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Hey Dad, Can I Have the House?

Helping junior buy a home is noble, but your own finances come first

Buying a first home can be stressful and will likely impose a hefty financial burden on the purchaser.

Parents and grandparents may be tempted to lend or give money for a down payment or act as a guarantor or co-signer for a mortgage in order to try to ease the financial pressure on their offspring. Financial advisers urge them to look at the big picture before becoming entangled with a family member's money matters.

"The first question ought to be: Can you afford it? Most Canadians are not adequately prepared for their own retirement, so if you're a typical Canadian parent, you probably need to do some kind of assessment," says Jonathan Sceeles, a Toronto-based financial planner with Edward Jones. "See whether or not you really can afford it and how deep an impact it will have on your retirement."

If you decide you can afford it, you can lend or give money to cover all or part of the down payment.

"There is an increase in immediate family members gifting funds," says many mortgage brokers. "What's required from a mortgage standpoint is a gift letter...a template that has to be completed by the person who is giving the money and by the person who is getting the money."

Often parents will help out to enable their offspring to make the minimum five per cent down payment on a mortgage. The lender needs to know the gift of money is genuine and will not be reneged upon once the mortgage application has been approved.

"A gift [for the deposit money] is better than a loan," says Sceeles. "A complication of lending the money is that the Canada Mortgage Housing Corp. is going to consider that to be what's called a 'flex down' situation, where they won't qualify for the normal CMHC insurance rate. They will pay a surcharge because a portion or all of the down payment was borrowed.

"Of course a gift is just that: Think twice about whom you may be giving it to.

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Home Loans for Credit Challenged Borrowers

Just because you have negative items on your credit report doesn't mean you can't obtain a home mortgage loan. There are options for you. Bad credit is not the end of the world. It's true that getting a bad credit mortgage loan is not always the easiest or fastest mortgage loan out there, but you can still buy your own home even with bad credit. Bad credit shouldn't stop you from getting a home loan. There are credit repair options. Most mortgage brokers will do everything they can to get your credit in good shape for your home loan. They work with you on finding the mortgage loan option that's right for you. You can get a home loan, even if you've had a bankruptcy or a foreclosure. There are several bad credit mortgage loan options available for the credit challenged and even people with no credit at all, such as:

- Sub-Prime Mortgage Home Loans
- Stated Income Mortgages (Self-Employed)
- Private Mortgages



Step One: Know Your True Credit Score

Perhaps you've already been turned down for a mortgage because of a negative credit report or having no credit at all. Perhaps you've filed for bankruptcy. Whatever the case may be, you know your credit is bad. But do you know how bad? Are you sure your credit report is accurate? Eighty percent of credit reports have mistakes. Here's what you can do to help yourself:

- Get a copy of your credit report.
- Verify the items listed on your credit report.
- Take steps to repair any errors on your credit report.
- Take steps to remove errors on your credit report.
- Monitor your credit regularly.

Step Two: Consider Your Options

You really have two options, once you know what your credit score is. You can contact your broker who will use a bad credit mortgage lender and accept that for a while you must pay a higher interest rate than you would if your credit was perfect. Or you can wait and try to fix your credit and bring up your credit score before you buy a home. If your credit history is not that bad, you might want to take some time to bring up your score. To improve your credit score:

- Pay off as much debt as you can.
- Pay your bills regularly and on time.
- Don't apply for too much credit.



Step Three: Prepare Yourself with the Facts

Before applying for credit, prepare.

Assess your financial situation. Do you have the income to add a mortgage to your debt load? Have you made as many lifestyle changes as possible to reduce your debt? Have you done all you can to bring up your credit score?

If the adverse credit items on your credit report occurred because of some reasons beyond your control, for instance, illness, job layoff, marital problems or other temporary setbacks, you must provide a written explanation of your circumstances to the mortgage broker. This can be provided with the loan application or at some other point in the loan process. If you have had sufficient time to regain financial stability since the problems occurred and to demonstrate prompt payment, the lender may offer some consideration in the approval.

"Friendship, like credit, is highest when it is not used."

Courtesy of Elbert Hubbard

A Softening Economy and Housing Market

Canada's housing market is losing momentum, with supply estimated to have risen by 3% in the second quarter and demand falling by close to 9%. Add to this the impact of the HST in Ontario and BC, and you have a sure recipe for a softening market. We expect house prices to fall by 5%-10% in the coming year. In addition, the number of mortgages outstanding is growing at the slowest pace since 2003, with reduced demand for mortgages most notable among first time home buyers.

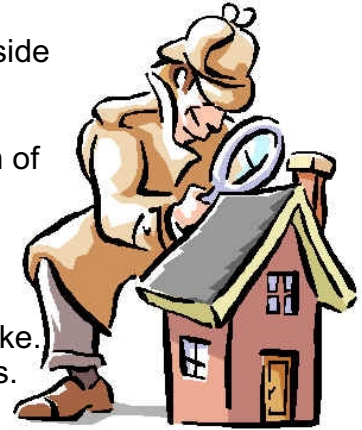
While household debt is still rising faster than income, it's no longer rising faster than assets. The net worth of Canadians improved in the first quarter, in absolute terms and relative to income. Overall, economic activity is likely to soften notably in the coming few quarters. The Bank of Canada is expected to continue raising rates in the second half of 2010. However, we expect the Bank to remain in neutral in the first half of 2011 as it assesses the impact of previous rate hikes and waits for the US central bank to start its tightening cycle. Overall we expect the bank rate to rise to 2.5% by late 2011.

