HOME OWNERSHIP & MORTGAGE STRATEGIES

an easy step-by-step reference guide

invis Canada's Mortgage Experts™

Congratulations on Your Decision to Buy a Home!

Finding the right home and the right mortgage to suit your personal needs is complex enough. This easy step-by-step guide provides a simple outline of the process and what you can expect. Remember, I will take care of all the details and answer your questions, so you can have peace of mind throughout the process.

Most Canadians have a general understanding of what a mortgage is and some of the basic terms, but when looking to make one of the most important financial and lifestyle decisions, it makes sense to speak to Canada's mortgage experts at Invis Inc. Mortgage financing does not have to be difficult and I can guide you through the entire process, answer all of your questions, and ensure that you get the best product and rate to suit your own personal needs. You deserve a customized mortgage solution, and the traditional financial institution branch channel might not give you what you deserve. With over 50 lenders and hundreds of products at our fingertips, I keep track of the continually changing landscape of rates, terms and conditions - you can relax knowing your interests are being well taken care of.

It doesn't matter what circumstance you're in – purchasing a first or second home, refinancing to renovate, consolidating debt or renewing your mortgage – you can qualify for the best rate and mortgage option available based on your credit standing. If this is the case, then why would you spend your time talking to your financial institution who will most likely quote you a rate that is higher than what you are qualified to receive with a product that does not necessarily suit your requirements?

Contrary to common belief, a mortgage professional's services come at no cost to you (OAC), as we receive payment from the financial institutions for sourcing the mortgage and doing the administrative work to complete the mortgage transaction. Only in certain circumstances will a fee ever be charged, and this will always be disclosed up front so that you can make an informed decision about proceeding. Invis mortgage professionals deal with all major financial institutions, including chartered banks, trust and insurance companies.

I can save you time and money! I look forward to helping you achieve your dreams of home ownership and financial security.

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Overview

When getting pre-approved and then obtaining an unconditional mortgage financing commitment, lenders typically require proof of:

1. **DOWNPAYMENT** – how much do you have to put down on the purchase of your new home?
2. **INCOME** – how much income can you prove (stringency of proof depends on lender, product and loan-to-value)?
3. **CREDIT** – is the financial institution confident that you will pay them back?

This guide examines all of these areas. To begin, and to provide you with a solid understanding of a lender's rationale for why they lend or do not lend to a particular individual, here is a summary of the 5 Cs of credit – **the first three are the most critical**:

1. **CAPACITY** – Is your income sufficient to support the repayment of the requested loan amount? At this point, lenders examine the Gross and Total Debt Service Ratios:

   a. Maximum GDSR < 39% (Principal + Interest + Property Taxes + Heating Costs + 1/2 of Condo Fee must not exceed 39% of Gross Income).

   b. Maximum TDSR < 44% (Principal + Interest + Property Taxes + Heating Costs + 1/2 of Condo Fee + Monthly Obligations including Credit Cards & Loans must not exceed 44% of Gross Income).

   If you have good credit, your permissible debt service ratios will be higher – contact me for full details.

2. **CAPITAL** – Capital is the money you have personally invested in the purchase, otherwise known as your downpayment.
3. **COLLATERAL** – Collateral is additional security you can provide to the lender should you for some reason not be able to provide repayment. In real estate transactions, collateral is generally the property, and the lender will want to ensure that the property for which they are providing mortgage financing is marketable real estate.
4. **CHARACTER** – Character is your reputation and reliability – the general impression you make on the potential lender. The lender will look at educational background, business experience, length of time at your current employment and residence.
5. **CREDIT** – Credit is the evaluation of your habits in meeting credit obligations. That is, do you repay your debt and on time.

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Getting a Pre-Approval: A Smart Move

WHY A MORTGAGE PRE-APPROVAL?

Getting a pre-approval for mortgage financing before you start to look for a home is a smart move.

A PRE-APPROVAL:

- gives you the edge and confidence when putting offers on homes in areas where buyers are actively competing for properties on the market.
- provides you with a clear sense of how much you are eligible to borrow.
- assures you of a particular mortgage rate for a period typically of 90-120 days.
- with a locked-in rate there is no risk of any interest rate increases while you are house hunting.

The good news for those who turn to an independent mortgage professional is that they may be able to obtain a longer pre-approval rate hold. Plus, if the rates drop, your rate changes to the new rate.

KEEP IN MIND THE FOLLOWING:

1. A pre-approval is not a guarantee of financing, as the property you intend to purchase – along with your supporting information (such as income, downpayment and employment history) – has to meet the financial institution's criteria to be approved for lending.
2. A pre-approval does not eliminate the need to make a conditional offer.
3. A pre-approval does not take into account closing costs such as inspection and appraisal fees, legal fees, land survey or title insurance, land transfer tax, GST/HST and moving costs.

INFORMATION REQUIRED FOR A PRE-APPROVAL:

For a pre-approval, the following information (at minimum) is required of the applicant (and co-applicant); however, no proof at this time is necessary.

- Full legal name(s)
- Income(s)
- Social insurance number(s)
- Date(s) of birth
- Condo/maintenance fees, if applicable
- Summary of banking information (accounts etc.)
- Summary information on assets & liabilities
- History of residence and employment – 3 years
- Purchase price of property and downpayment.

This information is submitted to the lender so they can make a preliminary decision of qualification, as well to enable me to obtain the pertinent credit file(s).

- Credit file information reveals to the Invis Mortgage Professional where most likely your deal can be placed, or more specifically, narrows down the lenders and products that best suit your needs and qualifications.

