House-shopping with a full wallet

Talk about high-stress shopping. Searching for the perfect home – the place where many of the biggest dreams of your life will unfold – is not exactly like browsing for a new pair of shoes. It's a much bigger purchase, for starters, and you'll hopefully enjoy it for longer. And of course a good part of your personal and financial life will be riding on the choice you make.

Given all that, it's surprising that some people who go house-shopping have no clear idea of what they can afford. It's often a recipe for heartbreak – when the house they've fallen in love with is NOT a house they can afford. There's nothing more disheartening than seeing a client's dream dissolve when he or she is turned down for a mortgage loan. On the other hand, many homebuyers set their sights too low, too, making a conservative guess on what they can afford, then spending time and thousands of dollars on "moving up" purchases that they might have skipped.

What you want to do is to go house-shopping with a full wallet: with an actual pre-approval from a lender. This way, you will know – to the dollar – what you qualify for and exactly how much it will cost you to carry the mortgage. You'll also have the interest rate held for you for a specified time period, typically 90 to 120 days.

So, what exactly is involved in the pre-approval process anyway? You should expect to provide your mortgage planner with information on your employment/income, assets and liabilities, and downpayment. The planner will also obtain a report on your credit history. This diligent analysis of your information is exactly what underpins the strength of a mortgage pre-approval. Your information will then be submitted to the best lender or lenders that can meet your needs.

Most lenders will quickly prepare your pre-approval, which essentially is a conditional mortgage approval that states the mortgage amount, term, interest rate, expiration date and required documents. Of course, it's important to be aware that you'll eventually need to substantiate the information you provided for the pre-approval when you go back to the lender for the actual mortgage. That's why it's important to provide accurate information.

Even if you have a pre-approval, it's still recommended that you include in your offer a "subject to financing" clause. A pre-approval qualifies you – the borrower – and not the property. As a result, the final mortgage approval also depends on the house you decide to buy, so it will have to meet with the lending institution's approval guidelines too. You'll need to provide the necessary information such as the offer to purchase, MLS listing, and any other documents required by the lender so they can assess the property. Once all of the lender's requirements have been met, the lender will submit the documents to your solicitor, who will set up an appointment with you prior to closing so you can sign all of the documents and review your closing costs. Then you're done; you've gone from pre-approval to getting ready to move.

Don't get a pre-approval confused with a pre-qualification. A mortgage *pre-qualification* is a much more informal procedure and more of a ballpark figure only, not a firm number of exactly how many dollars will be lent. A *pre-approval* lets you know precisely how much money the lender is willing to let you access, and you'll receive proof of this offer in writing.

Before you go browsing for a home then, schedule a visit with a reputable independent mortgage planner to secure your pre-approval. Sellers will know that you are serious, agents will go that extra mile for you, and you'll know that your new home is within your budget.

Mark Goode AMP
Agent #M08003177
Mortgage Broker

180 Memorial Avenue, Orillia, ON L3V 5X6

T: 705.326.8523 TF: 1-866-326-8523

mark@markgoode.ca
www.markgoode.ca

Mortgage Architects™

Designed around you.™

Brokerage # 10287
Corporate office: 6505 Mississauga Rd., Suite A/B, MIssissauga, ON L5N 1A6