

# The Complete Communicator

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**complete**  
mortgage services

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## Establishing Credit History

In order to purchase a home, you must have an established credit history. Each time you pay a bill (for your credit card or for a monthly service such as your telephone or electricity); you are establishing a credit rating for yourself. A credit rating is a number or score that banks, mortgage companies, and other lending businesses use to assess your level of financial responsibility.

Paying your bills on time every month, contributes to having a good credit rating. If you miss payments, or are often late making your payments, your credit rating is probably not as good, and money lending institutions will consider this when you apply for a loan. Numerous factors contribute to your overall credit score, such as outstanding debt, payment history, severity and frequency of derogatory credit information, and the amount of credit you use compared to what you have available.

Also important is the length of your credit history. For many immigrants, this only begins after entering Canada.

To begin to establish a credit history:

- Open an individual savings or chequing account in your name. From this account, your deposits, withdrawals, and transfers will demonstrate that you can handle more efficiently and responsibly.
- Applying for a smaller loan demonstrates responsibility, and will positively affect your credit rating over a longer term, once you demonstrate that you can make timely and consistent payments.
- Other forms of credit include department store and gasoline credit cards. These are generally easier to obtain than major credit cards and, if used responsibly, can also serve to enhance your credit rating.
- In short, there is no quick way to establish credit. It is much better to go slowly and develop a strong credit record than to apply for too many credit cards or a loan that is larger than you can handle. Mortgages are long-term commitments, so appreciate that lenders will need proof of longevity and consistency.

## Your Credit Rating

Once you've begun establishing your credit history, it is a good idea, and your right as a consumer, to know exactly what your credit rating score is, even if you always pay your bills on time.

In Canada, Equifax Canada and TransUnion are the two major credit rating companies and will give you a copy of your credit history and overall credit rating score, usually for a fee.

*(Source: Genworth Financial)*



## Tips to Consider Before Buying a Home

You are about to invest in your most valuable asset. Below are our top 8 recommendations to make you more confident as you start your home buying journey.

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*Getting your finances in order is probably the most important step you should take before you consider purchasing a home.*

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### 1. **Your Credit Rating**

Getting your finances in order is probably the most important step you should take. You must know exactly what your credit reports say about your financial history before you apply for a mortgage, because the reports play an important role in the mortgage approval process and in determining the interest rate and other loan terms that a lender offers you.

### 2. **Understanding How Mortgages Work**

Get familiar with the mortgage laws, structure and options. That way, you will be able to decide on the right loan and lender – crucial to your home buying success. It is up to you to determine which lender is best for your needs, and it is always a good idea to have at least a bit of background about the loan process before you make your final decision.

### 3. **Getting a Mortgage Pre-Approval**

Do you know how much house you can afford? Probably not, unless you have talked to a mortgage broker. Pre-approval helps you in other ways. Consider this scenario. A home seller gets two similar offers. One is accompanied by a letter that states the buyer is pre-approved for a mortgage in the amount of the offer. The other has no supporting documents. Which offer do you think the seller will consider first?

### 4. **Sorting Out Your Needs and Wants**

Buying a home isn't as difficult as you might think, even if you're short on funds. But the process will go a lot smoother if you get familiar with your real estate market and narrow down your wants and needs before you start looking at houses.

### 5. **Preparing to Work with Real Estate Agents**

Real estate agents represent buyers, sellers, or both. It's essential to understand agent duties and loyalties before you make that first phone call.

### 6. **The Great Home Search**

The Internet is a great tool – you can spend endless hours searching the public version of the Multiple Listing Service website. You can also pick up House For Sale magazines and read classified ads in your local newspapers. You might even plan an afternoon drive to preview neighbourhoods. These are all excellent ways to see what is available out there.

### 7. **Home Inspection**

Deciding whether or not you want to buy a house involves a look at its structure and its features, but there are many other topics that are every bit as important to your purchase. Appoint a professional to conduct the home inspection. Study what kind of house it is and consider its market value.

### 8. **Making the Offer**

There is no one set of instructions that can cover all the differences in real estate laws and customs that exist throughout, so it is important to meet with your agent, attorney or advisor to fine-tune your offer and take care of all the contractual considerations.



**Avoiding Last Minute Changes.** As your closing date nears, everyone involved in your real estate transaction should check its progress on a daily basis, because staying on top of things means you'll know immediately if there's a problem that must be dealt with.



## New Mortgage Rules Unveiled

Finance Minister Jim Flaherty recently unveiled new mortgage standards aimed at stopping housing speculators and ensuring homebuyers can adequately juggle their debts when interest rates inevitably rise. Mr. Flaherty states that the new rules, which take effect April 19<sup>th</sup>, would stop “negative trends” from development. Ottawa moved in three areas:

- New qualifying standards will mean borrowers must be able to handle a five-year, fixed-rate mortgage, even though they may opt for a shorter term and lower rate. The government said this test will help homebuyers prepare for higher rates. As it now stands at the major banks, borrowers are income-tested for a three year-fixed rate. Craig Alexander, Toronto-Dominion Bank’s deputy chief economist said in a research note that the change could influence about 25 per cent of all new mortgages. Based on a 5 per cent down payment and a national average home price of \$337,000, a buyer would need about \$9,200 more in annual income to qualify under the changes, Mr. Alexander said. At \$200,000 and 5 per cent down, that would fall to \$5,500.
- Refinancing homes will now be limited to 90 percent of the value of a property, down from 95 per cent. That means property owners won’t be able to draw equity back down to the 5 per cent down payment level, Mr. Alexander noted. The government said this will help make owning a home a more effective way to save.
- A minimum down payment of 20 per cent will be required for government-backed insurance on properties not lived in by their owners, up from 5 per cent. “This measure is likely aimed at tempting speculative buying of real estate by reducing the leverage available to buyers,” Mr. Alexander said. “It will, however, also impact individuals buying real estate for investment purposes more generally, including those looking for rental properties. In rough ballpark terms, the change might impact about 5 per cent to 15 per cent of new mortgage originations.”

*(Source: The Globe and Mail)*

## Groundhog’s Spring Prediction

The groundhog, often called a woodchuck, is the only mammal to have a day named in his honour. The groundhog’s day is February 2. Granted, it’s not a federal holiday but still, to have a day named after you is quite a feat.

How did the groundhog come by this honor?

It stems from the ancient belief that hibernating creatures were able to predict the arrival of spring time by their

emergence. Traditionally, the groundhog is supposed to awaken on February 2, Groundhog Day, and come up out of his burrow. If he sees his shadow, he will return to the burrow for six more weeks of winter.

If he doesn’t see his shadow, he remains outside and starts his year, because he knows that spring has arrived early. It is hard to believe that this year we have six more weeks of winter given the weather we are experiencing!

*(Source: Wilstar.com)*



**New Rules** - Finance Minister Jim Flaherty stressed that Canada’s real estate market is healthy, and that the new rules would stop “negative trends” from developing.

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