It is important at this point in the process to be completely open regarding any past credit issues.

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Things to Consider After Your Pre-Approval

GATHERING INFORMATION FOR THE LENDER

Now that you have your pre-approval, and have found the home that you want to purchase, it is time to gather all of the information required to meet the guidelines of the selected financial institution so the mortgage can close. Obviously, you will need to provide proof of the information that you supplied in order to get you pre-approved:

INCOME VERIFICATION i.e. pay stubs, copy of previous year's T4, letter from employer, spousal support, etc.

Commission sales – 3 years personal tax returns plus Notice of Assessments from Revenue Canada.

Self employed – same as commission sales, plus 3 years business financial statements, and 3 years business tax returns (if applicable).

Lenders requirements do vary and depending on the product and LTV (loan to value), the verification will differ. In some cases, a self-directed letter is sufficient proof to the lender or income.

BANKING INFORMATION i.e. location, accounts and balances ...

- Assets (such as cash and investments) and Liabilities (such as loans, credit card balances, any other payments, including alimony and child support).
- If condo/maintenance fees, proof of fees, planned increases and special assessments to be levied.
- Downpayment: please see page 13.

CALCULATE YOUR DEBT

Although home financing is a form of debt, it is considered one of the 'good debts' because it is used to purchase real estate which over time appreciates in value. Many lending institutions must, however, understand your complete debt picture and you should as well.

Here is a tool to help you. List all your current debt and repayment schedule.

	Total	Minimum monthly payment	Actual monthly payment
Major credit cards			
Store credit cards			
Student loans			
Car loans / leases			
Lines of credit			
Personal loans			
Other debt			
Other			

TOTAL DEBT ______________________

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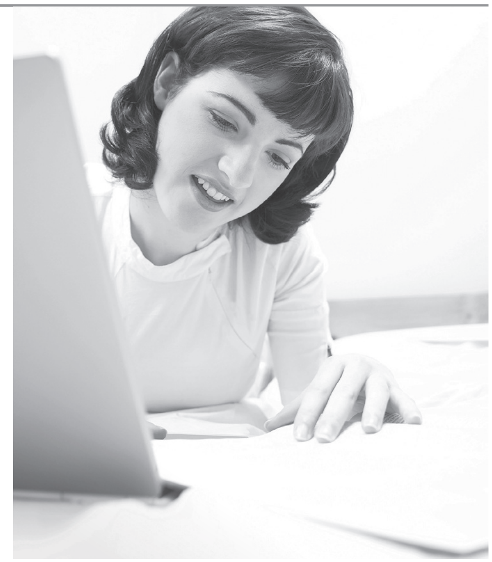

UNDERSTANDING THE APPLICABLE CLOSING COSTS OF PURCHASING A HOME

Many Canadians, whether being called by the lawyer days before or while at the lawyer's office on the day of closing, are surprised by the final costs of purchasing a home. Especially those who are buying a new home, where small print in the contract adds up to thousands of dollars for some services provided by the builder.

Here is a summary of some of the costs you may incur on or before the closing date for your property purchase. It is important to understand these costs for a couple of reasons:

1. Moving into a new home should be a celebration and not a stressful experience because of mounting financial concerns.
2. You may want to consider decreasing your downpayment (if possible) to have extra capital on hand to cover guaranteed and potential cash outlays.

TIP: *Closing costs vary by province, city or even the property that you are purchasing. As part of the mortgage process, I will work with you through all that you need to know, so there will be no surprises at mortgage closing time.*

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Closing Cost Checklist

Here is a list of costs to consider for pre-closing, at closing and post-closing, along with an area to fill in the estimated amounts:

PRE-CLOSING COSTS

Appraisal Fee	$ ______________		
Home Inspection Fee	$ ______________	**SUBTOTAL**	$____________

CLOSING COSTS

Downpayment	$ ______________		
CMHC / Genworth Application Fee (for high-ratio mortgages)	$ ______________		
Legal Fees, Disbursements	$ ______________		
Land Transfer Tax	$ ______________		
Survey Certificate	$ ______________		
Title Insurance / Land Survey	$ ______________		
Maintenance Fee Adjustment	$ ______________		
Tax and Interest Adjustments	$ ______________		
GST/HST	$ ______________	**SUBTOTAL**	$____________

POST-CLOSING COSTS

Moving Expenses	$ ______________		
Small renovations and repairs	$ ______________		
Decorations (i.e. window coverings)	$ ______________		
Appliances	$ ______________		
New Furniture	$ ______________		
Yard Tools	$ ______________		
Utility Hook Up	$ ______________		
Property Insurance	$ ______________		
Property Taxes (holdback)	$ ______________		
Sundry	$ ______________	**SUBTOTAL**	$____________
		ESTIMATED TOTAL	$____________

Don't forget, in order to complete your mortgage transaction you will have to provide proof to the lender that you have home fire insurance, and if it's a newly built home, the "new home warranty".

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THE MAIN PLAYERS IN YOUR HOME PURCHASE

When buying a home or other property, you will have to rely on a range of professionals to guide you through the process.

MORTGAGE BROKER – A mortgage expert introduces buyers to a full range of mortgage products, interest rate options, and strategies to pay off a mortgage more quickly. This professional works only on your behalf. May also be known as a mortgage consultant, mortgage agent or associate, depending on the jurisdiction.

LENDER – Financial institutions, such as banks, credit unions, trust companies, pension funds, and life insurance companies which lend money to home buyers.

REALTOR – A real estate representative finds properties in your price range and who arranges the purchase transaction on your behalf.

