VREG

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Financing

Creative Financing

Credit

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Foreclosures

Getting Started

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Interest Rates

Mortgage Terms

Other Mortgage Considerations

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

What is a mortgage and how does it work?

A mortgage makes homeownership possible for most people. In the simplest terms, it is a loan that is secured by real property. The lender holds title to the home until the loan is completely repaid. If you fail to pay up, the lender has a right to take the property, sell it, and recover the money that is owed.

The amount of a mortgage will vary greatly depending on the down payment you make to reduce the amount of money that is needed to finance the home. You may put as much money down as you like, or you can sometimes pay as little as 3 to 5% of the purchase price. The more you put down, the more you reduce the amount that is financed, thereby lowering your monthly payment.

The monthly payment consists of both principal and interest but also typically includes additional amounts to cover property taxes and insurance-specifically hazard insurance and private mortgage insurance, the latter of which is required for down payments less than 20% of the purchase price.

Home buyers in the Canada have access to several different types of mortgage loans.

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

How do I qualify for a home loan?

Top 5 Members have information on lender loan requirements and will be able to calculate a rough monthly figure you can afford based on the maximum monthly payment for the loan, taxes, insurance, and any type of maintenance fees. This pre-purchase evaluation by the agent can save you a lot of time spent looking at properties you cannot afford.

Lenders also routinely calculate what you can afford and can pre-qualify you for a loan even before you begin your home search. This way, you know exactly how much you can afford to buy.

Lenders generally stipulate that you spend no more than 28% of your gross monthly income on a mortgage payment or 36% on total debts.

Ultimately, the price you can afford to pay for a home will also depend on other factors besides your gross income and outstanding debts. They include the amount of cash you have available for the down payment, your credit history, current interest rates, closing costs and cash reserves required by the lender, and the type of mortgage you select.

What's the best way to choose a home loan?

A lot will depend on the length of time you plan to live in the home, other financial obligations, and potential savings gained from comparing the monthly costs of a home against the upfront costs and closing costs involved with a particular loan.

Also, you will need to be comfortable with whatever choice you decide to make. Trust your instincts and do not be pressured into signing for a loan that will not really work for you.

Where can I get a mortgage?

You can get a home loan from several different sources-a credit union, commercial bank, mortgage company, finance company, government agency, thrift (which includes savings banks and savings & loan associations), mortgage broker, and even the seller.

Note, however, that most lenders have tightened their credit standards in light of increasing foreclosures and higher delinquency rates. Begin your search by calling at least half a dozen lenders to inquire about the types of financing available, current rates on each loan type, loan origination fees and number of points, other loan features and their credit requirements for borrowers.

Once you actually apply for a mortgage, the lender will pull a recent copy of your credit report. That inquiry and any and all others are recorded and become a part of your credit file. Normally, several inquiries during a short period are viewed negatively, as a sign you are trying to open several new accounts. Such a move lowers your credit scores; and lower credit scores mean you will be offered a higher mortgage interest rate.

However, there is a caveat. Credit scoring software generally detect that you are shopping for a single mortgage, if you shop within a short, 30-day window. So multiple inquires pulled roughly within this time frame will only count as one inquiry and should not affect your FICO or credit score.

Checking your own score also will not lower your credit score.

What does a mortgage broker do?

Much like a stockbroker helps you buy stocks, a mortgage broker can help you purchase a home loan. Because the broker has access to many lenders, you will be able to select from a wide variety of loan types and terms that fit your specific needs.

Note, however, that brokers are not obligated to find the best deal for you. Of course, if you agree in writing to have one act as your agent, that is an entirely different story. This is why it is important when looking for a broker to contact more than one, just as you would any other lender.

Compare their fees and ask questions, particularly about how they will be paid. Sometimes their fees appear as points paid at closing or the compensation is factored into the interest rate, or both. In any event, haggle with the broker and the lender for the best deal.

Real estate agents normally maintain contact with several brokers. Ask your Top 5 Member for recommendations.

What things do lenders view positively and negatively during the application process?

When you apply for a loan, long, steady employment is always seen as a plus, as is a large down payment, a good credit rating, a history of regular savings, and property located in a 'good' neighborhood.

Not so good in the lender's mind: frequent job changes without salary increases, self-employment in a new venture, bad debt history, no previous borrowing record, and dilapidated property.

Do not be discouraged. These are standard lender pre-dispositions when evaluating your application, but when it comes to making a loan decision, most lenders will tell you nothing is completely carved in stone.

Consider, too, that credit you have qualified for-say, credit cards-can work against you, even if never used. This is because those credit cards are looked upon as being open credit lines-and while they have not been used, they could be used, and potentially used up to the maximum dollar amount allowed by the credit card companies. As a result, their perceived risks lower your credit, or FICO, score.

Why do lenders require a down payment?

It protects them should you default on the loan, especially if you fail to make payments in the early years of the loan when more is owed on it. Foreclosure, property fix-up, and resale costs could result in a loss on the mortgage loan.

