

Buyer's Plan

Financing



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Buyer's Plan

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Financing

First things first, you will need to get pre-approved. This will give you the comfort of knowing how much you can afford and what your monthly payments will be. It will also protect you against interest rate increases for a period of time (usually 60-120 days). Make sure to get **pre-approved**, there is a big difference between pre-qualification and pre-approval

There are hundreds of lenders out there, and partnering with a mortgage specialist or financial institution to help you find the right product at the best rate is key.

Independent mortgage brokers tend to offer the most options because they work with more than one bank. However, if you have a good relationship with your bank/financial institution, contact them first.

If you would like us to introduce you to our in-house broker, just ask!

Documents you will need include:

1. Identification
2. Previous 2 years' T4s
3. Most recent pay stub
4. Letter of employment
5. List of assets (savings, investments, etc.)
6. Ideal purchase price & down payment amount

*This will differ for self-employed individuals.

THE BASICS

Depending on your down payment amount, there are two different types of mortgages:

- Conventional mortgage (20% down payment)
- High Ratio mortgage (minimum 5% down)

High Ratio mortgages require mortgage default insurance. Purchases over \$1M require 20% down.

From there, you will have two different mortgage options to choose from:

- Fixed rate mortgage
- Variable rate mortgage

Fixed rate mortgages offer the security of locking in your interest rate for the term of your mortgage, and your payment amount stays the same.

With a variable rate mortgage, your payments also remain the same. Though, when rates go down, more of your payment goes towards principal and less towards interest. When rates increase, the reverse happens, and your amortization may be extended.

Read more on mortgage basics [here](#).

A list of questions to ask when weighing your options can be found [here](#).

Read about special programs for first time home buyers [here](#).

We also find it useful to know what it will cost you monthly to borrow. Play around with the numbers using our handy mortgage calculator tool [here](#).

***DON'T:** forget to account for closing costs! It's fairly safe to assume you will need an additional 1.5% of the purchase price to cover these.

***DON'T:** buy/lease a car, change jobs, fail to pay bills, open a line of credit, or make a major purchase during this time. It could affect your loan approval. If you are planning to do so, make sure to okay it with your mortgage agent.

Next Article:
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