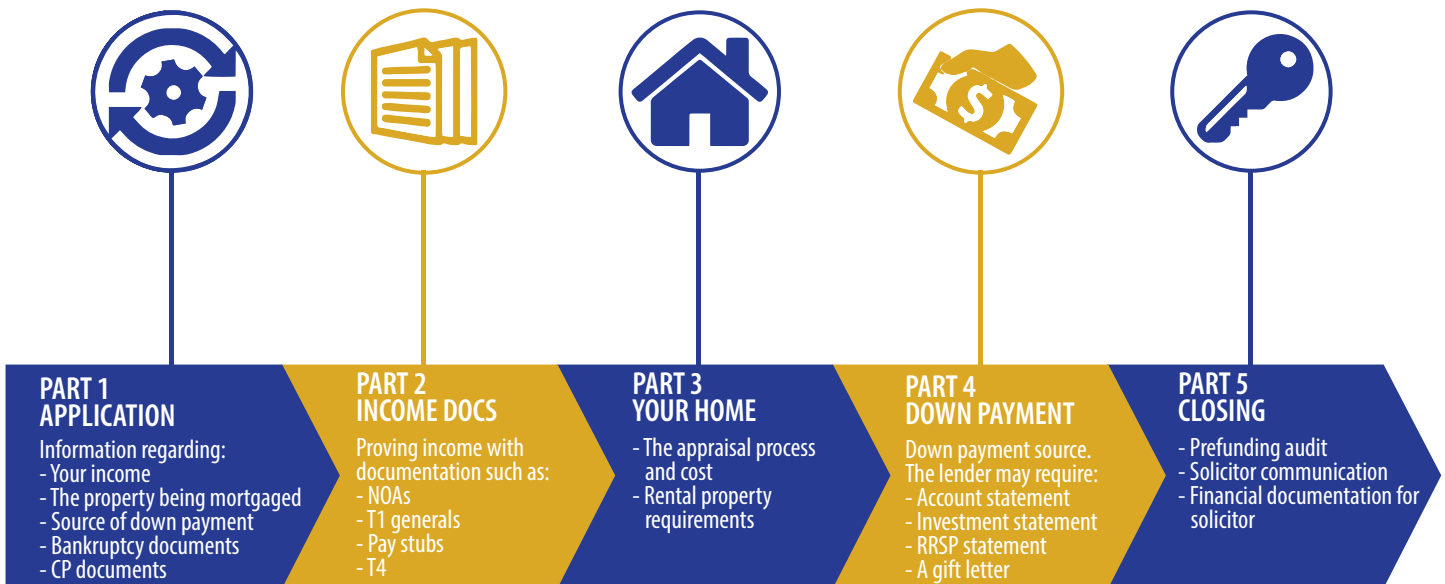


# What to expect during the mortgage process



## BE PREPARED

A mortgage is a big transaction. There are a lot of moving parts and being prepared is essential. Here is a 5-part series to help ease your mind and walk you through the mortgage process.



# What to expect during the mortgage process

## Part 1



### THE APPLICATION

You are ready to take the first step into home ownership or you're ready to refinance! This is going to help you get through the process.

During the application process, you'll be asked for information about:

- Your income.
- The property being mortgaged.
- How you will pay for the down payment (if you're buying a home).

Your broker will pull a credit report and share it with the lender so they have details on any outstanding debts as well as your credit score.

If you have had a bankruptcy or consumer proposal, you will need to supply all supporting documents before being issued a mortgage commitment.

#### **Bankruptcy documents:**

- Discharge statement.
- List of assets/liabilities.
- Dividend sheet.
- Statement of affairs.

#### **Consumer proposal documents:**

- Discharge statement or certificate of full performance.
- List of assets/liabilities.
- Statement of affairs.

If your application falls within the lender's guidelines, they will then send your broker a commitment that will outline the details of your mortgage such as:

- Conditions.
- Interest rate.
- Term.
- Amortization.

Ask your broker to go over these details with you so you understand them. Now that you have a commitment, get ready to meet the conditions that came with that commitment. Part 2 - Supporting Documents is next.

# What to expect during the mortgage process

## Part 2



### SUPPORTING DOCUMENTS FOR INCOME PROOF

Now that the application process is dealt with, it's time to prove your income to your lender. This means you'll be required to gather the documentation that proves to your lender you can pay your mortgage on time each month. See the list below for what you might need depending on your type of employment.