That is a bad situation the lender wants to avoid. So they have historically required cash down payments of 20% of a home's purchase price.

However, if you purchase private mortgage insurance, the down payment requirement can drop to 5% of the purchase price.

Is it possible to get a no-down payment loan?

Builders will typically offer no-down payment loans to sell properties in a slow-moving development or a depressed market. Desperate sellers also may commit to finance the down payment for the buyer to move a hard-to-sell home or to make a quick sale.

What about low down payment loans?

Such loans are offered by government agencies and private lenders, including non-profit groups and employers. In fact, there are government programs at both the federal and province level to help cash-strapped buyers. Under a few provinces housing agency guidelines, borrowers must usually be first-time home buyers or have a limited family income to qualify for low-down payment loans.

Canada Mortgage Housing Corporation CMHC offers several programs that require down payments as low as 5 percent.

Should I put more or less down, if I can afford it?

Putting down as little as possible lets you take full advantage of the tax benefits of homeownership. Mortgage interest and property taxes are both fully deductible from state and federal income taxes. Also, making a small down payment frees up cash that you can use to meet unexpected home improvements.

Some real estate experts contend it is more economical, however, to make a larger down payment, thus reducing the amount of debt financed over the life of the loan. A borrower could potentially save several thousand dollars, maybe even hundreds of thousands of dollars.

Can I make an all-cash purchase instead of getting a mortgage?

That certainly is an option, although not one most people can afford. Unless you're independently wealthy or have hit the jackpot, it may be difficult to make a 'no-mortgage' investment. And an investment is exactly how you should view it because you get to save on mortgage interest that is usually paid over the life of the home loan-interest that could amount to several thousand dollars, conceivably hundreds of thousands of dollars.

With an all-cash deal, you also save by avoiding loan origination fees, an appraisal, some closing costs and other charges imposed by the lender. You enhance your negotiating position with the seller and get to bypass the rather lengthy loan qualification process, which helps to close the deal quickly. But if you want to use the home as your primary residence, forget about taking advantage of the tax breaks available to homeowners with conventional loans. By paying cash, you basically forfeit those tax breaks.

To determine whether a no-mortgage purchase is right for you, compare it to other investments, weighing the risk, return, and liquidity.

What is the difference between a conforming and non-conforming loan?

Conforming loans have terms and conditions that adhere to guidelines established by Fannie Mae and Freddie Mac, the two, big quasi-government corporations that purchase mortgage loans from lenders then packages them into securities that are sold to investors.

Their guidelines are far-reaching and as such set borrower credit and income requirements, as well as the down payment, and maximum loan amounts.

Non-conforming loans are for buyers, such as the self-employed or people with poor credit histories, who do not qualify for mainstream loans.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

What about the difference between a conventional and non-conventional loan?

They are the same as conforming and non-conforming loans. A conventional, or conforming, loan is one not insured by the Canada Mortgage Housing Corporation CMHC. Requires 20% or more down payment. CMHC mortgage insurance for down payment from 5% to 20% makes homeownership possible and generally more affordable for a large segment of the population.

However, that said, many major banks and private lenders now offer non-conventional, or non-conforming, loans for lower-income borrowers and those with blemishes on their credit.

What are conventional loan limits?

These are limits imposed on the amount of money you can borrow to finance a home purchase. The loan limit generally increases each year and applies to single-family . For more information contact your local Realtor.

Is it true some lenders grant loans based on very little documentation?

Not too long ago, they offered in abundance what are called 'stated income loans', more commonly referred to as 'no doc' or 'low-doc' loans, mortgages that require no documentation or little documentation to verify the borrower's income and assets. In return, the borrower, who must have very good credit, make a big down payment-generally 25% or more-and pay a higher interest rate.

Given current market conditions and the sub-prime debacle, these loans have become more difficult to find, cost more, and are mainly funded by hard money lenders who do not conform to bank standards.

The loans are common among self-employed borrowers who have difficulty substantiating all of their income and service industry employees, such as waiters and hair stylists, whose pay is hard to pinpoint exactly. Borrowers also may use no-doc loans when they derive most of their income from commissions or when they have very complicated income structures.

In reality, calling the loans 'no-doc' and 'low-doc' are misnomers. Some 'low-doc' loans require plenty of documentation, such as tax returns and profit-and-loss statements. Even 'no-doc' loans require a credit report and a property appraisal.

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Are there such things as no-cost and no-fee loans?

You see promotions for them all the time. But banking regulators have gone after lenders who misrepresent these loans. The reality is that no-cost and no-fee loans may actually cost the borrower more over the long term because costs are often hidden by rolling them into the new loan through higher principal or interest.

The rates on no-cost loans are usually about 1/2 or 5/8 of a percentage point higher than the 'full cost' rate.

A typical no-fee loan includes points and all fees in the loan principal, so the borrower does not pay or 'see' these expenses at the closing. Instead, the borrower pays them over the life of the loan.

If you are looking to refinance, it may be possible to get a no-cost program that will lower your rate at no expense to you. Today, lenders are paying all closing costs, such as title fees, appraisal fees, and credit report fees. There are no loan fees or points, and nothing is added to your loan balance.