APPRAISER – The appraiser determines a property's mortgageable value, based on its condition and the selling price of comparable properties recently sold in the area. The market value enables the lender to determine the loan to value ratio of the mortgage (the amount of the mortgage versus the value of the home).

PROPERTY INSPECTOR – Property inspectors examine the home you intend to buy to evaluate its roof and structural stability, electrical work, plumbing, appliances, fireplaces and furnace. This inspection is usually arranged by the buyer, and allows him or her to address any issues with the seller prior to closing, as well as anticipate any repairs that may be required.

LAWYER / NOTARY PUBLIC – Your lawyer or notary will review the Agreement of Purchase and Sale, ensure that all closing documents have been completed correctly (including the title search and title insurance), as well as file documents with the provincial land title office. Your lawyer or notary will also ensure your property is clear of all existing mortgages, judgments and builder's liens.

DEFAULT MORTGAGE INSURER – Mortgage insurers (CMHC, Genworth and Canada Guaranty) protect lenders from a borrower defaulting on a mortgage at any time during the amortization period. Home buyers with downpayments of less than 20% must purchase mortgage insurance.

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Contact List of Homebuying Professionals

INVIS MORTGAGE PROFESSIONAL: see my contact info at the bottom of this page

REAL ESTATE AGENT:

Name:

Phone: Cell:

Fax: Email:

HOME INSPECTOR:

Name:

Phone: Cell:

Fax: Email:

BUILDER'S SALES AGENT (IF APPLICABLE):

Name:

Phone: Cell:

Fax: Email:

LAWYER/NOTARY:

Name:

Phone: Cell:

Fax: Email:

HOME INSURANCE AGENT / BROKER:

Name:

Phone: Cell:

Fax: Email:

OTHER:

Name:

Phone: Cell:

Fax: Email:

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Looking at Your Different Options

In reality, there are two mortgages, of which, as you will see, there are many characteristics and features (see page 15, Understanding Mortgage Features):

CONVENTIONAL MORTGAGE: A mortgage loan less than or equal to 80% (Loan to Value ratio) of the value of the property, i.e., a mortgage for $160,000 on a $200,000 home.

HIGH RATIO MORTGAGE: A mortgage loan greater than 80% (Loan to Value ratio) of the value of the property, and therefore subject to mortgage loan insurance (aka default insurance – see below for insurance premiums) through either Canada Mortgage and Housing Corporation (CMHC), Genworth Financial Canada or Canada Guaranty. The insurance premium (one-time) is typically added to the mortgage amount.

DOWNPAYMENT	% FINANCING (as % of mortgage amount)	INSURANCE PREMIUM (calc. from mortgage amount)
5 – 9.9 % (non traditional downpayment)	90.1 – 95 %	3.85 %
5 – 9.9 %	90.1 – 95 %	3.60 %
10 – 14.9 %	85.1 – 90 %	2.40 %
15 – 19.9 %	80.1 – 85 %	1.80 %

30- or 35-year amortization – add an additional 0.25 % to above premiums. In certain situations, mortgage loan insurance may be required for Loan to Value ratios of less than 80%.

MORTGAGES WITH EXTENDED AMORTIZATIONS – UP TO 35 YEARS – ONLY AVAILABLE FOR CONVENTIONAL MORTGAGES

Canadians planning to buy a home with 20% down can choose can choose to have their mortgage amortized over a period longer than the conventional 25-year amortization. A common extended amortization is 30 years, although 35-year amortizations are available through some lenders.

These options give homebuyers a financing alternative and open the door to homes they may not have been able to afford under a traditional 25-year mortgage. Extended amortizations may appeal to homebuyers in larger urban centres where rising home prices have impacted housing affordability.

While a longer mortgage amortization offers the flexibility to reduce monthly mortgage payments, borrowers should plan to increase their monthly payments as soon as their finances permit, and consider making lump sum prepayments to reduce the amount of interest they pay over the life of the mortgage.

Extended amortizations are not available for high-ratio mortgages.

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KEY DOWNPAYMENT INFORMATION

The minimum down payment you'll require is based on the purchase price of your home:

Purchase Price	Minimum Downpayment
Up to and including $500,000	5%
$500,001 – $999,999	5% on first $500,000 + 10% for amount over $500,000
$1,000,000+	20%

EXAMPLES:

- If the home you're purchasing is $400,000, you would require a minimum downpayment of $20,000 or 5% of purchase price.
- A home worth $750,000 would require 5% for the first $500,000 ($25,000), plus 10% for the $250,000 over the limit (another $25,000) for a total minimum down payment of $50,000.

The money for the down payment, which represents a portion of your home's price, is not included in your mortgage and must come from your own financial resources. Acceptable sources include:

1. **RRSP HOME BUYERS' PLAN –** allows you to use your RRSP for a down payment
   - Qualifying purchasers can withdraw up to $25,000 each from their registered retirement savings plans (RRSPs) to buy or build a qualifying home without incurring tax penalties.
   - The money is not taxable, but the RRSP must be repaid within 15 years, with minimum annual payments of 1/15th of the withdrawn amount.
2. **SHORT-TERM INVESTMENTS OR SAVINGS –** that will be cashed out.
3. **SALE OF PROPERTY –** the financial institution will require the sale agreement (with no conditions) and the mortgage statement.
4. **GIFT –** funds must be in your possession and a gift letter must be provided to the financial institution, stating that the funds are an outright gift.

No RRSPs? I can show you how to establish an RRSP with borrowed funds, and use the resultant tax refund for a down payment. Ask for details.

