

# Mortgage Overview

*An easy guide*

Compliments of . . .

Fraser Carmichael  
RE/MAX Ocean Pointe Realty  
640 Trans Canada Highway  
Ladysmith, BC  
Box 970  
V9G 1A7  
Toll-free: (800) 665-8313  
Phone: (250) 245-3700  
Fax: (250) 245-2234

## Mortgage Incentives and Promotions

Over the last decade, consumers have demanded more options when it comes to their mortgage. The banks have responded by offering a variety of new, innovative options and pricing alternatives. Never have consumers had more choice. And never have things been so complex. Here are just some of the options available to you.

### Discounted Rates

A lower interest rate will save you thousands of dollars over the life of your mortgage. Compare the rates from a mortgage broker to the posted rates at the banks. The truth is that the bank will probably offer you a discount from their posted rate if you are a good client with good credit. The trick is to know which banks will go the lowest, when, and why! We make it our business to find clients the best rates, from every source.

### Cash-back Mortgages

Buying a home is an expensive proposition. Now add all the other expenses including moving, new furniture, paint, utility connection - and things really start to add up! A number of banks recognized this and now offer cash-back to the borrower, right after they buy their new home, to help with the extra costs. The amount of cash is based on the amount you borrow. For instance, if you borrow \$100,000 and the cash back offer is 5%, you'll get \$5,000 back!

Cash back is usually offered as an alternative to a mortgage rate discount. Cash-back is most useful to the cash-strapped first-time buyer. Our mortgage consultants can help you determine whether this option is the right one for you. Not all lenders offer the same amount of cash-back. Let us help you find the best deal.

### Easy-Start Mortgages

This is another product designed to help the first-time buyer. This mortgage gives you a five year term, but has a substantially lower interest rate in the first year (and therefore, lower payments). The trick is to determine whether the larger discount in the first year is more beneficial than a smaller discount applied to the whole five-year term. Once again, our mortgage consultants can help you with these calculations.

### All-inclusive Mortgages

Once again, the first-time buyer is usually the beneficiary of this type of mortgage. This mortgage absorbs all the legal costs and most of the closing costs involved in purchasing a new home. Of course, nothing is free, so you will pay a slightly higher interest rate. But if all your available cash is going towards the downpayment, this option could be the one for you.

### Split Term Mortgages

What happens when you can't decide whether to go with a short-term mortgage or a long-term mortgage? You take both! A split term mortgage lets you lock part of your mortgage in at a short-term rate and the rest in a long-term rate. You can even select 3 or 4 different terms. This is a relatively complicated product and should be discussed with one of our mortgage consultants.

## Rate Capped Mortgages

These mortgages have an "interest rate ceiling" so that you know that your interest rate will never exceed a pre-determined rate. As with most mortgage products, there are pros and cons to capped mortgages. Be sure to discuss them with one of our mortgage consultants.

## Variable Rate & Adjustable Rate Mortgages

Variable and Adjustable Rate Mortgages (ARM's) are usually linked to the prime lending rate (which changes periodically). This means that the interest rate on your mortgage is subject to fluctuations as well. When interest rates are declining, your mortgage interest rate is also declining. Variable Rate Mortgages are a cheap source of mortgage financing and are especially attractive in a market where interest rates are forecast to continue dropping. Many variable rate mortgages will allow you to lock into a fixed-rate mortgage when you think interest rates have bottomed out and may start going back up. The rates and features for these mortgages vary widely from bank to bank. The banks offer different "teaser" rates to lure you in and differ greatly on the floating rate. Please ask one of our mortgage consultants to help you determine which bank is currently offering the Variable Rate Mortgage with the lowest effective interest rate.

## Open Mortgages

Open Mortgages allow you to pay the mortgage out in part or in its entirety without incurring a pre-payment penalty that may apply in a closed mortgage term. This type of mortgage is useful if you plan on selling your home.

## Equity Lines of Credit

An equity line of credit gives you access to the equity in your home (up to 90% of the value of your home). This is a great way to finance a home renovation, borrow money to diversify your investments, or consolidate other debts at a lower interest rate.

## 2nd Mortgages

Second mortgage financing can be a great way to avoid the cost of a high-ratio mortgage or take some additional equity out of your home. One of our mortgage consultants will help you explore this option to see if it makes sense for your specific situation.