However, many lenders may charge a loan application fee and some restrictions may apply depending on the size of the loan.

What is an assumable mortgage?

It is a mortgage held by the seller that can be taken over by the buyer when a home is sold. Such loans are hard to find because most lenders stopped voluntarily writing them many years ago. Most new assumable loans today are adjustable rate mortgages.

An assumable mortgage may be attractive if the interest rate on the existing loan is lower than the rate the buyer could otherwise get on a new mortgage, either because of current market conditions or the buyer's poor credit history.

To determine whether to assume an old loan or apply for a new one, pay close attention to the possible assumption fee, usually one point, and other terms of assumption set forth in the existing loan. One plus: there are generally few closing costs with an assumable loan.

While an assumable mortgage can speed up the property sale, sellers should be careful about letting a buyer assume their mortgage. Depending on the state and terms of the mortgage, a seller may remain liable for the loan until it is paid off in full. Or the lender may go after both the seller and the buyer if the loan is not paid.

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Can I split my mortgage in two and pay biweekly?

The biweekly mortgage has become increasingly popular as more people favor paying off their home loan early and reducing interest charges.

Monthly payments on these loans are split in half, payable every two weeks.

Because there are 52 weeks in a year, you actually have 26 half-payments, or the equivalent of13 monthly payments per year instead of 12.

Under the biweekly payment plan, a homeowner can save tens of thousands of dollars in interest and pay off their loan balance in less than 30 years.

What is a two step mortgage?

Not to be confused with a biweekly mortgage, this type of home loan is also known as 5/25s and 7/23s. It has one interest rate for part of the life of the mortgage and a different rate for the remainder of the loan.

Two steps are 30-year mortgages. They can either be convertible or nonconvertible. The 5/25s have a fixed interest rate for the first five years and either convert to a one-year adjustable rate or a 25-year fixed loan. The 7/23 has a fixed interest rate for the first seven years and then converts to a one-year adjustable rate or a 23-year fixed loan.

The initial rate on the two-step is lower than on a 30-year fixed mortgage, but higher than a one-year adjustable. Also, because the adjustment interval is longer, there is less risk initially than with an adjustable rate mortgage, or ARM.

Is equity sharing a good idea?

A shared equity mortgage, or partnership mortgage, can be a good way to purchase a home with little or no money down. In such an arrangement, the borrower/home buyer has an absentee partner who, as the investor, provides all or some of the down payment.

Equity sharing is not as popular in a slowly appreciating real estate market as in a rapidly appreciating one when equity investors are easy to find. A type of equity sharing called tenants-in-common partnerships is becoming increasingly popular, especially in high-priced markets.

First-time buyers are usually most interested in a TIC arrangement because it gives them a way to buy property collectively with an unrelated partner.

Loan underwriting standards are more complicated with these types of deals because lenders have more than one party's financial situation to assess.

It is a good idea to hire an attorney to help draft a shared equity agreement.

Are shared equity and shared appreciation mortgages the same?

No. With a shared appreciation mortgage, or SAM, a borrower receives a below-market interest rate in return for the lender receiving a share, usually 30 to 50%, in the future appreciation of the property upon its sale.

Introduced in the early 1980s, when interest rates were high enough to make qualifying for a mortgage a real challenge, the SAM has never really caught on. Adjustable rate mortgages (ARMs) proved more attractive.

Should I consider a 'B', 'C', or 'D' paper loan if I have bad credit?

B, C, and D paper loans are types of sub-prime loans. There was a time when they were hard to find. Then when the housing market took off, so did the number of lenders offering them. Not so today. High default rates on sub-prime mortgages made to high-risk borrowers with bad credit or those who had filed for bankruptcy or had a property in foreclosure, now have many lenders either shunning these loans or tightening credit requirements on them.

As a rule, these loans have not met the borrower credit requirements of 'A' or 'A-' category conforming loans. Because mortgage lending is divided into various credit grades, several factors influence whether you receive, say, a 'B' or 'D' designation, including past credit history, documentation, and your debt-to-income ratio. The more serious a borrower's problems, the lower the grade of the loan and the higher the rates and fees associated with the loan.

At one time, the outrageously high rates on these loans had dropped as more lenders began to offer them. Since the credit crunch spurred by the subprime mortgage crisis, rates on these paper loans have shot back up, reflecting in more stark terms their heightened risks.

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

What is a balloon mortgage?

It is a mortgage in which the entire unpaid principal becomes due and payable on a given date, five, ten, or any number of years in the future. The borrower must pay up, refinance, or lose the property.

Interest rates on balloon mortgages are lower than for fixed-rate mortgages. So their monthly mortgage payments will be lower than the monthly payments for conventional mortgages.

Balloon mortgages are a good way to keep monthly housing costs to a minimum if you plan to move or sell well within the period of the balloon.

How do growing equity mortgages work?