CALCULATE YOUR DOWNPAYMENT

Source	Value	Downpayment use? Yes / No /Some	Amount for downpayment use
Bank account balance: Chequing Savings			
Canada savings bonds, guaranteed investments, certificates, term deposits			
Non registered investments (stocks, bonds, other)			
Life insurance dividends			
RRSPs (you can use $25,000 per person max)			
Gifts / other contributions			
Other assets			

TOTAL ____________________

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PURCHASE PLUS IMPROVEMENTS MORTGAGE

If you intend to buy a home that needs some immediate upgrades, a "purchase plus improvements" mortgage covers the purchase price of the home, plus any renovations that would increase the value of the property. Finishing the basement, adding a deck, redoing the kitchen or bathrooms are all examples of improvements that can be financed with no need for a second mortgage. For current homeowners, a "refinance with improvements" option may also be available.

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Understanding Mortgage Features

MORTGAGE TYPES

Today, more than ever, there are numerous mortgage options available.

- Fixed-rate: 6 month, 1, 2 and 3 year (open, closed and closed-convertible) 4, 5, 7 and 10 year closed
- Variable-rate: 3 and 5 year (open, closed, closed-convertible and capped)
- Split-term: Combination of all possible terms (6 month through 10 years)

REPAYMENT OPTIONS

Whatever your financial situation and goals, I can help you identify the right mortgage for you.
And at anytime during the mortgage term, a mortgage checkup will fine tune your strategy at any time.

PREPAYMENT OPTIONS: Many lenders allow you to make a lump sum payment — usually 10% to 20% of the original principal balance, per annum. In addition, many mortgage products now include a double-up and skip-a-payment feature. This lets you bank extra mortgage payments for a rainy day, at which time you can skip them if you need to.

PAYMENT CHANGES: Most mortgages now allow the amortization to be adjusted by increasing the payment on closed terms by 10% — 20% per year, once annually.

PAYMENT FREQUENCY: Most mortgages allow the option to pay your mortgage at a frequency that matches your cash flow — weekly, bi-weekly or semi-monthly. The added benefit of the accelerated weekly and bi-weekly payments is that by dividing a regular monthly payment into two or four respectively, and deducting it at the new interval, an extra payment a year is made directly against principal. The surprising effect of this one extra payment a year is to reduce the amortization of the average mortgage by approximately 5 years, with savings at the end of the mortgage term.

Closing Day

On closing, you will need to provide your lawyer with a certified cheque, made out to the lawyer, in trust to cover the downpayment, as well as any other closing costs. The exact closing costs depend on where you live, how much you are borrowing, etc., and your lawyer will advise you of the exact amount required a day or two in advance.

Don't forget, in order to complete your mortgage transaction you will have to provide proof to the lender that you have home (fire) insurance, and if it's a newly built home, the "new home warranty".

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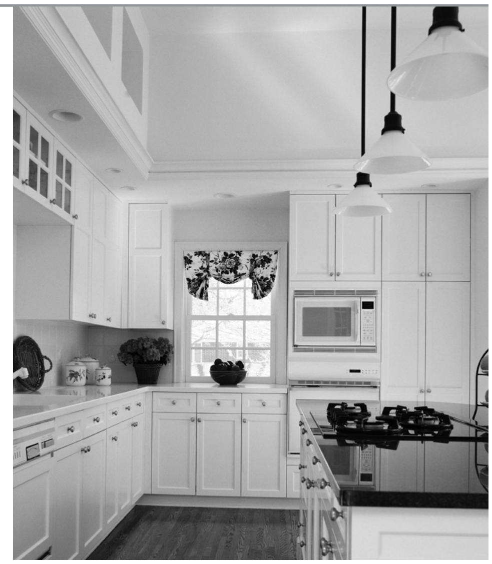

APPENDIX 1:
Choosing the Home That's Right For You

Don't be pressured into buying a home that is not right for you. There are a lot of choices out there when it comes to finding a home that suits you and your family. Here are the pros and cons of the various options as well as a comparison of resale homes vs. new homes purchased directly from the builder.

CONDO APARTMENT

PROS:
- Lowest purchase price, lowest taxes.
- Virtually maintenance free - no snow shovelling or lawn maintenance.
- Convenient for singles, childless couples and empty nesters.

CONS:
- Lower resale value, hardest to re-sell and can be difficult to finance with low downpayment.
- Can have large maintenance fees that can substantially increase carrying costs.
- No private yard so you can't enjoy backyard activities such as barbequing, gardening, etc.
- Share common walls with neighbours – if they're noisy you're out of luck.

CONDO/FREEHOLD TOWNHOUSE

PROS
- Lower purchase price and taxes than semi or detached and less maintenance.
- Better resale value than condo apartment.
- May have a backyard.

CONS:
- Lower re-sale value than semi or detached and harder to re-sell.
- Don't own the land – the most valuable asset (unless freehold Townhouse).
- Share common walls and close to neighbours.

SEMI-DETACHED

PROS:
- Most privacy at least cost – great for first-time buyer.
- You own the land – the appreciating asset – bricks and mortar depreciate.
- Good resale value and easy re-sell.
- Easy to finance at best rates.
- Usually has larger yard than townhouse, more backyard activities possible.

CONS:
- Share a common wall with neighbours.
- Higher price per square foot of living space than a townhouse in a similar location.

