

Answers to mortgage questions keeping some first-time homebuyers up at night

It's that time of year again. On the first warm weekend, you can't miss the "open house" and "for sale" signs in almost every neighbourhood across the country. The home-buying urge seems to be part of our national spring fever. But why should you be left out? You're renting now, but by summer, maybe you could be in a home of your own. Is it possible? Are you wondering...

Q. How much house could my rent buy?

- A. If you're paying \$1,250 in rent each month, you could be carrying a mortgage of \$186,726. If you're paying \$1,500, that's potentially a mortgage of \$235,100. Paying over \$1,750 each month? You could be paying off a mortgage of \$283,475! How are the mortgage payments so affordable? Firstly, right now we're benefiting from historically low mortgage rates. Secondly, you now have access to longer-amortization mortgages that lower your monthly mortgage payment. (These examples are based on that combination: a 5.3% rate and 40-year amortization, plus 3.7% insurance premium, property taxes and heat of \$285 per month).

Q. Can I really buy a house with no money down?

- A. Yes! There are several excellent mortgages available with zero downpayment required. In general, all you need to qualify is a good credit record, and the ability to meet your payments comfortably. If you have savings, you can keep that money for other needs and wants, like moving expenses, or paying out debt.

Q. If I'm self-employed, do I have to prove my income to get a mortgage?

- A. No, not in today's mortgage world. You can now qualify based on the income that you say you earn. This kind of mortgage is known as "stated income" because the lender takes into account the income

you state, and not the income you can prove. The income should be reasonable, of course, and the lender may want proof of your self-employment, and may require 5% to 10% down. If you don't want to state your income, you can also qualify on the strength of a strong credit history, rather than on your income. You'll need a good credit score and proof that you've been self-employed for at least two years.

Q. Is it possible to buy a home if I've had past credit problems?

- A. Even with some spotty credit and no proof of income, you may qualify for a mortgage if you have some equity in your home (at least 25%). For these mortgages, qualification is based on your accumulated equity and the value of your home. If you feel your credit rating is keeping you from accessing preferred mortgage rates, take a year to fix it using an innovative one-year transition mortgage. Then after that year, if you qualify, you can move to a longer term preferred rate mortgage. You'll reposition high-interest debt to improve cash flow, fix your credit and save on overall interest.

Q. Where do I start?

- A. Talk to a mortgage broker. Why? A mortgage broker deals with over 50 lending institutions, including major banks, credit unions, trusts and other lenders, which means they can put significant negotiating power behind finding the best mortgage to fit your specific situation. This service costs you nothing (oac). Instead, the lender selected pays compensation for the services and solution provided. And since a mortgage broker's business is built primarily through referrals from satisfied customers, your positive mortgage experience is essential!

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