HOW TO GET A MORTGAGE THAT LETS YOU LIVE, SLEEP AND ENJOY YOUR NEW HOME

Luckily, getting a mortgage that is right for you is a lot easier and less time consuming than saving up the down payment. However, for many homebuyers, the mortgage process can be overwhelming and intimidating. There are some key terms to know, assumptions to make, and numbers to crunch. The helpful, friendly experts at Coastal Community can guide you through the process, answer questions, simplify things and help you get a mortgage that is right for your situation. Through the process, here are some things you will need to know.

1. **HOW MUCH CAN YOU AFFORD?** If you're not sure, a good place to start is with our mortgage calculator. Our experts also have other tools to help determine how much you can afford. You'll want to be able to comfortably cover your payments and other home ownership costs, and still be able to meet the rest of your financial commitments.

2. **HOW DO YOU GET PRE-APPROVED?** The first step is to know how much you can afford. Then you'll need to work with one of our mortgage experts to get pre-approved. The pre-approval process will take into account an interest rate and desired term (length of mortgage). Getting pre-approved is a good thing because you'll be ready to make an offer when you find the house of your dreams, and you'll know what your interest rate will be (guaranteed for 60 days).

3. **WHAT'S THE RIGHT MORTGAGE?** The right mortgage lets you live comfortably within your means, and helps you meet your goals. To make sure you get the right mortgage, you'll need to know a few basic concepts. Here are some of the items you'll need to consider:

   a. **AMORTIZATION PERIOD.** This is length of time it will take to pay off your mortgage, assuming the same interest rate and payments during that time. The most common amortization period is 25 years but some people choose to go with 20, 15 or 10 years. A shorter amortization period means you will pay less interest overall (i.e. you will pay off your mortgage faster), but it will also mean that your monthly payments will be higher.

   b. **TERM.** A term refers to the length of your mortgage contract with a financial institution and typically ranges from 6 months to 10 years. When the term of your mortgage expires, you may renew it or repay the balance owing.

c. **FIXED OR VARIABLE RATE.** If you choose a fixed rate for your mortgage, the rate will not change during the term of the mortgage. This will give you peace of mind and stability with your mortgage payments—particularly in a rising rate environment. With a variable rate, your interest rate will fluctuate with the market interest rate, known as the "prime rate." The rate that makes sense for you will depend on what you think will happen to rates, your tolerance for risk, and your need for stability when it comes to payments.

d. **OPEN VERSUS CLOSED MORTGAGE.** An open mortgage lets you pay back any portion of your mortgage at any time—ideal for those that may receive bonuses, dividends, tax refunds or other sources of revenue. A closed mortgage means you will most likely have to pay a penalty if you want to pay off a portion or the entire mortgage during the mortgage term. Only closed mortgages are eligible for the One Grand Plan bonus.

e. **PAYMENT FREQUENCY.** Another factor to consider is your mortgage payment frequency. It can be monthly, semi-monthly, bi-weekly, weekly and more depending on your situation. Why make more frequent payments? Over time, more frequent payments will pay the mortgage down faster and save you money on interest.

f. **PRINCIPAL VERSUS INTEREST.** Principal is the amount of money you borrow to buy your home less any amounts that you have repaid. You reduce the principal owed with each mortgage payment; in the beginning, the bulk of your mortgage payments will go toward interest, and over time, the bulk of your mortgage payments will go toward paying off the principal. Interest is the amount charged by a financial institution for the privilege of borrowing money.

4. **HIGH RATIO MORTGAGE.** You also need to bear in mind that if you have a down payment of less than 25% of the purchase price of the home, you will require a high-ratio mortgage. These mortgages have to be approved by Canada Mortgage and Housing Corporation (CMHC) or Genworth Corporation (formerly GE) and mortgage insurance is required.