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DETACHED

PROS:

- Best resale value and you own the land, the main appreciating asset.
- Most privacy, least noise from neighbours because there are no common walls.
- Most desirable type of home with greatest perceived value.
- Lower priced detached homes tend to sell quickly because of the combination of prestige and affordability.

CONS:

- Highest purchase price and property taxes.

RE-SALE HOME

PROS:

- Lower prices because of some wear and tear (which varies greatly – consider a home inspection).
- You get the benefit of upgrades (finished basement, pool, etc.) at a depreciated price.
- Established neighbourhood, current neighbours, etc., are known entities although they can change.

CONS:

- Others have used the home.
- No warranty for repairs required by law, although it can be made a condition of purchase.
- If existing décor is not to your liking, it can be expensive and time consuming to change.

NEW HOME FROM BUILDER

PROS:

- You are the first occupant and the house is yours to decorate as you wish.
- Purchase price includes colours, design features, etc. that you select, usually with negotiable upgrades.
- Protection from construction deficiencies is usually required by Provincial Law.

CONS:

- There is often an extended period of time without lawns or paved driveways, and with dust from unsodded areas and construction traffic.
- There can be problems with permits or trade strikes that prevent timely completion and occupancy.
- Defects in construction may not be addressed promptly.
- Some closing costs apply to new homes that do not exist with resales.

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APPENDIX 2:
Moving Checklist

ABOUT ONE MONTH BEFORE MOVING

- ❑ Organize important papers in a fire-safe box.
- ❑ Hold a garage sale or donate unwanted items to charity.
- ❑ Hire a moving company (get written estimates and references), or reserve moving truck and equipment.
- ❑ Arrange mail forwarding with Canada Post.
- ❑ Get moving supplies – boxes, packing tape, markers
- ❑ Pack (and label) boxes of seldom used items.
- ❑ List valuables to insure; arrange moving insurance.

ABOUT TWO WEEKS BEFORE MOVING

- ❑ Confirm your moving date and time with your moving company.
- ❑ Cancel memberships, as necessary.
- ❑ Arrange to board your pets on moving day.
- ❑ Coordinate disconnect/connect dates for gas, electric and cable TV.
- ❑ Arrange cancellation of newspaper deliveries.
- ❑ Order cheques with new address.
- ❑ Contact your doctors for medical records, dentist for dental records.
- ❑ Arrange for the disconnection or changeover of utilities.
- ❑ Begin packing less-used items. Number and label each box, and create an inventory.
- ❑ Retrieve and return all borrowed items.

THE WEEK BEFORE MOVING

- ❑ Clean out safety deposit box. Transfer bank accounts, as necessary.
- ❑ Clean out the cupboards and plan remaining meals so you don't buy any more perishables than you have to.
- ❑ Make an inventory list of all items going with you personally. Keep valuable items such as jewellery and heirlooms with you during the move.
- ❑ Confirm arrangements and dates with moving & storage companies.
- ❑ Clean out and defrost your freezers and refrigerator.
- ❑ Disassemble furniture or other items.
- ❑ Be sure to check yard and sheds for all items to pack.

ON MOVING DAY

- ❑ If doing the move yourself, load heavy furniture first, pad fragile items and secure the load.
- ❑ Clean the home and check yard before leaving.
- ❑ Keep important documents and keys handy. Double check closets, attic, basement and garage.
- ❑ Lock windows and doors, turn off lights.
- ❑ Leave forwarding address, garage door openers and keys, if agreed to, for the new occupants.
- ❑ Make sure all windows and doors are closed and locked, and all appliances turned off.
- ❑ Take a box of basics with you, not the movers, and keep it readily available. Things to include: permanent markers, masking tape, scissors, toilet paper, paper towels and cleaning rags, vacuum cleaner, cleaning products, sealable baggies, trash bags, scrub brush, sponges, broom, mop.
- ❑ At your new home, supervise placement of boxes and furniture.
- ❑ Check to see if utilities and phones are working.

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APPENDIX 3:
Mortgage Glossary

During the mortgage process, you may encounter unfamiliar phrases. A glossary explaining a full range of terms is available on www.invis.ca, accessible near the bottom of the main page. Here are a few terms that have been discussed in this document that you may want to refer to:

AGREEMENT OF PURCHASE AND SALE: A contract by which one party agrees to sell and another agrees to purchase.

AMORTIZATION: The process of paying off the principal balance owed on the mortgage through scheduled, systematic repayments of principal and extra payments of principal at irregular intervals. Amortization is typically up to 30 years in Canada.

APPRAISAL: The estimate of the current value of the property for the lender.

BRIDGE FINANCING: Interim financing to bridge between the closing date on the purchase of a new home and the closing date on the sale of the current home.

CLOSED MORTGAGE: A mortgage whose terms state that it cannot be paid out, even with a penalty, unless the lender agrees. In some cases, a closed mortgage may be discharged at a defined cost, usually Interest Rate Differential (IRD), but sometimes with a punitive penalty such as full interest to maturity.

CLOSING DATE: The date of which the sale of the property becomes final and the new owner takes possession.

COMMITMENT LETTER: A written commitment from a lender to lend mortgage funds to specific borrowers as long as certain conditions are met within a specified time period before closing.

CONDITIONAL OFFER: An offer to purchase subject to specified conditions. These conditions could be the arranging of a mortgage, or the selling of a present home. Usually the time limit in which the specified conditions must be met is stipulated.

CONVENTIONAL MORTGAGE: A mortgage usually amounting to 80% (Loan to Value ratio) or less of the value of the property.

CREDIT REPORT: A record of an individual's payment history available at a credit bureau. Individuals can order a copy of their own report by contacting their local bureau.