Also called GEMs, these fixed-rate mortgages have monthly payments that increase in increments of 3% or more to reduce the principal loan amount. They are often written by the lender at a below market interest rate and have shorter terms.

A GEM lets you pay off the mortgage earlier, save tens of thousands of dollars in interest payments, and build equity quickly. A 30-year GEM, depending on the interest rate, can normally be paid off in 15 to 20 years.

What is a wraparound loan?

Also called an all-inclusive mortgage, it is where a new home loan is placed in a subordinate or secondary position to the original mortgage and the new loan includes the unpaid balance of the first.

The wraparound allows the buyer to purchase a home without having to qualify for a loan or pay closing costs. The contract is made between the buyer and seller with the seller remaining on the original mortgage and title. The buyer pays the seller a fixed monthly amount and the seller uses part of this money towards the existing loan.

The seller benefits by offering the buyer a loan at a higher interest rate than the existing mortgage, and the lender profits from the difference in interest in the two loans.

Wraparounds are not for novices and cannot be used when there is a legally enforceable 'due on sale' clause in the first mortgage.

Consult an attorney if you are considering this type of financing.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Is a reverse mortgage good for elderly homeowners?

A reverse mortgage is an increasingly popular option for older Americans to convert home equity into cash. Money can then be used to cover home repairs, everyday living expenses, and medical bills.

Instead of making monthly payments to a lender, the lender makes payments to the homeowner, who continues to own the home and hold title to it.

According to the National Reverse Mortgage Lenders Association, the money given by the lender is tax-free and does not affect Social Security or Medicare benefits, although it may affect the homeowners' eligibility for certain kinds of government assistance, including Medicaid.

Homeowners must be at least 62 and own their own homes to get a reverse mortgage. No income or medical requirements are necessary to qualify, and they may be eligible even if they still owe money on a first or second mortgage. In fact, many seniors get reverse mortgages to pay off the original loan.

A reverse mortgage is repaid when the property is sold or the owner moves. Should the owner die before the property is sold, the estate repays the loan, plus any interest that has accrued.

What is a bridge loan?

It is a short-term bank loan of the equity in the home you are selling. You may take out a bridge loan, or interim financing, to help with a knotty situation: closing on the home you are buying before you close on the property you are selling. This loan basically enables you to have a place to live after the closing on the old home.

The key to a bridge loan is having a qualified buyer and a signed contract. Usually, the lender issuing the mortgage loan on the new home will write the interim financing as a personal note due at settlement on the property being sold.

If, however, there is no buyer for the property you have up for sale, most lenders will place a lien on the property, thereby making that bridge loan a kind of second mortgage.

Things to consider: interest rates are high, points are high, and there are costs and fees involved on bridge loans. It may be cheaper to borrow from your 401(K). Actually, any secured loan is acceptable to lenders for the down payment. So if you have stocks or bonds or an insurance policy, you can borrow against them as well.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

What is seller financing?

Also known as a purchase money mortgage, it is when the seller agrees to 'lend' money to the buyer to purchase and close on the seller's home. Usually sellers do this when money is tight, interest rates are high or when a buyer has difficulty qualifying for a conventional loan or meeting the purchase price.

Seller financing differs from a traditional loan because the seller does not actually give the buyer cash to complete the purchase, as does the lender. Instead, it involves issuing a credit against the purchase price of the home. The buyer executes a promissory note or trust deed in the seller's favor.

The seller may take back a second note or finance the entire purchase if he owns the home free and clear.

The buyer makes a sizeable down payment and agrees to pay the seller directly every month.

The interest rate on a purchase money note is negotiable, as are the other terms in a seller-financed transaction, and is generally influenced by current Treasury bill and certificate of deposit rates. The rate may be higher than those on conventional loans, and the length of the loan shorter, anywhere from five to 15 years.

What is a lease option?

It is an agreement between a renter and a landlord in which the renter signs a lease with an option to purchase the property. The option only binds the seller; the tenant has a choice to make a purchase or not.

Lease options are common among buyers who would like to own a home but do not have enough money for the down payment and closing costs. A lease option may also be attractive to tenants who are working to improve bad credit before approaching a lender for a home loan.

Under this arrangement, the landlord agrees to give a renter an exclusive option to purchase the property. The option price is usually determined at the outset, but not always, and the agreement states when the purchase should take place.

A portion of the rent is used to make the future down payment. Most lenders will accept the down payment if the rental payments exceed the market rent and a valid lease-purchase agreement is in effect.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Before you opt to do a lease option, find out as much as possible about how they work. Have an attorney review any paperwork before you and the tenant sign on the dotted line.

Are interest rates negotiable?

It depends who you negotiate with. Some lenders are willing to haggle on both the loan rate and the number of points, but this is not typical among more established lenders.

This is why it pays to shop around for the best loan rates. And know the market so that you sound informed when talking to a lender. Read the published rates in local newspapers or check the growing number of Internet sites that publish such information.

Also, always make a point to consider the interest rate along with the points to access which loan is truly the best.

Interest rates are much more open to negotiation on purchases that involve seller financing. While they are usually based on market rates, some flexibility exists when negotiating on the rate.

