



## Understanding Your Mortgage Options

### Inside This Issue:

- 1 Understanding Your Mortgage Options
- 2 Five Ways to Pay Off Your Mortgage Loan Faster
- 3 Countdown to Spring

Congratulations! You've decided to begin your search for a new home, or perhaps you've already found the home of your dreams and are ready to make an offer. It's now time to consider your mortgage options. But with so many different choices available, how can you select the right kind of mortgage for your needs?

To help you make an informed decision, Canada Mortgage and Housing Corporation (CMHC) offers the following answers to some of the most common questions Canadians have about choosing a mortgage:

- **What is the difference between conventional and high-ratio mortgages?**

A conventional mortgage is a loan for up to 80 per cent of the purchase price (or market value) of a home. With a conventional mortgage, the buyer supplies a down payment of at least 20 per cent, and mortgage insurance is usually not required. If your down payment is less than 20 per cent of the purchase price, however, you will typically need a high-ratio mortgage. High-ratio mortgages normally have to be insured against payment default.

- **What are fixed, variable or adjustable interest rates?**

When you choose a mortgage, you have to decide whether you want the interest rate to be fixed, variable or adjustable. A fixed rate is locked-in for the entire term of the mortgage. With a variable rate, the payments remain the same each month, but the interest rate fluctuates in accordance with the overall market. For adjustable rate mortgages, both the interest rate and the mortgage payments vary based on market conditions. Talk to your lender to find out which option is right for you.

- **Should I choose an open or closed mortgage?**

With a closed mortgage, you pay the same amount each month for the entire term of the mortgage. Closed mortgages can be a good choice if you want a fixed payment schedule, and you don't plan on moving or refinancing before the end of the term. An open mortgage allows you to pre-pay a lump sum or even the entire loan at any time without a penalty. An open mortgage can be a good choice if you're planning to sell your home in the near future, or if you want the flexibility to make lump sum payments.

- **What about the term, amortization and payment schedule?**

The term is the length of time (usually from six months to 10 years) that the interest rate and other conditions of your mortgage will be in effect. Amortization is the period of time (such as 25 or 30 years) over which your entire mortgage debt will be repaid. Lastly, the payment schedule sets out how frequently you will make payments on your mortgage – usually either monthly, biweekly or weekly.

*(Source: Canadian Mortgage Housing Corporation)*



**Susan & Alicia Zanders**  
VERICO ZANDERS & Associates  
Mortgage Brokers Inc.  
T. 604 461-8063  
T. Toll free 1 877 638-3688  
Fax: 604 461-8062  
Toll free fax 1 866 961-8062  
susan.zanders@verico.ca  
alicia.zanders@verico.ca  
www.vericozanders.com

## Five Ways to Pay Off Your Mortgage Loan Faster

Most homeowners would love nothing more than not to have to put that mortgage check in the mail every month. But trying to pay off your mortgage ahead of schedule is not something to be undertaken lightly. You must make sure you are financially secure, with no other significant debt, and have money in reserve for emergencies.

There are also compelling arguments for **not** paying off your mortgage ahead of schedule. For instance, you may want to enjoy your money now. By allotting less of your income toward your mortgage, you have more money available for vacations and other uses. Or you could use the money for home improvement, which can make your home more comfortable and valuable when you are ready to sell.

In your haste to be rid of your monthly mortgage burden, you cannot afford to mortgage your financial future. Make sure you will be able to finance your children's college education and your own retirement.

However, if you are in a debt-free financial position where you can pay off your mortgage more quickly without sacrificing other aspects of your life, there are ways to accomplish this. Naturally, you will have to consult your lender to see what you can and cannot do. Here are a few of the most popular options.

1. **Increase your payment schedule.** Bi-weekly mortgage payments have become increasingly popular as a way to pay off a mortgage more quickly. This will allow you to make 1 extra payment per year and will end up saving you thousands of dollars in mortgage interest while cutting years off of your loan. Signing up for a bi-weekly or accelerated mortgage payment program will not only help you save money and cut the term of your loan down but it they will also help you build equity into your home faster.
2. **Make lump sum payments.** Depending on the terms of your mortgage agreement, you may be able to make lump-sum payments at specific times. For example, you could earmark your bonus check of \$5,000 to pay off part of your mortgage. A lump-sum payment is applied directly to your outstanding principal if there is no outstanding interest owing. This saves you money over the course of your mortgage.
3. **Shorten the time frame of your loan.** You could elect to refinance and change your 30 year mortgage to a 15 year mortgage. Bear in mind, though, that your monthly payments will be considerably higher.
4. **Increase your payments.** If your financial situation has improved and you are making more money, you may be able to make higher payments or balloon payments. Most loans will allow you to increase your payments in this manner with certain restrictions.
5. **Refinance at a lower interest rate, but pay the same amount each month as you did before.** If you maintain a 30-year mortgage, but the interest rate drops from 6.25 percent to 5.10 percent, the money you were paying in interest can now to toward the principal.

Remember, the first step is to make sure you can afford to pay off your mortgage more quickly. If you can, talk with your lender to find out which of these strategies is best for you.

*(Source: AllBusiness.com)*

---

**One strategy for paying off your mortgage loan faster is to increase your payment schedule.**

---



**To help arrange mortgage financing,** some home buyers choose to work with a mortgage broker. The mortgage broker will recommend the best type of lender and financing for a particular personal financial situation and will facilitate the process.

## Countdown to Spring

April is just around the corner and now we're looking forward to warmer spring weather and a chance to get into the garden. Here's our checklist to help you get ready for gardening season.

### Beginning of April:

- Clean and sharpen hand tools such as pruners and shovels.
- Sharpen or replace the blade on your lawnmower and buy fresh gasoline.
- Ensure that your electrical cords and garden hoses are in good condition.
- Repot houseplants if they are pot-bound to give them a good start for the growing season.
- Now is a good time to take a look at the bones of your garden before everything leafs out. This spring consider planting trees or shrubs with interesting bark or that produce winter berries for late colour as well as providing food for visiting birds in the depths of winter.

### Mid April:

- Indoors start the seeds of warm weather plants such as tomatoes, peppers, ageratum, alyssum and marigolds.
- Prune fruit trees before new growth begins.
- Apply dormant oil sprays to fruit trees and woody plants to control hibernating insects. Apply it while the buds are swelling, but before the leaves open out.
- Once you're convinced the snow and ice storms are over, remove the protective winter covers from trees and shrubs.
- Plant directly into the garden those vegetable and flower seeds that prefer cool weather to germinate. For example, carrots, parsley, lettuce, spinach, dill, peas, bachelor's buttons and poppies. Be sure to check and follow instructions on the seed packages.

### End of April:

- Once the ground has thawed, look for plants that have heaved out of the soil and resettle them.
- Remove winter protection from roses and prune them before they start to leaf out.
- Repair fencing, decks and trellis or lattice work. Rake up leaves and other winter debris.
- Cut back ornamental grasses and the dead stalks from last season's plants.



**Did You Know?** Magnolia Trees are among the earliest flowering trees each year to produce their spring flowers. Star Magnolia stays shorter than most (15-20 feet tall) and blooms earliest.

---

**April is just around the corner and the perfect time to start tending to your garden.**

---