

General Process for Buying and/or Mortgaging Real Estate

- 1) Normally the initial step is to obtain a pre-approval and a rate hold, if interested in a fixed rate mortgage (standards are 60-120 days), vs. a variable rate from a qualified Mortgage Specialist that can handle all your needs. The pre-approval usually involves the mortgage rep obtaining your credit report(s) for evaluation; signed consent is needed to do so. As well as acquiring your income documents like; current pay stubs, last 1-2 years of T-4's, job letters or if self-employed, copies of Articles of Incorporation and last 2-3 years of T-1 General personal tax returns or corporate financial statements.
- 2) Shop the market for properties preferably with a qualified Realtor that will understand your needs and concerns. Be aware that certain types of properties do not fall into all lenders acceptable guidelines and may limit your options. Once you have found a property to buy, you will need to write an OTP (Offer to Purchase) with your Realtor. Be prepared to put an initial deposit with the OTP for presentation, usually \$1000-5000 but fully negotiable, via: personal cheque.
- 3) Most OTP's will have 2 common conditions included in it to protect the buyer, a) Subject to financing, usually within 5-7 business days and b) Subject to a home inspection, not usually for condos, this may be arranged with the help from your Realtor. The first condition allows your mortgage rep time to obtain the necessary financing for you while protecting your deposit in case of a decline on the mortgage application. Even with a pre-approval a decline can come from either the lender or the mortgage default insurance company CMHC or Genworth, if applying for a "High Ratio" mortgage (less than 20% down payment), for various reasons. The second condition is to protect the buyer from being forced to buy a property that may have too many deficiencies to meet your satisfaction, therefore allowing you to cancel the OTP and receive your deposit back.
- 4) Once both a lender and a mortgage default insurance company, if applicable, have approved the mortgage application a copy of the mortgage approval/commitment should be sent to the buyer for review. The mortgage default insurance costs are as follows: 5% DP (Down Payment) = 2.75% of the mortgage amount, 10% DP = 2.0%, 15% DP = 1.75%, 20% DP = 1% and 25% DP or greater usually no insurance is required, called conventional financing. These mortgage insurance premiums will be added to the basic mortgage balance and paid for through your regular mortgage payment. Maximum amortization allowed is 25 yrs for High Ratio Insured mortgages/CMHC (less than 20% DP), or 30yrs for uninsured mortgages (\geq 20% DP).

- 5) The buyer would then review the mortgage commitment to be completely confident and comfortable with any/all outstanding conditions set forth by the lender that must be met approximately no later than 1-2 weeks prior to possession date, also referred to as closing date or funding date.
- 6) The buyer would then sign the mortgage commitment and return it to the mortgage rep accepting those conditions to protect both the rep and the Realtor when removing the condition of financing from the OTP. Such conditions could include but are not limited to; down payment verification, any outstanding income and employment verification, a lawyer's info of your choice for closing the transaction, a signed "Consent Form" giving the mortgage rep authorization to have obtained your credit report for the application, a signed industry "Mortgage Borrower Disclosure Form", signed optional mortgage life insurance form and a void cheque for automatic payments from ANY Bank account.
- 7) Once all the buyer's conditions set forth on the OTP are met normally a second deposit is required to make the OTP a firm and binding sale/contract. Usually another \$1000-5000 again is a general rule of thumb, already written into the accepted offer at that time. Be aware that all deposit amounts are fully negotiable when writing the initial OTP with your Realtor. Once the second deposit is issued and all conditions in the OTP have been waived by signing a waiver with your Realtor the contract to purchase is now considered binding and your deposits are considered non-refundable.
- 8) After all deadlines for conditions have been met and the OTP is now a firm sale the buyer must complete any outstanding conditions to be met on the mortgage approval/commitment within a reasonable amount of time, again no later than 1-2 weeks prior to closing is preferred.
- 9) Other areas of focus now are a) giving proper notice to vacate if renting your current residence. b) Inquiring and obtain Homeowners Fire Insurance which must be proven at the lawyers when signing the formal mortgage documents. Most insurance companies will ask for whom the loss payable will be, obtain this info from your mortgage rep as one does not know up front who the lender will be for your deal. c) Deciding on a lawyer to represent you and the lender in the closing of you purchase, if you are not familiar with any quality, experienced real estate lawyers then ask either your Realtor or Mortgage Rep for a few referrals. Lawyer's fees and disbursement costs can range from \$500-1500 total. d) Also be aware that most Mortgage Reps will advise you that the easiest form of paying your property taxes will be through the local municipality's TIPPS program (Tax Installment Payment Program Service). Please contact City of Calgary i/a to inquire about applying at 234-7480.

10) Once all the outstanding conditions have been sent to your Mortgage Rep they will advise you once the application is considered 100% complete from the lender. Once everything is 100% complete you can then expect a call from your lawyer to book an appointment, approx 3-10 days prior to closing, for signing the legal mortgage documents and to let you know the last of the closing costs. Be prepared to have these funds ready to pay to your lawyer on that day of signing. These can include; any remaining balance of total down payment (remember the deposits you gave up front), lawyer's fees and possibly a few other miscellaneous costs. Your legal representative should explain all costs pertaining to the transaction along with the mortgage terms and conditions you are signing to your satisfaction of understanding.

11) Once all closing costs have been paid and mortgage documents signed you will then most likely do a walkthrough of the property on possession date with your Realtor and obtain the keys to your property. Tip: It may be an idea to have the locks changed.

Note: This is a basic indication of the process for buying and mortgaging Real Estate and not a definite process as all purchases are different and all purchasers have different circumstances and needs. Any variation of the above may occur during the process. If the buyer were to have any questions at any time please remember to utilize the professionals at your disposal as that is what we are here for. Remember a purchase of such magnitude should be exciting but depends mostly on your attitude and the comfort you have with your representatives and their ability to serve you.

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