Why do most homebuyers prefer a fixed-rate mortgage?

Long-term, fixed-rate mortgages are preferred by most home buyers because they offer security and stability. The interest rate does not fluctuate over the life of the loan, so the total amount of principal and interest always remains the same. The monthly payment can change, however, if local property taxes, which are normally part of the monthly mortgage payment, increase.

Because the life of a fixed-term loan is usually long-anywhere from 15 to 30 years-you have plenty of time to repay it and there is no call provision written into the mortgage. A call allows the lender to demand the balance of the loan be paid in full before the actual payoff date.

On the negative side, the interest rate on a fixed mortgage is usually two or three full points above the current rate on an adjustable rate loan, at least initially. But for buyers seeking security, the comfort of knowing what their payments will be year after year, and no plans of selling their home in the foreseeable future, this is a small price to pay. If rates drop, they may be able to refinance their home loan and get a lower rate.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Which is better, a 15-year or 30-year loan?

The 15-year mortgage offers you a chance to save thousands of dollars over the life of the loan. This is because the interest rate is typically lower and amortization is half that of the 30-year loan, which means that the total interest paid on the 15-year note, as compared to a 30-year note, is significantly less because of the shorter borrowing period.

Put another way, a 15-year loan accrues principal much more quickly than a 30-year loan, so you get to own your house in half the time.

However, because you are building equity faster and paying down the loan sooner, a 15-year mortgage requires higher monthly payments.

Get a lender to help you calculate the overall savings of the 15-year loan versus the 30-year mortgage. In the end, though, base your decision on your circumstances and overall financial plan, such as whether you are nearing retirement age and also will have to shell out college expenses for children, in which case a 15-year loan may not be for you. Remember that your spending habits, budget, and financial goals should all be considered before making a final decision.

Are 40-year mortgages a good idea?

The main reason buyers sign on for these type of loans, which add 10 years to the traditional 30-year mortgage, is to take advantage of smaller monthly payments.

According to real estate experts, the shorter-term loan is usually more advantageous for the home buyer. The drawback becomes apparent simply by calculating the cost of additional interest payments, which can total thousands for the privilege of just saving the difference of a few dollars in monthly mortgage payments.

Should I lock in the mortgage rate?

Because the interest rate market fluctuates constantly and is subject to quick movements without notice, locking in a mortgage rate with a lender certainly protects you from the time your lock is confirmed to the day it expires.

Lock-ins make sense in a rapidly-rising rate environment or when borrowers expect rates to climb during the next 30 to 60 days, which is typically the amount of time a lock-in remains in effect.

A lock-in given at the time of application is useful because it may take the lender several weeks to prepare a loan application. These days, however, automated loan practices have cut the time quite a bit.

Lock-ins are not necessarily free. Some lenders require you to pay a lock-in fee to guarantee both the rate and the terms.

If your lock-in expires before you close on the loan, most lenders will base the loan rate on current market interest rates and points.

In seller financing, how does the seller determine what rate to provide?

The interest rate on a purchase money note is negotiable, as are the other terms in a seller-financed transaction. To get an idea about what to charge, sellers can check with a lender or mortgage broker to determine current mortgage rates on loans, including second mortgages. Most interest rates, however, are generally influenced by current Treasury bill and certificate of deposit rates.

Because sellers, unlike conventional lenders, do not charge loan fees or points, seller-financed costs are generally less than those associated with conventional home loans.

Understandably, most sellers are not open to making a loan for a lower return than could be invested at a more profitable rate of return elsewhere. So the interest rates they charge may be higher than those on conventional loans, and the length of the loan shorter, anywhere from five to 15 years.

How does refinancing work?

With a refinancing, you pay off an old loan on your home and take out a new one, usually at a lower mortgage interest rate. To refinance, you will generally need to have equity in your home, a good credit rating, and steady income. You can borrow a percentage of the equity to cover remodeling costs, debt consolidate, and college tuition.

When you refinance, you will incur all the closing costs that go along with getting a new mortgage. So unless you are doing extensive renovations and can get a mortgage interest rate at least two points below your current loan rate, you may want to select another financing option.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

When is the best time to refinance?

Many people flock to refinance while mortgage interest rates are low, particularly when rates are about two percentage points below their existing home loans.

Other factors, like when to finance, will depend on how long you plan to hold on to your home and whether you have to pay considerable fees to refinance. It also will depend on how far along you are in paying off your current mortgage.

If you expect to sell your home relatively soon, you are not likely to recoup the costs you incurred to refinance. And if you are more than halfway through paying your current mortgage, you probably will gain little by refinancing. However, if you are going to own your home for at least another five years, that is probably long enough to recoup any refinancing costs and realize real savings as a result of lowering your monthly payment.

In fact, if it costs you nothing to refinance, you can gain even more. Many lenders will let you roll the costs of the refinancing into the new note and still reduce the amount of the monthly payment. Plus, there are no-cost refinancing deals available.

Contact your lender, and its competitors, before you refinance.

