

Learning for Impact “Mortgage Financing”

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Agenda

- 01** Definitions
- 02** Steps to Buying Your Home
- 03** Pre-Approvals
- 04** Qualifying for a Mortgage
- 05** Scotiabank Home Financing Solutions

Definitions

- What is a Mortgage?
- Amortization
- Term
- Open vs. Closed
- Fixed vs. Variable Rates
- Conventional Mortgages
- High Ratio Mortgages

Steps to buying your home

- 01 Mortgage Pre-approval
- 02 Finding an Agent
- 03 Finding a Home
- 04 Making an Offer
- 05 Final Approval
- 06 Home Inspection
- 07 Visiting your Lawyer

Borrowing – mortgages

A mortgage is a type of loan used to purchase a home or to borrow money against a home you already own.

The lender registers the mortgage on your home and if you stop making payments on the mortgage, the lender can sell the home to recover the unpaid amount of the mortgage.

As of July 2019, the average house price in Canada was **\$499,000** (\$393,000 if Toronto and Vancouver are excluded)*

*Source: Canadian Real Estate Association National Statistics <http://creastats.crea.ca/natl/index.html>



How much would you need to save as a down payment?



TIP:

Check out the following tool on scotiabank.com: [Mortgage payment calculator](#)

Borrowing – mortgages

There are three main types of mortgages in Canada

- **High Ratio Mortgage** – the customer borrows most of the money needed to purchase the home. These mortgages are considered higher risk and need to be insured by a mortgage default insurer. The customer must make a down payment of at least 5% of the portion of the purchase price of their home up to \$500,000. If the purchase price is between \$500,000 and \$999,000 the down payment for the remaining amount must be at least 10%. Mortgage default insurance is not available for homes with a purchase price of \$1 million or higher. This means that a 20% down payment is required.
- **Conventional Mortgage** – the customer can only borrow up to 80% of the purchase price (or value) of the home. For a home purchase, this means that the down payment must be at least 20%. This type of mortgage is not insured by a mortgage default insurer.
- **Collateral Mortgage** – this type of mortgage can secure different kinds of loans, not just a mortgage loan, and can allow the customer to re-borrow funds. For example, it can secure a Home Equity Line of Credit (HELOC). This mortgage can be used to purchase a home plus the funds can be borrowed for other purposes.

**TIP:**

Check out the following tool on scotiabank.com: [Mortgage payment calculator](#)

Borrowing – mortgage financing

There are many things to consider when choosing a mortgage

Term	Definition
Mortgage term	How long the interest rate will apply to your mortgage before the mortgage needs to be renewed or refinanced. e.g., 1 year, 5 year, 10 year
Interest rate	The amount of interest the bank will charge you over the payment term. <ul style="list-style-type: none"> • Fixed interest rate – your payment will remain the same for the term of the mortgage • Variable interest rate – your payment will fluctuate depending on the lender's prime lending rate.
Payment frequency	Mortgage payments can be made weekly, bi-weekly or monthly. Paying more frequently may reduce the interest costs paid over time.
Prepayment amount	The annual amount that can be paid off of the mortgage in addition to the regular payments. Paying off more than the permitted pre-payment amount can result in extra fees or penalties.
Amortization period	How long it will take you to pay off the mortgage. This is often between 25-30 years.

Pre-approvals

What can a Scotiabank pre-approval do for you?



01

Guarantee the rate for
up to 120 days



02

Determine your
maximum eligible
mortgage amount



03

Allow your agent to
show the right
selection of homes



04

Provide peace of mind

Qualifying for a Mortgage

The lender will need to confirm the following:

- Your Down Payment
- Your Employment/Income
- Mortgage Payment Affordability
- Property Taxes for the home
- Condo Fees/Maintenance Fee, if applicable
- Credit History and Credit Score

How much do I qualify for?

Gross Debt Service Ratio (GDSR)

Mortgage Payment

+Property taxes

+Heating Costs

+Secondary Financing

+50% Condo Maintenance Fees

= Total Monthly Cost / Gross Monthly
Income

(up to 32% of Gross Monthly Income)

Total Debt Service Ratio (TDSR)

Mortgage Payment

+Property taxes

+Heating Costs

+Secondary Financing

+50% Condo Maintenance Fees

+Other Personal Credit Obligations

= Total Monthly Debt / Gross Monthly
Income

(up to 40% of Gross Monthly Income)

RRSP Home Buyer's Plan

Program Guidelines:

- Proceeds to be used as part or all of a down payment towards the purchase of principal residence
- You or your spouse have not owned a principal residence within the past 5 calendar years
- House is located in Canada
- Maximum withdrawal from your RRSP is \$35,000 per person
- Repay RRSP over 15 years with annual payments equal to 1/15 of the amount withdrawn

Down Payment Scenarios

	Conventional (20% Down)	High-Ratio (5% down)
Purchase Price	\$100,000	\$100,000
Down payment	\$20,000	\$5,000
Mortgage Required	\$80,000	\$95,000
Mortgage Default Insurance Premium Cost	N/A	\$3,800
*This will get added to the mortgage amount		
Provisions for Closing Costs	\$1,425	\$1,425

Which Payment Frequency?

Mortgage Terms	MONTHLY	WEEKLY
Principal Amount	\$100,000	\$100,000
Interest Rate (5 year term)	5.19%	5.19%
Payment	\$592	\$148
Actual Amortization Period	25 Years	21 Yrs 5 Mths
INTEREST PAID (over the amortization period)	\$77,740	\$64,282
INTEREST SAVED		\$13,458

Calculations are for illustration purposes only and Scotiabank does not make any representations or warranties with respect to calculation results. Calculations assume that the interest rate would remain constant over the entire amortization period but actual interest rates may vary over the amortization period.

Prepayment Privileges

Our most popular closed term mortgage solution provides the following benefits annually:

- Prepay up to 15% of the original mortgage
- Increase your monthly payment by up to 15%
- Use our *Match-a-payment*[®] option

Other Costs

- Appraisal
- Legal Fees
- Land Transfer Tax (where applicable)
- Mortgage Default Insurance Premium
- Survey or title Insurance
- Miscellaneous Expenses
 - Adjustments (taxes, water, hydro)
 - Moving
 - New appliances
 - Utilities connections

What Happens If You Move?

- Portable Option
- Portability of Creditor insurance*
- Cashback

* Some restrictions may apply

Scotiabank Home Financing Solutions

Some exciting solutions:

- *Scotia Total Equity*[®] Plan (STEP)
- *Scotia Flex Value*[®] Mortgage
- *Scotia Ultimate Variable Rate*[®] Mortgage
- *Long and Short*[®] Mortgage

All mortgage applications are subject to meeting Scotiabank's standard credit criteria, residential mortgage standard and maximum permitted loan amounts.

Scotiabank's online tools

At your fingertips...

Visit our Mortgage Centre for:

- Tools & Resources
 - Mortgage Payment Calculator
 - STEP Calculator
 - Mortgage Selector
 - Mortgage Comparison Calculator
 - Mortgage-Free Faster Calculator
 - What Can I Afford?
- Mortgage rates

Access these tools at www.scotiabank.com/mortgages



Thank you!

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