Requirements vary from lender to lender, but these are the documents you will typically need to provide to support your application.

#### **Your income:**

If you are employed with a **salary**, you will usually be asked for:

- A letter of employment (to include name and address of company, job title, starting date and salary).
- Your most recent pay stub.
- Notices of Assessment (NOA) for the last two years (ensure that no taxes are outstanding).

If you are **self-employed, work part-time or are paid by commission**, you may need to provide:

- A letter from the company on letterhead reflecting your start date and position.
- T1 generals for the last two years.
- Most recent NOA (tax returns) to ensure no taxes are outstanding.
- Bank account statements or company financials.
- Separation/divorce agreement, including child support details, if applicable.
- Statutory declaration prepared by solicitor stating income used for qualification.

If you receive a pension or disability, you might be asked to produce:

- T4 and T1 generals for the last two years.
- Bank statements to confirm deposits.
- Perhaps an entitlement letter to confirm duration.

Once you've produced the proper paperwork and sent it to your broker, your broker will send them on to the lender on your behalf. Now you're ready for Part 3 – Your Home.

# What to expect during the mortgage process

## Part 3



### YOUR HOME

Now that you've completed all your income paperwork, you're ready to provide a few more details on the home.

You are going to be asked to confirm whether you will be:

- Living in the home.
- Using it for rental income.
- Using it as a second home.

Your broker will arrange for an appraisal of the property to confirm its value (and market rent analysis if this is a rental property). The appraisal also reveals its marketability and its state of repair. You will be asked to pay for the appraisal, up-front, directly to the appraiser. This will typically cost \$350, though it can go up to \$450 if it is a very large or remote home.

If this is for a rental property, you will be asked for proof of rental income with:

- T1 (if declared).
- Bank account statements (if not declared).

If you are buying a home, your broker will need to see the purchase agreement for both the property you're buying and the home you are selling (if this is the case). Your realtor will provide these to you. Your broker will also need your solicitor's name and contact details, which will be shared with the lender.

We know this is a lot of info to take in, but you're almost over the finish line. You've made it to Part 4, The Down Payment!

# What to expect during the mortgage process

## Part 4



### DOWN PAYMENT

You're almost at the finish line. It's time to talk down payment.

If you are buying a home, the lender will need to know the source of the down payment. They may require:

- Your savings account/statement (90-day history) to prove the down payment is not borrowed.
- A snapshot of your investment statement.
- An RRSP statement.
- A gift letter (if your down payment or part of it is a gift, it must be from an immediate family member).

Your broker will provide you with a template to fill in which makes this process easier.

Once your broker receives all the necessary documents outlined in the commitment, along with your signed copy of it, your file will be forwarded to the lender's funding department.

Congratulations! You're almost done.

# What to expect during the mortgage process

## Part 5



### CLOSING

At the closing point, the lender will contact your solicitor to instruct them on the final conditions for closing. This will include how the funds should be disbursed.

Your solicitor will be in direct contact with you to confirm your closing date. This is when you will sign the final documents and funds will be transferred.

#### Your solicitor's role in closing

Depending on your personal circumstances and the conditions of your commitment, your solicitor will be asked to provide your lender with some or all of the following documents. Discuss these with your broker ahead of time to make sure your solicitor has everything they need at the time of closing. The documents are:

- A signed pre-authorized debit (PAD) form to set up your regular mortgage payments.
- Title insurance policy.
- A copy of the property's title (to ensure there are no outstanding liens).
- Proof of paid personal taxes and city taxes (unless some mortgage funds are going towards paying them off).
- Proof of subject property insurance (fire).
- Proof of identification.
- A payout statement to confirm the amount owing on your current mortgage.

#### The day of closing

You will meet your solicitor on the agreed day of closing (this is usually determined by you, or if you're buying a home, in agreement with the seller).

Your solicitor will have you sign all necessary final documents. Once this is done, your solicitor will disburse the funds to the seller of the property or your previous mortgage lender and any other creditors, if instructed. Your first mortgage payment will start on the date outlined in your commitment.

That's it, you've done it. With the help from your broker, surprises should be limited and your stress level should remain low.

Congratulations!