Can I refinance a home loan more than once?

You most certainly can. During the most recent refinancing boom, for example, many homeowners refinanced their home loans two or three times within relatively short periods of time because interest rates kept treading downward, making it extremely attractive to trade in one loan for another.

Just remember that refinancing is basically like applying for a mortgage all over again. Also be aware that refinancing in today's market is more difficult to do based on tighter credit restrictions. Each time you refinance, you will still have to go through the application process, get a home appraisal, and likely incur closing costs. Also, if you have a pre-payment penalty clause in your present mortgage, you will have to pay that penalty if you refinance. So be certain that it is actually worth it for you to refinance.

Is it possible to refinance following a bankruptcy?

It can be difficult to do after a bankruptcy, unless you are willing to pay very high interest rates and fees. However, if you are contemplating bankruptcy, first talk with your lender and explain your situation. If your mortgage payments are current, the lender may be accommodating and refinance your loan, thereby helping to ease your financial burden.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

What is APR?

The annual percentage rate, or APR, is an interest rate that differs from the loan rate. It is the actual yearly interest rate paid by the borrower, including the points charged to initiate the loan and other costs.

The APR discloses the real cost of borrowing by adding on the points and by factoring in the assumption that they will be paid off incrementally over the life of the loan. The APR is usually about 0.5% higher than the loan rate and is commonly used to compare mortgage programs from different lenders.

The Federal Lending law requires mortgage companies to disclose the APR when they advertise a rate. The APR is usually found next to the mortgage rate in newspaper ads.

What is a loan-to-value ratio?

The loan-to-value ratio, or LTV, is the loan amount expressed as a percent of either the purchase price or the appraised value of the property. It is an important factor considered by lenders before approving a mortgage.

Lenders generally prefer a down payment of 20%, with an 80% LTV.

What about equity?

It is the cash value of your property over and above what is owed on it, including mortgages, liens, and judgments.

The amount of equity almost always grows in a home over the years, although the current economic slump and rampant depreciation has diminished equity for many homeowners.

Generally speaking, you can borrow against the equity that builds up in your home and use it for any number of reasons, including home improvements and to pay for college costs. The current economic climate, however, has made home equity loans more difficult to come by. Equity is also is a source of income for you once the home is sold.

Equity is also what makes seller financing possible. If you have money to spare, you can always lend some to the buyer and collect interest on it.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

What is private mortgage insurance?

Also referred to as PMI, it is insurance you pay to protect the lender in case you default on the home loan. It is required when borrowers put down less than 20% of the purchase price.

Usually, a small fee is paid at the outset and a percentage of the face amount of the loan is added to the monthly payment.

What is a prepayment penalty?

Some mortgages have prepayment penalties written into them. This means you will have to pay the lender a percentage of the principal, or some other stated amount, if you decide to repay the loan early.

The prepayment clause is usually in effect for only one to three years and may be waived for special circumstances. Lenders impose the penalty to recover any losses related to your early payment.

Ask about prepayment penalties before signing for a home loan. If you are applying for a new loan, the penalty should be disclosed in the truth-in-lending statement.

What are subprime loans?

Subprime mortgages are made to borrowers, usually at a higher interest rate, who do not meet traditional credit criteria or who have unconventional borrowing needs.

Factors that can prevent someone from meeting the traditional criteria could be a high debt-to-income ratio, low reserves at settlement, as well as past credit woes-bankruptcies, defaults, foreclosures, or chronic late payments on debt obligations.

What is amortization and negative amortization?

When you amortize a loan you basically pay off the principal by making regular installment payments. This typically takes place gradually over several years.

Negative amortization is when the mortgage payment is smaller than the interest that is due, which causes the loan balance to increase rather than decrease. Negative amortization only happens with adjustable rate mortgages (ARMs) with certain features, including an initial payment that does not cover the interest due, a feature that is supposed to increase the affordability of the loan.

With negative amortization, a persistent rise in interest rates reduces the equity in the house unless the negative amortization is offset by house appreciation.

Negative amortization has to be repaid, which means your payment will rise in the future. The larger the negative amortization, the more you will be required to amortize the loan in full.

Top

What is a second mortgage?

It is a loan against the equity in your home. Financial institutions will generally let you borrow up to 80% of the appraised value of your home, minus the balance of your original mortgage.

You may incur all the fees normally associated with a mortgage, including closing costs, title insurance, and processing fees.

Home improvement loans are often written as second mortgages. And sometimes you can get a college tuition loan by using a second mortgage.

In case of default, the loan is paid off from the proceeds of the sale of the property, after the first mortgage has been paid off first.

Is a home equity line of credit similar to a second mortgage?

A home equity loan, like a second mortgage, lets you tap up to about 80% of the appraised value of your home, minus your current mortgage balance. But because it is set up as a line of credit, you will not be charged interest until you actually make a withdrawal against the loan, although you will be responsible for paying closing costs.

The withdrawals can be made gradually as you begin to pay contractors and suppliers for handling your remodeling project.

