Squeezing in through a zero-down mortgage

Some homebuyers are not aware of zero-down mortgages, while others believe they are no longer available, a victim of the economic turmoil. But the zero-down mortgage is not extinct; it's alive and well and offered by a handful of excellent lenders to qualified buyers who want to take advantage of today's market.

For buyers with reasonable income security and a good credit rating, the market doesn't get any better than this. Right now, we've got that magical combination of low rates – and a housing market that offers some excellent value now that prices in many communities have come down to earth. How long will this dream market last? Probably not long. But if you're thinking of squeezing in through a zero-down mortgage, here's what you need to know.

Let's begin with a reminder that the zero-down mortgage isn't for everyone. But for the right buyer – struggling to save up a hefty downpayment while paying rent – the zero-down mortgage can be a tremendous financial boost: enabling them to make the step to homeownership and begin building home equity. There are three ways to go zero-down – borrowed downpayment, cash back or gifted.

Borrowing the downpayment is typically done through a loan or unsecured line of credit. The loan amount will be used in your qualifying calculation, but it does then allow you to secure a mortgage for 95% of the purchase price at fully discounted rates.

Cash back mortgages provide the cash upfront for some or all of the downpayment, although the lender charges a higher interest rate, and if you pay out your mortgage before your term is up, you'll be required to pay back some of the downpayment portion of the total mortgage. You'll also need to qualify based on that higher rate.

Gifted downpayments, for instance, money provided from a parent, are not used in the qualifying calculation and allow you to qualify for discounted rates. The person gifting you the money must be a blood relative and needs to sign a gift letter saying that you are not required to pay back the gifted money at any time.

Remember too that you'll need to be able to prove your income: easiest if you're salaried or an hourly employee. And you should have a good credit rating. Not sure what your credit rating is? Before you do anything (like cancelling credit cards, etc), talk to a mortgage planner. And, of course, you still need to have money set aside for closing costs. Your mortgage planner can explain the details.

So is it worth pursuing no downpayment, or is it better to wait and save? Canadians tend to be naturally cautious about their finances, and so we generally favour the "wait and save" strategy. But the fact is that for some homebuyers it can make more financial sense to get into the market – especially in an environment like the one we're in now. These mortgages allow you to get into a place of your own at today's home prices.

If you're wondering whether to take advantage of today's market – with a zero-down mortgage – begin by talking to an experienced mortgage planner!

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™
Planner Network

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