. There are even further musings that rates will continue to climb in the near future. Combine this with the ever changing regulatory environment and this creates a continued upward rate pressure moving forward. Why not try to minimize the payment shock now instead of at renewal time?

Consider the situation where you currently have a $300,000 mortgage at a rate of 2.49%. Fast forward to your renewal date 4 years from now. What will the rate look like? Based on current trends, it is likely that the 5 year rates will be in the 4% range, leaving you with a monthly payment of $1,533.96. That is an increase of $191.55 from today's payment!

However, if you increase your monthly payment by as little as 5% today, this would increase your monthly payment by only $67.12. With the same assumed rate increase to 4.00% (for a new 5 year fixed term) after maturity your monthly payment would now only be $1,508.08. This would only be an increase of $98.55 a month, reducing your payment shock significantly.

Source: Ut Yue from CMLS Financial

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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When to Cancel Your Homeowner's Insurance

Even if you have already moved out of the home, you need homeowner's insurance in place for a variety of reasons.

Liability Risks While Selling
When you are selling your home, you have a number of people entering the home and walking around the property. If one of them is injured, you remain responsible for that injury even if you no longer live there.

Keep Contents Protection
With strangers coming and going from your home, your valuables are at risk. Although you hope that everyone who enters your home will respect your property, it might not always be the case.

You're Still Responsible
Until everything is signed and official and the home is sold, you remain the person responsible for anything that happens there. Your mortgage company requires that you maintain homeowner's insurance until the loan is paid off either by you or by selling.

Make certain that you have the policy for your new home in place as well so that you have no interruptions in your coverage. This will ensure there aren't any potentially costly gaps in insurance.

We make mortgages simple
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Is a home equity line of credit right for you?

Buying a new home is an exciting but often stressful experience. The variety of financing options now offered by lenders is overwhelming. One of the most popular options is a home equity line of credit. With interest rates typically lower than other forms of credit, this line of credit can help you reach your financial goals. However, there are several factors to consider when deciding if this product is right for you.

Banks market home equity lines of credit under different names, which might make it challenging to recognize when you are being offered one. They are commonly combined with a regular term mortgage in the form of a "readvanceable mortgage."
When combined this way, the credit limit on your home equity line of credit will often increase automatically as you pay down the principal on your mortgage. A readvanceable mortgage may also tie together other credit and banking products —such as personal loans, credit cards and car loans — under a single credit limit.

Benefits of bundling these products together include convenience and lower interest rates. But the downsides include fees and restrictions if you want to switch to another lender, and variable interest rates that could increase on short notice. Your financial institution also has the right to demand that you pay the full amount owing at any time.

When deciding if this lending product is right for you, remember that your home is likely your biggest investment. You should beware of overborrowing against its equity, especially if you're counting on it to fund your retirement.

"Most lenders allow you to make interest-only payments on your home equity line of credit, making it easier to delay repaying the principal balance," explains Lucie Tedesco, commissioner of the Financial Consumer Agency of Canada. "Continually borrowing against your home's equity without repaying the principal can jeopardize your long-term financial security. For instance, in the event of a housing market correction you might owe more than what your home is worth."

Ask yourself if a low interest rate and easy access to credit may encourage you to spend more than you can afford to pay back. You could find yourself in a debt spiral, using additional home equity just to stay current on your mortgage. This could make you more vulnerable to unforeseeable events, like job loss, illness or an interest rate hike.

Consider creating your own plan to pay down the principal amount borrowed over a fixed period. Aim to pay more than the minimum payment or interest every month. With a home equity line of credit, there is usually no penalty to pay back as much as you can at any time.

www.newscanada.com

Best Mortgage Rates

Term (Fixed)	Purchase and Refinance	Rental Properties
1 year	2.84%	3.09%
2 year	2.59%	2.79%
3 year	2.74%	2.99%
4 year	2.99%	3.14%
5 year	2.99% - 3.19%	3.24%
7 year	3.39%	3.54%
10 year	3.79%	3.94%
Term (VRM)		
5 year	P – 0.35% - P – 0.75%	Prime – 0.15%
3 year	P – 0.35%	NA

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