Brokerage License #: 10801

your mortgage, **consider it done!**

Easy Step-By-Step Reference Guide to Home Ownership and Mortgage Strategies

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invis Canada's Mortgage Experts™

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Welcome... To An Easy Step-By-Step Reference Guide to Home Ownership and Mortgage Strategies

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.

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Canada's
Mortgage Experts™

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Overview

Summing it up, when getting pre-approved and then obtaining an unconditional mortgage financing commitment, lenders require proof of:

1. **Down payment** – 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** < 32% (Principal + Interest + Property Taxes + Heating Costs + 1/2 of Condo Fee must not exceed 32% of Gross Income).
   b. **Maximum TDSR** < 40% (Principal + Interest + Property Taxes + Heating Costs + 1/2 of Condo Fee + Monthly Obligations including Credit Cards & Loans must not exceed 40% of Gross Income).

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

2. **Capital** - Capital is the money you have personally invested in the purchase, otherwise known as your down payment.

3. **Collateral** - Collateral is additional security you can provide 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.

1. Getting a Pre-Approval: A Smart Move

1a. 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.
  - A locked-in rate means there is no risk of any interest rate increases while you are house hunting. The good news for those who turn to a an independent mortgage professional is that a an independent mortgage professional 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, down payment 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 and moving costs.

1b. Information Required For A Pre-Approval:

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

1. Full Legal Name(s)
2. Income(s)
3. Social Insurance Number(s)
4. Date(s) of Birth
5. History of residence and employment – 3 years
6. Summary of banking information (accounts etc.)
7. Summary information on assets & liabilities
8. Condo/maintenance fees, if applicable
9. Purchase price of property and down payment.

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

- Credit file information reveals to the Invis Mortgage Consultant 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.

2. Things to Consider After Your Pre-Approval

2a. 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 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 (location, accounts and balances …)
- Assets (cash, investments …) and Liabilities (loans, credit cards, any other payments, including alimony and child support …).
- If condo/maintenance fees, proof of fees, planned increases and special assessments to be levied.
- Down payment: please see section 3a.

2b. Understanding the Applicable (Closing) Costs of Purchasing a Home

Many Canadians, whether being called by the lawyer days before, or while sitting in 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 such 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 down payment (if possible) to have extra capital on hand to cover guaranteed and potential cash outlays.

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:

Closing Cost Checklist

Pre-Closing Costs

Appraisal Fee	$ ______________
Home Inspection Fee	$ ______________

Closing Costs

Down Payment	$ ______________
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	$ ______________

Post-Closing Costs

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

Estimated Total Costs **$ ______________**

- Don't forget, in order to close you will have to provide proof to the lender that you have home (fire) insurance, and if a newly built home, the "new home warranty".

2c. 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 his or her client's 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 and Genworth) protect lenders from a borrower defaulting on a mortgage at any time during the amortization period. Home buyers with down payments of less than 20% must purchase mortgage insurance.

3. Looking at Your Different Options

3a.Looking at Your Different Options

In reality, there really are only two mortgages, of which, as you will see, there are many characteristics and features (see section four, Understanding Mortgage Features):

1. 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.
2. 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) and Genworth Financial Canada. With mortgages insured through CMHC or Genworth, the insurance premium (one-time) is added to the mortgage amount.

Down Payment	% Financing (as % of mortgage amount)	Insurance Premium (calc. from mortgage amount)
0% (5% Cash-back)	100 %	2.90 %
5 – 9.9 %	90.1 – 95 %	2.75 %
10 -14.9 %	85.1 – 90 %	2.00 %
15 – 19.9 %	80.1 – 85 %	1.75 %
20 – 24.9 %	75.1 – 80 %	1.00 %
25 -34.9 %	65 – 75 %	0.65 % (special circumstances)
35 % Plus	Up to 65 %	0.50 % (special circumstances)

Amortization - 30 Years – add an additional 0.20 % to above premiums
Amortization - 35 Years – add an additional 0.40 % to above premiums

3b. Mortgages with Extended Amortizations – Up To 35 Years

Canadians planning to buy a home can now choose to have their mortgage amortized over a period longer than the conventional 25-year amortization. Common extended amortizations are 30 and 35 years.

These new 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. The new 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 lessen the amount of interest they pay over the life of the mortgage.

3c. Key Down Payment Information

Whatever amount that you have for a down payment will need to be verified by the selected financial institution prior to an unconditional commitment. Here are some important tips that will allow you to be fully prepared regardless which one of three resources your down payment comes from:

1. Own resources: If the down payment has come from your own resources, whether it is savings, investments that will be cashed out, RRSPs, the financial institution will want documentation to show that 90 days prior to the close of the mortgage transaction these funds were available.
2. Gift: If the down payment has come from a gift, a gift letter will need to be provided to the financial institution stating that the funds are an outright gift. The funds also have to be in your possession.
3. Sale of existing property: If the down payment comes from the sale of an existing property, the financial institution will need to see the sale agreement (with no conditions) and mortgage statement.