The interest rates on these loans are usually variable. Of particular importance: make sure you understand the terms of the loan. If, for example, your loan requires that you pay interest only for the life of the loan, you will have to pay back the full amount borrowed at the end of the loan period or risk losing your home.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Do government programs exist that can help me finance a home?

There are several new government programs that have been launched or are expected to launch to help prospective homeowners.

Stay in touch with federal, state, and local housing offices regularly. They offer many programs that come and go based on a changing economy and political administrations. Some city and county programs are available only in targeted neighborhoods where local leaders are trying to spark reinvestment or increase the homeownership rate.

Can you tell me more about CMHC?

The Canada Mortgage Housing Corporation is a non-profit government agency. Its main goal is to help provide housing opportunities for low- to moderate-income families. CMHC has single-family and multi-family mortgage programs but does not generally provide mortgage funds. Instead, it insures home loans made by private lenders.

What are mortgage credit certificates?

A mortgage credit certificate, or MCC, makes it easier for eligible buyers to qualify for a mortgage loan. Offered by a few city and provinces governments, they allow first-time buyers to take advantage of a special federal income tax write-off.

Under MCC programs, the lender can reduce the housing expense ratio-the percentage of gross monthly income applied toward housing expenses-by the amount of the tax savings. Normally, lenders reject loans if the housing expense ratio is too high.

Program requirements for MCCs vary, although most adhere to the following guidelines:

- The buyer must live in the home being purchased with an MCC-assisted mortgage.
- Total household income cannot exceed certain limits.
- The buyer cannot have owned a principal residence within the past three years. This restriction may be waived if a property is purchased within a certain targeted area.
- The purchase price must fall within an established limit.

More information is available by calling your local housing or redevelopment agency, or contacting your real estate agent.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

Do builders provide financing?

Many builders offer financing incentives to help move more buyers into a project. In fact, major building companies often have their own mortgage brokerage subsidiaries, while many other builders routinely refer buyers to 'preferred' local lenders. If it is a buyer's market in your area, you can be sure developers will offer incentives such as low-down-payment financing or interest rate subsidies.

Is private mortgage insurance always required on low-down payment loans?

Lenders require private mortgage insurance (PMI) on most loans with less than a 20% down payment. They believe there is a correlation between borrower equity and default. They have found that the less money borrowers put down, the more likely they are to default on a loan. PMI guarantees the lender will not lose money if this happens and a foreclosure is necessary.

A growing number of private lenders, however, are loosening up their requirements for low-down payment loans. In fact, the Homeowners Protection Act states that PMI must be dropped on any loan originated after July 29, 1999. Borrowers can request that PMI be canceled when they pay down the principal balance on their mortgage loans to 80% of the purchase price. Lenders must automatically cancel PMI when the balance hits 78%.

How can I finance work needed for home repairs?

A few lenders are willing to administer home improvement loans. Most prefer to make home equity loans or unsecured consumer loans because they are easier to manage. Home improvement loans usually require inspections and irregular draws on the loan amount as work is completed, which forces regional or national lenders to find local partners to provide oversight.

Financing repairs and improvements with home equity is okay for most homeowners, but is difficult for many first-time buyers. They have lower-incomes, smaller savings, and have made lower down payments on their homes than first-time buyers a decade ago. So they have little equity to borrow against. Unfortunately, it is often lower cost older homes purchased by first-time buyers that need the most work.

Unless you have a cash reserve, you will have to shop around for the best borrowing terms. In addition to the options listed above, you can ask relatives for a loan. Borrow against your whole life insurance policy. Refinance your existing mortgage. Get a second mortgage. Contact the government about home improvement programs. And-only as a last resort-borrow from a finance agency, which generally tend to charge higher rates.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

What about using an unsecured loan?

The interest rates on these loans are often higher than on secured loans and you generally will not be able to get a tax deduction for the interest paid. However, the costs to obtain an unsecured loan are usually lower. And the relative ease of getting this type of loan makes it popular for small projects costing $10,000 or less. The lender evaluates applications based on credit history and income.

What are the benefits of prepaying my mortgage?

You get to save thousands of dollars and shave years off the life of your loan because the additional payments made toward your monthly principal basically constitutes a partial prepayment of your mortgage.

Each mortgage has specific terms describing how and when prepayment may occur. Some lenders impose a penalty if you repay the loan too soon.

The total savings potential also will depend on how long you plan to live in your home. If you expect to move in the near future, do not expect to reap savings as large as those gained by people who pay ahead of schedule until they own their home free and clear.

Do I have to disclose a parent's gift to the lender?

Lenders prefer that you do. But relax, you are not penalized in any way for receiving parental help. An estimated one-third of all first-time buyers purchase homes with a loan or a money gift from parents.

Lenders also will approve gifts, with the proper documentation, from relatives, friends, an employer, church, municipality, or non-profit organization-although stricter restrictions may apply for gifts from friends and relatives other than parents.

Expect the lender to ask you to present a gift letter stating that a repayment of the 'gift' is not expected. The amount of the gift and the date it was given should be clearly stated in the letter, along with the donor's name, address, telephone number and relationship to you.

