



THE **hube** team

ROYAL LEPAGE

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And Surrounding Towns and Villages

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Welcome to the June issue of my monthly newsletter which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

Summer is here! This month's newsletter talks about Pre-Approvals & Credit Score Compatibility.

Please let me know if you have any questions or feedback regarding anything outlined below.

Thanks again for your continued support and referrals!

In This Issue

A Mortgage Pre-Approval is not what you might expect it to be

Credit Score Compatibility: The Connection Between Financial Wealth and Romantic Health

About Royal LePage

DID YOU KNOW...

There are eight preset dates per year on which the Bank of Canada makes decisions which affect variable rate and short term fixed rate mortgages. The last increase to the Prime rate by the Bank of Canada was in September of 2010. No increase is expected anytime soon.

Longer term, i.e. the five year term, fixed rates are influenced by the bond market, and this is arguably less predictable and more volatile.

The most recent Bank of Canada meeting was in May.



A Mortgage Pre-Approval is not what you might expect it to be

HOMEOWNER TIPS

Summer Vacation Note:

1. Book that vacation sooner rather than later. Camping sites

Although going through the pre-approval process is more important than ever, the actual term 'pre-approval' is often

- If more than four weeks pass then most of the documents are out of date by lender standards, and a fresh batch needs to be ordered and reviewed with the accepted offer.

seem to book up faster than ever each year.

2. Many homeowners insurance policies require that someone physically check in on the home a minimum of once per week during your absence. Ideally there is an alarm monitoring record of somebody attending the property, if not then at the very least keep a record of an email exchange confirming that your property was viewed at a certain time and date. A burst hot water tank or even a leaking pipe left unattended for days or weeks on end can result in a denied insurance claim.
3. Get out there and enjoy the great outdoors. Make the most of the Summer of 2017!

misleading. It really addresses just a few variables that may arise once in the middle of an actual offer.

The pressure in many markets has never been greater to write a condition-free offer, yet due to recent changes to lending guidelines by the federal government, the importance of a clause in the contract along the lines of 'subject to receiving and approving satisfactory financing' has also never been greater. (There are variations to be discussed with your Realtor around the specific wording of such clauses.)

Often clients are reluctant to write the initial offer on a property without feeling like they are 100 per cent pre-approved. An understandable desire. The risk being that many clients then falsely believe they have a 100 per cent guarantee of financing, and this is not at all what a pre-approval is.

A lender must review all related documents, not just the clients personal documents, but also those from the appraiser and the realtor as the property itself must meet certain standards and guidelines.

The pre-approval process should be considered a prescreening process. It does involve review and analysis of the clients current credit report, it should also include a list for the client of all documents that will be required in the event that an offer is written and accepted. Ideally your Mortgage Broker will review all required documents in advance, but few lenders will review documents until there is an accepted offer in place.

Clients should come away from the initial process with a clear understanding of the maximum mortgage amount they qualify for along with the various related costs involved in their specific real estate transaction. Equally as important; a completed application allows the Mortgage Broker to lock in rates for up to 120 days.

Why won't a lender fully review and underwrite a pre-approval?

- Lenders do not have the staff resources to review 'maybe' applications – they have a hard

- The conversion rate of pre-approvals to 'live transactions' is less than 10 per cent, and this alone prevents lenders from allocating resources to reviewing pre-approvals.

It is this last point in particular that makes it so difficult to get an underwriter to completely review a pre-approval application as a special exception. Nine out of ten times that underwriter is spending their time on something that will never actually happen.

The bottom line is that a clients best bet for confidence before writing an offer is the educated and experienced opinion of the front-line individual with whom they are directly speaking, their Mortgage Broker. Although this individual will not be the same person that underwrites and formally approves the live transaction when the time comes they likely have hundreds of files worth of experience behind them. That experience is valuable.

It is due to the disconnect between intake of application and actual lender underwriting a live file that having a 'subject to receiving and approving satisfactory financing' clause in the purchase sale agreement is so very important.

Without a doubt the most significant factor in recent years which has undermined clients preapprovals is the relentless pace of government changes in lending guidelines and policies. Change implemented not only by the Government also by the lenders themselves. It is very easy to have a pre-approval for a certain mortgage amount rendered meaningless just a few days later through changes to internal underwriting guidelines. Often these changes arrive with no warning and existing pre-approvals are not grandfathered.

So, while it is absolutely worthwhile going through the pre-approval process before writing offers, and in particular before listing your current property for sale it is most important to stay in constant contact with your Mortgage Broker during the shopping process.

enough time keeping up with 'live' transactions.

- The job you have today may well not be the job you have by the time you write your offer. (ideally you do not want to change jobs while house-shopping)

Be aware that aside from the key advantage of catching small issues early and securing rates a pre-approval is NOT a 100 per cent guarantee of financing.

Credit Score Compatibility: The Connection Between Financial Wealth and Romantic Health



In a study from 2015, researchers found a connection between the likelihood of a breakup in a relationship and the credit scores of each person.

Essentially, this study suggested that two people with excellent credit scores are far more likely to stay together long-term than a couple where one or both parties have abysmal scores. Because finances are such a significant aspect of relationships, the couple's credit score compatibility is a reliable indicator of potential strains down the road.

Much marital discord is found in household in finances. According to a different study from 2012, "financial disagreements are stronger predictors of divorce relative to other common marital disagreements."

Money is a significant dynamic in people's social and romantic lives.

This begs the question, should you request a credit report for your significant other? (ideally before they become too significant) A pre-screening for fiscal health prior to the co-mingling of assets may well be prudent, but few of us would feel polite asking...at least the first time around.

About



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

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