CMHC, Genworth, and the lenders have come up with a number of programs to make purchasing a home easier and more readily available to Canadians. Such programs as extended amortizations up to 35 years are an example. Other such examples are:

1. "0" Down Payment with a Cashback Mortgage or Borrowed Down Payment.
2. 5% Down Payment.
3. RRSP Home Buyers' Plan – Use your RRSP for a Down Payment.
   - Qualifying purchasers can withdraw up to $20,000 each from their registered retirement savings plans (RRSPs) to buy or build a qualifying home without incurring tax penalties.
     i. Withdrawn funds are not taxed, however this is contingent on the RRSP being repaid within 15 years with minimum annual payments of 1/15th of the withdrawn amount.

3d. 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.

4. Understanding Mortgage Features

4a. 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, 4 and 5 year (open, closed, closed-convertible and capped)
- Split-term: Combination of all possible terms (6 month through 10 years)
- Self-directed RRSP: A specialty mortgage — term optional — within CMHC guidelines. Invest your own RRSP funds into all or part of your home mortgage.

4b. Repayment Options

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: Mos t 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 now come with 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.

5. Closing Day

You will need to provide your lawyer on closing a certified cheque to them in trust to cover the down payment, as well as the 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 close you will have to provide proof to the lender that you have home (fire) insurance, and if a newly built home, the "new home warranty".

Appendix One: 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 down payment.
- 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.

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.

Appendix Two: 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.

Appendix Three: 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 35 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 32% 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.

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 40% for a particular application, with some as low as 37%. 40% 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 "Mortgage Insurance") For example, if the property value is $200,000, the down payment available is $20,000 and the required mortgage is $180,000. The LTV is $180,000/$200,000 or 90%.

Mortgage Insurance: If your down payment 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.

Appendix Four: 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 possible 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 6.5% in mortgage interest, for each $1,000 by which you reduce your mortgage principal, you will save $65 in after tax cash every year. If you are paying taxes at a marginal rate of 40%, you have to earn $108.33 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 10.833% before tax and 6.5% after tax — far better than most fixed return investments (bonds, GIC's 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.

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 our 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.

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.

Appendix Five: Short Mortgage Application

If you have any questions please contact me at :

Applicant

Name:
Address:
City:
Postal Code:
Home Phone:
Work Phone:
Email:
Date of Birth:
Marital Status: Single Married Other
S.I.N. #

Joint Applicant:

Name:
Address:
City:
Postal Code:
Home Phone:
Work Phone:
Email:
Date of Birth:
Marital Status: Single Married Other
S.I.N. #

EMPLOYMENT INFORMATION:

Employed by:
Phone:
Occupation:
How long with present employer:
Previous employer (if less than 3 years):

Employed by:
Phone:
Occupation:
How long with present employer:
Previous employer (if less than 3 years):

GROSS ANNUAL INCOME:

Applicant: $ Co-applicant: $ Other: $

FINANCIAL INFORMATION:

Assets:		Liabilities:		Payments:
Cash in Bank	$	Bank Loans:	$	$
RRSP	$	Credit Cards	$	$
Real Estate	$	Mortgages	$	$
Car	$	Loans	$	$
Other	$	Other	$	$

MORTGAGE AND NEW PROPERTY INFORMATION

Purchase Price: $
Total down payment including deposits $ Source: RRSP Savings Gift Other
Mortgage amount: $
Taxes: $ Condo Fees: $ Mortgage Type: Conv. CMHC:
Property Address: Lot number:
Property description:
Name of builder: Site:
Realtor Contact: Phone Number:
Name of Solicitor: Phone Number:
Address: Fax Number:

SIGNATURE: I the applicant, named here in, authorize invis Financial Group to obtain information about me as permitted by law; share information (including my Social Insurance Number) about my application and credit history with other credit grantors, credit bureau, suppliers of services and mortgage insurers; to use my Social Insurance Number for the express purpose of obtaining and sharing information; and keeping this application for our records.

Applicant signature: Date:

Co-applicant signature: Date:

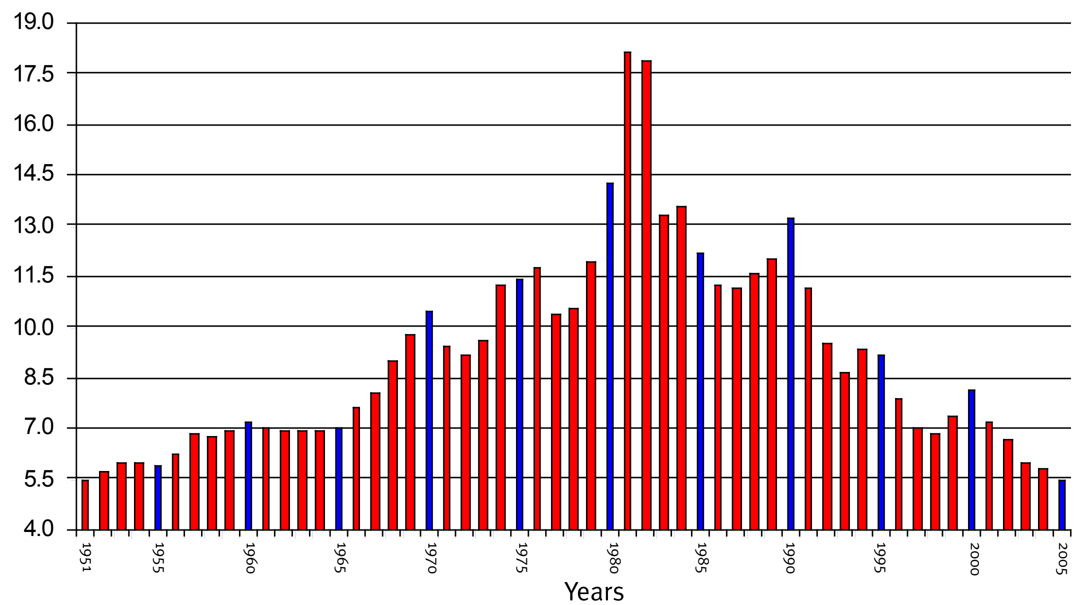
invis Canada's Mortgage Experts™

Appendix Six: Amortized Payment Table (per $'000)

Amortized Factors

Annual Interest Rate	15 Years	20 Years	25 Years	30 Years	35 Years
5.00	7.88	6.57	5.82	5.34	5.01
5.25	8.01	6.74	5.96	5.49	5.17
5.50	8.14	6.85	6.10	5.64	5.33
5.75	8.27	6.98	6.25	5.79	5.49
6.00	8.40	7.12	6.40	5.95	5.65
6.25	8.53	7.26	6.55	6.11	5.82
6.50	8.66	7.41	6.70	6.27	5.98
6.75	8.80	7.55	6.85	6.42	6.15
7.00	8.93	7.69	7.00	6.59	6.32
7.25	9.07	7.84	7.16	6.75	6.49
7.50	9.21	7.99	7.32	6.92	6.66
7.75	9.34	8.14	7.47	7.08	6.83
8.00	9.48	8.28	7.63	7.25	7.01
8.25	9.62	8.44	7.79	7.42	7.18
8.50	9.76	8.59	7.95	7.59	7.36
8.75	9.90	8.74	8.12	7.76	7.54
9.00	10.05	8.86	8.28	7.93	7.72
9.25	10.19	9.05	8.45	8.10	7.90
9.50	10.33	9.20	8.62	8.28	8.08
9.75	10.48	9.36	8.78	8.45	8.26
10.00	10.63	9.52	8.95	8.63	8.44
10.25	10.77	9.68	9.12	8.80	8.63
10.50	10.92	9.84	9.29	8.99	8.81
10.75	11.06	10.00	9.46	9.16	8.99
11.00	11.22	10.16	9.63	9.34	9.18
11.25	11.36	10.32	9.80	9.52	9.37
11.50	11.52	10.49	9.97	9.71	9.55
11.75	11.66	10.65	10.15	9.88	9.74
12.00	11.82	10.81	10.32	10.07	9.93
12.25	11.97	10.98	10.49	10.25	10.11
12.50	12.13	11.15	10.67	10.43	10.30
12.75	12.28	11.31	10.85	10.61	10.49

Appendix Seven: Historical Five-Year Rates



Years	Average 5-Yr Fixed Rate (%)						
1951	5.46	1965	7.02	1979	11.98	1993	8.7
1952	5.77	1966	7.66	1980	14.32	1994	9.34
1953	5.97	1967	8.07	1981	18.15	1995	9.22
1954	6.01	1968	9.06	1982	17.89	1996	7.94
1955	5.88	1969	9.84	1983	13.29	1997	7.07
1956	6.23	1970	10.45	1984	13.61	1998	6.9
1957	6.85	1971	9.43	1985	12.18	1999	7.39
1958	6.8	1972	9.21	1986	11.22	2000	8.2
1959	6.98	1973	9.59	1987	11.14	2001	7.18
1960	7.18	1974	11.24	1988	11.6	2002	6.7
1961	7	1975	11.43	1989	12.05	2003	6.04
1962	6.97	1976	11.78	1990	13.24	2004	5.8
1963	6.97	1977	10.36	1991	11.16	2005	5.48
1964	6.97	1978	10.59	1992	9.52		

Averages since ...

1951 – 9.17 % 1970 – 10.32 % 1980 – 10.21 %
1990 – 8.12 % 2000 – 6.57 %