GROSS DEBT SERVICE RATIO (GDS): The percentage arrived at by dividing your monthly shelter costs (principal, interest, property taxes, heating and half of condo fees) by your gross monthly income and multiplying by 100. This is used by all lenders as a yardstick by which to measure the ability of a borrower (or borrowers) to make mortgage payments. For example, most lenders require that this ratio be no more than 39% for a particular application, while others allow higher limits for those with better credit scores. This is also the maximum qualifying GDS for most default insurance applications.

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TOTAL DEBT SERVICE RATIO (TDS): The percentage arrived at by dividing your monthly shelter costs (principal, interest, property taxes, heating and half of condo fees) PLUS all other monthly debt obligations by your gross monthly income and multiplying by 100. This is used by all lenders as the "upper limit" yardstick by which to measure the ability of a borrower (or borrowers) to make mortgage payments. For example, most lenders require that this ratio be no more than 44% for a particular application, with some as low as 37%. 44% is also the usual maximum qualifying TDS in most applications for default insurance – a lender may agree to a higher TDS ratio for those applicants with higher credit scores.

LOAN-TO-VALUE RATIO (LTV): The percentage of the value of the property for which a mortgage is required. This ratio is important in determining whether or not default insurance is required, and if so, what the cost of that insurance will be (see pg. 12) For example, if the property value is $200,000, the downpayment available is $20,000 and the required mortgage is $180,000. The LTV is $180,000/$200,000 or 90%.

MORTGAGE INSURANCE: If your downpayment is less than 20% of the purchase price of the property, the lender is going to require either private mortgage insurance or public mortgage insurance through Genworth Financial Canada or Canada Housing and Mortgage Corporation (CMHC). The fee is calculated as a percentage of your mortgage. This is known as default insurance. (Please note that Invis will calculate this amount for you automatically if your mortgage falls into this category.)

OPEN MORTGAGE: This allows you to pay back the borrowed funds without notice or penalty. There are two types of open mortgages:

- Fixed rate mortgages; the term is usually fairly short (6 months to a year) and the interest rate will be higher than on a closed mortgage.
- Variable Rate Mortgages (VRMs) are usually open (and are "collateral" type mortgages) but recently, several institutions have introduced closed versions.

PREPAYMENT PRIVILEGE(S): The right to repay periodically more than the scheduled principal payment. Historically this was limited to a single annual payment on the anniversary date of no more than 10% of the original principal. In recent years, however, prepayment privileges have become more lenient, reflecting peoples' desire to pay their mortgages off on an accelerated basis.

PREPAYMENT PENALTY: If your mortgage is not fully open, you may be charged a penalty if you want to pay off all or part of your mortgage before the end of the fixed term. The normal prepayment penalty is the greater of three months' interest or the Interest Rate Differential (IRD) on the amount to be prepaid. CMHC (for insured mortgages) and a few of the major lenders set the maximum penalty at 3 month's interest after the mortgage has been in effect for three years, regardless of the number of times it has been renewed.

VARIABLE RATE MORTGAGE (VRM): The interest rate is usually compounded monthly and fluctuates with the prime rate at the chartered banks.

LAND TRANSFER TAX (LIT): A tax payable to the Provinacial Government by the purchaser upon the transfer of title from a seller.

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APPENDIX 4:
Paying Off Your Mortgage Faster

One of the highest financial priorities of Canadian homeowners is to pay off their mortgage as quickly as possible. Paying down extra principal in the early years can shorten the life of your mortgage — and dramatically lower the interest you'll pay over the long haul. "Pay-Off Tips" below describes some of the most effective methods of achieving this.

TIP #1: MORTGAGE PAYMENTS MADE WITH AFTER TAX CASH

More Canadians are becoming aware that since mortgage interest is not tax-deductible in Canada you are making mortgage payments of both principal and interest with money that you've already paid tax on — "after tax dollars". This makes it even more important to eliminate the drainage of disposable income as soon as possible!

TIP #2: PREPAYMENTS GIVE GREAT RETURN ON INVESTMENT

For example, if you pay an average of 4% in mortgage interest, for each $1,000 by which you reduce your mortgage principal, you will save $40 in after tax cash every year. If you are paying taxes at a marginal rate of 40%, you have to earn $66.67 each year to pay the interest on every $1,000 of principal outstanding...a heavy burden, but also a tremendous implied benefit to reducing this balance. In fact, the example shows that the "return on investment" for making prepayments on your mortgage is 6.67% before tax and 4% after tax — far better than most fixed return investments (bonds, GICs, etc.).

TIP #3: INCREASE YOUR PAYMENT ANNUALLY TO THE MOST YOU CAN AFFORD

The upside is that most lenders will allow you to reduce it again to the previous level if it turns out to be too great a burden or your circumstances change.

TIP #4: UTILIZE YOUR RRSP-DRIVEN TAX REBATE AS A MORTGAGE PREPAYMENT METHOD

Even if you can only prepay annually, make sure these funds are set aside for that purpose. Many Canadians will borrow (at prime) to buy an RRSP to ensure the maximum rebate. When applied to the mortgage principal, this refund is a "gift that keeps on giving". Combining the refund with the tax-free interest earned on the RRSP over the subsequent years will quickly outpace the short-term interest costs of the RRSP loan.

TIP #5: INCREASE THE FREQUENCY OF YOUR PAYMENTS

Make accelerated bi-weekly payments to get a "free" principal reduction equivalent to one full mortgage payment every year — painlessly. Unless you are paid weekly it makes little sense to make weekly payments. All you'd be doing is making a smaller payment, and deferring the difference for a week.