The lender also can ask to see a few bank statements to ascertain if the money was recently placed into the account.

A gift may be more acceptable than an actual parental loan, particularly if the loan must be paid back immediately, which could contribute to an increase in your monthly debt - something a lender may frown on.

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

How do lenders define bad credit?

It is all those things that appear on your credit report that are unflattering. They include: missing a credit card payment, defaulting on a previous loan, filing for bankruptcy in the past seven years, or not paying your taxes.

Other black marks include a judgment filed against you - perhaps for non-payment of spousal or child support-or any collection activity.

How do you clear up bad credit?

It is not easy but certainly doable with both commitment and time.

By law, any unfavorable information in your credit file can stay there from 7 to 10 years. Today, however, a creditor must remove credit blemishes in a timely fashion if you challenge them and they turn out to be false.

The first step in any recovery plan is to get copies of your credit records. You are entitled to free copies if you have recently been turned down for credit. Otherwise, request copies for a fee from the three major credit-reporting agencies: Experian, (800) 311-4769; Equifax, (800) 685-1111; and Trans Union, (800) 916-8800.

If you see any incorrect information, let the credit reporting agencies know. Also contact the companies that reported the negative claims against you.

If the credit report is correct, move immediately to take care of any outstanding delinquencies, tackling a little at a time until you get back on the right track. In fact, make an effort, if at all possible, to repay your debt in full and on time for six months to a year to prove you are working hard to repair any damage.

How bad is a previous foreclosure on credit?

Unfortunately, it is a pretty bad blemish. A property foreclosure is one of the most damaging events in a borrower's credit record. In terms of the effect on your credit history, a deed in lieu of foreclosure-where you voluntarily 'give back' your property to the lender-or a short sale-when the lender agrees to write off a portion of the loan that is higher than the value of the home-is not as adverse as a forced foreclosure.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

How can I protect my home from creditors?

Check with your state. It may provide special protection through the filing of a homestead exemption, which exempts some or all of the value of your equity in the homestead-the home that you live in and the land on which it sits-from claims of unsecured creditors. Whether to file a homestead exemption will depend on your situation. Contact your county recorder's office for details.

If faced with foreclosure, what are my options?

Talk with your lender immediately. The lender may be able to arrange a repayment plan or the temporary reduction or suspension of your payment, particularly if your income has dropped substantially or expenses have shot up beyond your control. You also may be able to refinance the debt or extend the term of your mortgage loan. In almost every case, you will likely be able to work out some kind of deal that will avert foreclosure.

If you have mortgage insurance, the insurer may also be interested in helping you. The company can temporarily pay the mortgage until you get back on your feet and are able to repay their 'loan.'

If your money problems are long term, the lender may suggest that you sell the property, which will allow you to avoid foreclosure and protect your credit record.

As a last resort, you could consider a deed-in-lieu of foreclosure. This is where you voluntarily 'give back' your property to the lender. While this will not save your house, it is not as damaging to your credit rating as a foreclosure. Exhaust all other viable options before making a decision.

Can a home be sold for less than its mortgage?

Becoming a more and more popular option for distressed homeowners, this process is called a 'short sale', which occurs when a lender agrees to write off the portion of a mortgage that is higher than the value of a home. But, usually, a buyer must be willing to purchase the property first.

A short sale may be more complex if the loan has been sold in the secondary market. Then the lender will need permission from Freddie Mac or Fannie Mae, the two major secondary-market players.

If the loan was a low-down payment mortgage with private mortgage insurance, the lender also will need to involve the mortgage insurance company that insured the low-down payment loan.

Vancouver Real Estate Group

Office: 778-866-4654 ; Text/SMS/Voice: 604-770-0096 ; Direct: 604-202-1412

The short sale can keep the homeowner from landing in bankruptcy or foreclosure, but you must be able to prove your financial hardship. And any remaining difference between your home's value and the balance on your mortgage is considered a forgiveness of debt, which may mean it is taxable income.

Will I be able to buy again after losing a home to foreclosure?

It can happen. But a lot will depend on your circumstances and the mortgage interest rate you are willing to pay. Generally, most lenders will consider your request for a home loan two to four years after your foreclosure. Predatory lenders will issue a home mortgage in less time. But beware-they routinely charge high mortgage interest rates, fees, and penalties for this privilege.

A quality lender will expect you to show that you have cleaned up your credit. Providing a reasonable explanation about the circumstances that led to the foreclosure - such as exuberant medical expenses-is also helpful.

How long do bankruptcies and foreclosure stay on a credit report?

They can remain on your credit record for seven to 10 years.

However, a borrower who has worked hard to re-establish good credit may be shown some leniency by the lender. And the circumstances surrounding the bankruptcy may also influence a lender's decision. For example, if you went bankrupt because you were laid off from your job, the lender may be more sympathetic. If, however, you went through bankruptcy because you overextended personal credit lines and lived beyond your means, it is unlikely the lender will readily give you a break.