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**DID YOU KNOW...**

There are [eight preset dates per year](#) on which the Bank of Canada makes decisions that affect variable-rate and short-term fixed-rate mortgages. Longer-term fixed rates are influenced more heavily by the bond market. The most recent Bank of Canada announcement was on May 25th 2016 where they maintained the overnight rate.

For deeper insight from Chief Economist Dr. Sherry Cooper [click here](#).

Welcome to the June issue of the *Real Estate Journal*, which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

In this month's edition we take a look at what makes up a successful mortgage application, while also considering if you should do home renovations yourself or hire a professional. Let me know if you have any questions or feedback regarding anything outlined below. I'm always happy to hear from you!

Thanks again for your continued support and referrals!

## In This Issue

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and a New  
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### It's a New Day... and a New Mortgage Application

**Downpayment**

**E**very time you apply for a new mortgage, your application has to stand

After assessing your ability to repay the money, and your past history of doing so in a timely manner, the lender wants to see that you have some "skin in the game."

on its own merit. Just because you were approved for a mortgage in the past doesn't guarantee you will be approved for a mortgage in the future. Every application is its own thing! It doesn't matter if you have been a homeowner for 20 years with an impeccable repayment history or you are saving a down payment for your first home, we all start fresh.

So it's always a good idea to start with or review the basics!

Mortgage financing, to the lender, is all about managing risk. In order to secure financing you will have to prove yourself as a "good risk." To do this, lenders will scrutinize the following four areas of your mortgage application: your employment, credit history, down payment, and the property itself.

### **Employment**

When you apply for a mortgage you are asking to borrow money, in most cases, a lot of it. The first question the lender will ask is, how can you afford to pay them back. They want to be sure that you have the ability to repay their money, with interest. And they don't just take your word for it. Of course you believe you are good for the money... they need proof. You will be required to provide documentation that outlines your current employment status, and depending on that status, you might have to further support your income by proving a two-year history of earnings.

The stronger your employment history, the stronger your application.

### **Credit History**

After assessing your ability to repay the mortgage by looking at how much money you make, the next best way to determine if you will make your mortgage payment on time is by looking at how you have managed other loans. Your credit report is a history of how you manage your financial obligations. It is a detailed account of every time you have agreed to borrow money, and your track record of following through. All this information is brought together inside a machine and you get what is called a credit score,

Gone are the days of 100% financing, where you could get a mortgage with no money down. A 5% downpayment is the absolute minimum, where 10% is going to give the lender a lot more confidence in your ability to save money, while putting down 20% will bring you into a conventional mortgage where you don't have to take our CMHC insurance. Typically, lenders want to see that you have accumulated your downpayment through savings, however there are other options to source your downpayment.

The more money you have to put down, the stronger your application.

### **Property**

Most people either don't realize or forget that the property itself is part of the mortgage application. The property is what the lender is holding as collateral in case you default on your mortgage. So if you don't pay your mortgage as agreed, and they are forced to repossess your property and liquidate it in order to recuperate their money, they want to be sure that the property is in good shape. This is why writing a purchase agreement without a condition of financing is a bad idea. You could be the most solid applicant in Canada, but if the property isn't a good risk, the lender won't issue a mortgage.

There you have it. A lender will agree to give you a mortgage only when it is satisfied that:

- you have an ability to repay the mortgage
- you have the history to show you will repay the mortgage
- you have some skin in the game
- you want to buy a solid property...

The good thing about working with a mortgage professional is that you don't have to approach any lender alone. They present your financial information to the lender on your behalf, and negotiate with the lender directly to ensure you get the best mortgage product available!

which is a three-digit number between 300 and 900.

The higher your score, the stronger your application.

## “DIY” Renovations, 3 Considerations



**I**f you're a homeowner, the day will come (if it hasn't already) when you'll be faced with decisions surrounding home repairs, renovations and upgrades. Why? Because at various points in the life of your house, structural issues will need to be addressed; additionally, your tastes will become more refined and popular decor trends will shift and transform. .

... Lots of good reasons to get work done.

But out of the shadows of these potential changes, the following question will inevitably arise, "Do I attempt it myself?" In an age of YouTube and Pinterest, more people than ever are strapping on the tool belt, and looking to handle their own home renovations and repairs; this in lieu of hiring a professional tradesman, contractor or handyman.

Certainly there are potential pros and cons to walking both roads, and as is the case with many things, the answer to this question isn't black and white, but rather a shade of grey. The following are three things to think about as you consider who will handle your future home renovation(s):

### **Cost**

Obviously, money will be a factor in any decision you make. Most often, the simple truth will be as follows: it will be much more cost effective for you to buy the raw materials and handle things yourself,

Although you will no doubt save money by doing the renos yourself, poor-quality work carries a different type of cost.

### **Quality**

Related to the cost of the renovation is the quality of the renovation. Certainly many of us have the ability to swing a hammer. However, in a world where repairs and renovation work must be done well, ask yourself the question, "Is my 'DIY' dream taking away from the resale value of my home?"

"Will people inspect your work and find it lacking? Will the finished product be a point of pride, or a sore spot? Answering these questions will help you discover how to proceed.

### **Urgency**

Finally, let's talk about urgency. Does the renovation need to happen quickly? Will the time frame hinder you in terms of gaining the skills necessary to do a good job, and in good time? If this is the case, and the funds are available, consider calling someone who has experience in completing these tasks. Do this rather than risk the farm by jumping into something for which you're not adequately prepared.

Again: cost, quality and urgency; all things to think about as you consider how to proceed with your home renovations. Remember, there are no wrong answers (necessarily); only misinformed answers. Do the research, ask around, take the

provided you have the skills necessary to pull it off. On the other hand, if your income can reasonably handle the strain of paying a professional, consider the time and effort that it will take for you to finish that which needs to be done, even if you do feel as though you're qualified.

Very simply: the cost-to-time ratio has to make sense. If it doesn't, you may be walking down the wrong road.

time to prepare, and you'll walk the right renovation road!

In any case, if you would like to look at financing your next renovation project by accessing the equity you have built up in your home, we should talk! Interest rates are at an all time low, and a refinance might make sense for you!

## About



**ROYAL LEPAGE**

Royal LePage is Canada's oldest and largest Canadian owned real estate company. Founded in 1913 by Albert LePage when he was just 26 years old, Royal LePage is now Canada's largest real estate company with more than 14,000 agents in more than 600 locations across the country. And we firmly believe that you can only become the oldest and largest company by being the best.

Over the years, we've learned a lot about real estate – and how to provide the best possible service for our clients. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force and almost doubled its market share.

Throughout our successes, we remain dedicated to helping you through the real estate process. Our commitment to innovation and customer service is as strong as ever.

We offer all of our REALTORS® – from those serving tiny communities to those in major urban centres – strong support from our national pool of knowledge, skill and technical expertise. We regularly invest time, money and resources to develop and provide the knowledge and tools they need to best market your home, including:

- Up-to-date information about local market conditions
- Quarterly housing reports
- Creative brochures and newspaper ads to showcase your home
- Ongoing negotiation, marketing and technical training

This communication is not intended to cause or induce breach of an existing agency agreement.

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