**Are you worried about a rising prime rate in your variable mortgage?
Call Us Now!!**

How Lenders Assess the Value of a Home

Your mortgage lender uses an appraisal to learn about your home and to set the value

- § To learn more about the location, the lender reads notes about the neighbourhood and nearby properties.
- § The lender looks at the price range and types of properties to see if the value and style fit the area.
- § The lender also looks at the size of your house and the shape it's in.
- § The appraiser measures your house and adds notes on the condition of both the inside and outside.
- § The appraiser comments on work that needs to be done and the quality of the finish of the house.
- § A property in poor shape loses value even if it's in a great location.
- § Your lender will review the pictures of your house and street to see what they look like. In real estate, a picture is worth a thousand words and possibly thousands of dollars.
- § The age of a house is looked at three ways - the year it was built, the effective age and the remaining economic life. The shape the house is in and any work it needs determine the effective age.
- § The remaining economic life of a house is how long it will be before the house needs major repairs.
- § The economic life of a house helps the lender decide the longest amortization period for your mortgage.
- § The appraiser will use two approaches to analyze the value of your house.
- § The first is the cost approach. To calculate the cost approach, the appraiser uses the value of the land, construction costs per square foot, the value of improvements and depreciation. The second is the comparative market analysis approach. The appraiser looks at properties that recently sold and compares them with yours. The appraiser makes notes on the reason for each value. The lender usually uses comparative analysis to decide on how much money they will lend.



Hey Dad, Can I Have the House? (Article Continued)

"If a parent were to give their child \$100,000 to buy a home," says Myron Knodel, a tax and financial planning expert, and "should that child go through a marriage breakdown, the equity in that home would be split evenly between the two parties, regardless of where the money came from, so now you have \$50,000 leaving that family unit."

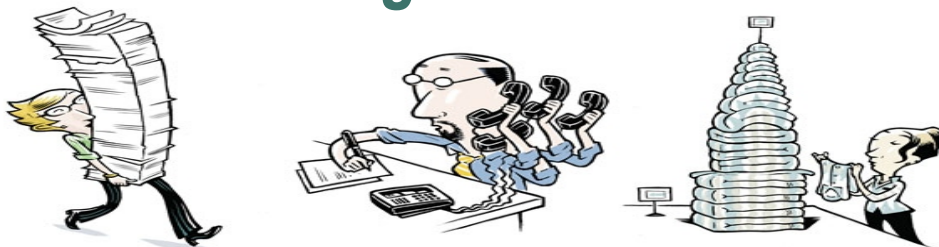
Knodel says lending the money may help keep your investment in the family if your child gets divorced, but it is crucial to consult a lawyer, as there are limitations on forcing repayment of a debt if the loan was informal in nature and regular payments were not made.

"If you're adding your immediate family on as a guarantor or a co-signer," says brokers, "it's because of one of two things: Your income is not good enough to qualify on your own or your credit [rating] has some problems."

If the parent is a co-signer or guarantor, he or she is liable for the mortgage payments if the child defaults. A co-signer is on the title of the property, so with all the potential for problems down the road, Knodel suggests checking with a lawyer about implications for first-time buyer help, removing yourself from the title in the future and inheritance issues.

"Don't try to get around those new mortgage qualifying rules; they're there to protect people from default, from financial ruin."

The Secrets to Getting More Done in Less Time



It seems that every day we have more and more to do and unfortunately the day is still only 24 hours long. But it's a fact that most of us are not as productive as we could be either at work or at home.

Productivity experts say one of the first things to do in order to accomplish more is to become aware of how you are spending your time now. Keep note of what you are doing throughout the day. You are likely to be surprised how much time you are wasting on distractions such as checking email, surfing the Web or chatting to people.

Experts say the biggest thing you can do to improve your productivity is to focus on the task at hand without distraction. When you start a task, don't stop until you are finished, unless it's to take a break. (Breaks are important for productivity, as they keep you fresh and alert, so don't neglect those.) Just don't get distracted by another task (such as your incoming email or a job that seems more interesting) until you've completed the task you set out to do.

That's easier said than done, of course, as distractions are everywhere. However, they say it gets easier with practice, particularly if you are aware each time you are being distracted.

Another trick is to actually reduce the time you allow yourself to complete tasks. That sounds counterintuitive, until you think of Parkinson's Law that a task fills the time allotted to it. When you put yourself under a little bit more pressure to get things done, you are forced to focus more on the task.

**Are you thinking of Moving?
Call Us Today!!**

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	1		8					2
	9			1		3		
1		7					5	4
	5						9	
2	6					7		1
		5		8			1	
6					4		2	
	3	4		2	7			

SUDOKU

Sudoku instructions: Complete the 9x9 grid so that each row, each column and each of the nine 3x3 boxes contains the digits 1 through 9.