TIP #6: MAKE USE OF DOUBLE-UP PRIVILEGES WHEREVER POSSIBLE

Tell yourself that you will "skip-a-payment" whenever necessary... then skip only when you absolutely must.

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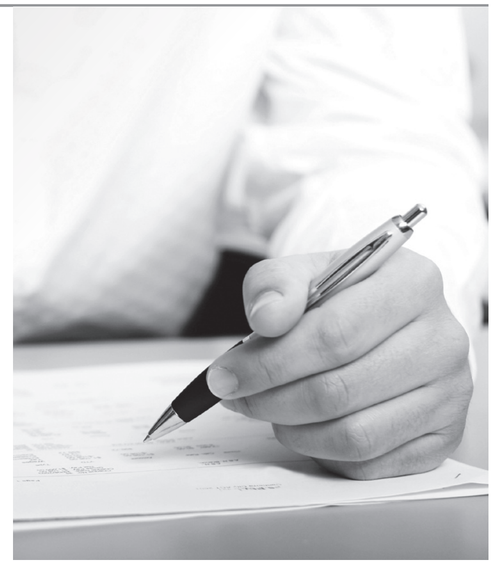

TIP #7: ROUND YOUR PAYMENTS UP

By adding even a nominal amount of say, $10 per payment, the amount of interest you are saving will be unbelievable, and the extra money relatively painless to part with.

TIP #8: PAY A LUMP SUM WHENEVER POSSIBLE

By decreasing the principal of the mortgage, your payments will not be allocated as much to interest in the future, thereby accelerating your freedom to mortgage-free life.

TIP #9: KEEP PAYMENTS THE SAME WHEN MORTGAGE RATES HAVE FALLEN

If the payment amount has not been a problem so far, then keep it the same thus paying down the principal faster.

TIP #10: RAISE PAYMENTS IN LINE WITH INCREASED INCOME ON AN AFTER-TAX BASIS

If your income increases, don't keep your mortgage payments the same. Although the disposable income may be fun to spend on unnecessary luxuries in the short-term, the long-term benefits of being mortgage free faster and saving those interest payments will far outweigh the short-term curtailing — just pretend that your income did not increase and maintain your usual lifestyle.

Don't waste your hard-earned money on interest! These methods have allowed many people to shorten their mortgage life by years in a very short period and enjoy a greater lifestyle for a longer period.

TIP:

Explore your options with Invis online calculators:

*There are a range of helpful calculators on the Invis website at **www.invis.ca** which allow homebuyers and homeowners to explore different mortgage scenarios. In particular, the Mortgage Payoff, Bi-Weekly Payment, Mortgage Analyzer and Debt Payment Accelerator calculators can help you understand the financial benefits of paying down your mortgage as quickly as possible. In addition, the home budget calculator can help you to track your spending patterns in order to increase your mortgage payments.*

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APPENDIX 5
Home Buying Cost Worksheet

❶ DOWNPAYMENT/DEPOSIT

Downpayment (Amount of savings you're putting towards the purchase less your deposit)	
Deposit (Amount paid when you present the Offer to Purchase)	
TOTAL DOWNPAYMENT	________

❷ CLOSING COSTS

Appraisal fee (if applicable)	
Status or Estoppel certificate fee (condominiums only)	
GST / HST	
Home inspection fee	
Land transfer taxes / Property transfer taxes (if applicable)	
Legal fees and disbursements	
Prepaid property taxes and/or utility bills adjustment	
Property insurance	
Survey or Certificate of Location	
Title Insurance fees	
Other	
TOTAL CLOSING COSTS	________

❸ OTHER EXPENSES

Appliances	
Gardening equipment	
Snow-clearing equipment	
Window treatments	
Decorating materials	
Hand tools	
Dehumidifier	
Moving expenses	
Renovations or repairs	
Service hook-up fees (telephone, cable etc)	
TOTAL OTHER COSTS	________

Estimate of funds needed to complete the purchase of your home

❶ + ❷ + ❸ = ________

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APPENDIX 6
Monthly Cashflow Worksheet

1 YOUR MONTHLY INCOME

Salary or wages	
Commission, bonuses, tips	
Interest and investment income	
Child support or alimony	
Other income	
TOTAL GROSS MONTHLY FAMILY INCOME	

2 YOUR MONTHLY EXPENSES

Cable	
Car: gas	
Car: insurance + licensing	
Car: Loan or lease payments	
Car: Parking	
Car: repairs and maintenance	
Charitable donations	
Child care	
Debt repayment e.g. credit cards	
Entertainment and recreation	
Groceries	
Medical	
Newspapers, magazines and books	
Personal (clothing, personal care)	
Public transportation	
Savings (e.g. company stock option plan or RRSP monthly contributions)	
Telephone and internet	
TOTAL MONTHLY EXPENSES	

Amount Available for all Housing Costs

1 – 2 = ____________

TIP: *Talk to me about mortgage options that can reduce or restructure your monthly costs on an ongoing basis.*

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APPENDIX 7
Home Shopping Comparison Worksheet

Home Address: MLS#:

Asking Price: Approximate Age of Home:

Property Taxes, Strata Fees:

Approximate Size: Approximate Land Size:

Heating and Heating Fuel: Water Heater Type:

Central Air: Central Vacuum:

Other Features:

EXTERIOR OF HOUSE	TYPE	CONDITION Excellent / Good / Fair	NOTES
Land			
Landscaping			
Façade of the House			
Entrance			
Driveway / Parking			
Garage			
Landscaping			
Outbuildings (storage, garden sheds)			
Deck / Patio			

INTERIOR OF HOUSE	TYPE	CONDITION Excellent / Good / Fair	NOTES
Front Hall			
Living Room			
Dining Room			
Den/Study			
Family Room			
Kitchen			
Bedroom 1			
Bedroom 2			
Bedroom 3			
Bedroom 4			
Recreation Room/Family Room			
Bathroom 1			
Bathroom 2			

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APPENDIX 7
Home Shopping Comparison Worksheet (continued)

INTERIOR OF HOUSE	TYPE	CONDITION Excellent / Good / Fair	NOTES
Bathroom 3			
Bathroom 4			
Basement / Cold Cellar			
Utility Room			
Laundry Room			
Additional Rooms			

ADDITIONAL CONDOMINIUM DETAILS	TYPE	CONDITION Excellent / Good / Fair	NOTES
Parking Area			
Balcony			
Storage Area			
Recreation Room			
Exercise Facilities			
Lobby			
Other			

TIP: *Visit **www.invis.ca** for handy mortgage calculators.*

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APPENDIX 8
Mortgage Application Form

APPLICANT

Name: Home Phone: Work Phone:

Address: City: Postal Code:

Email: Marital Status: Single ❑ Married ❑ Other:

Date of Birth: S.I.N.:

EMPLOYMENT INFORMATION

Employed by: Occupation: Phone:

How Long with Present Employer: Previous Employer (if less than 3 years):

CO-APPLICANT

Name: Home Phone: Work Phone:

Address: City: Postal Code:

Email: Marital Status: Single ❑ Married ❑ Other:

Date of Birth: S.I.N.:

EMPLOYMENT INFORMATION

Employed by: Occupation: Phone:

How Long with Present Employer: Previous Employer (if less than 3 years):

GROSS ANNUAL INCOME Applicant: $

Co-Applicant: $

Other: $

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Mortgage Application Form (continued)

FINANCIAL INFORMATION

ASSETS	LIABILITIES	PAYMENTS
Cash in Bank: $	Loans: $	$
RRSP: $	Mortgages: $	$
Real Estate: $	Lines of Credit: $	$
Car: $	Credit Cards: $	$
Other: $	Other: $	$

MORTGAGE AND NEW PROPERTY INFORMATION

Purchase Price: $

Downpayment (including deposits): $ Source: RRSP ❑ Savings ❑ Gift ❑ Other:

Mortgage Amount: $ Mortgage Type: Conv. ❑ CMHC ❑

Taxes: $ Condo Fees: $

Property Address: Lot Number: Property Description:

Name of Builder: Site:

Realtor Contact: Phone:

Name of Solicitor: Phone: Fax:

Address:

I/We warrant and confirm that the information given in the mortgage application form is true and correct. You are authorized to collect my personal information (collectively, "Information"), including credit reports and other financial information, from and disclose such Information to, your affiliates and services providers and other third parties such as credit reporting agencies, credit bureaus, credit grantors, insurers, government registries and those income sources and personal references that I advise to you. In particular, I understand that you will share my Information with any lender in connection with a mortgage or other loan transaction that you may arrange on my behalf.

My information will be collected, used and disclosed for the following purposes: (i) to provide mortgage brokering services, including arranging and/or renewing loan(s)/mortgage(s), (ii) to evaluate my credit application and verify my creditworthiness and to open, operate and collect on my account(s); (iii) to verify my identity and for internal audit; (iv) to meet legal and regulatory requirements; and (v) for statistical and record keeping purposes, and (vi) to inform me of other financial options and products and services offered or approved by you or by select third parties that may be of interest to me. I may have my name removed from your solicitation lists by contacting you at: Invis Inc, 5770 Hurontario St., Suite 600, Mississauga, ON, L5R 3G5 Attn: Chief Privacy Officer. You are also authorized to retain my information whether or not the mortgage is approved.

You may use the services of any financial institution or other reliable third party of your choice as your agent or service provider. In particular, you may use affiliated companies and/or third parties in Canada. I understand that, as a result, my Information may be accessed under applicable laws of Canada. Whenever Information is transferred to an agent or service provider, you will require them to protect my information to the standards of confidentiality and security adhered to by you.

The Invis Inc. Privacy Policy is available at www.invis.ca. I understand that I may access my Personal Information in your possession or make corrections to it, by writing to the Chief Privacy Officer at the above address.

Applicant Signature Date:

Co-Applicant Signature: Date:

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APPENDIX 9
Amortization Payment Table (per $'000)

Amortization is the length of time over which your payments have been calculated to repay your entire debt. To determine your approximate monthly mortgage payment amount, select the annual interest rate and based on the number of years you would like to pay off your mortgage, multiply that factor per $1,000 of mortgage.

EXAMPLE: Your mortgage professional indicated that your annual mortgage interest rate is 3% and you want to pay your $250,000 mortgage off in 25 years. Your monthly mortgage payment would be 4.73 x 250 = $1,182.50.

Monthly Payment Factors			
Interest Rate	**20 yrs**	**25 yrs**	**30 yrs**
2.50%	5.29	4.48	3.94
3.00%	**5.54**	**4.73**	**4.20**
3.50%	5.79	4.99	4.47
4.00%	6.04	5.26	4.75
4.50%	6.30	5.53	5.04
5.00%	6.57	5.82	5.33
5.50%	6.84	6.10	5.63
6.00%	7.12	6.40	5.94

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