

Real Estate Journal

Your Monthly Home & Financing News

May 2015



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

Spring has sprung in most of the major Canadian real estate markets. This month's edition of the Dominion Opinion discusses taking a newer (and often larger) mortgage for a test drive.

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

1
**Test Drive a
New Mortgage
Payment Today**

2
**Will a
'Credit Inquiry'
Lower My Score?**

3
**About
Royal LePage**

DID YOU KNOW...

On April 2nd CMHC announced an increase in their mortgage insurance premiums for homebuyers placing less than 10% down. The premium increase will raise the cost of mortgage insurance by \$450.00 per \$100,000 of mortgage balance effective June 1, 2015.

A more meaningful metric is that this translates into a net cost of just \$5.00 per month for the average CDN homebuyer submitting their purchase transaction for financing June 1, 2015 and beyond.

There is no ability to avoid this premium with a Pre-Approval. The older lower premium will only be applicable to purchase



Test Drive a New Mortgage Payment Today

In both rising markets and

softer markets there will be many people contemplating making a move to a larger home and with

Here is a table for quick calculations of the possible increase in mortgage amount you may be considering:

<u>Mortgage Amount</u>	<u>Monthly Payment</u>
\$10,000	\$45.75

transactions submitted for approval by the end of May, 2015.

For a more detailed example, [click here](#).

HOMEOWNER TIPS Spring 'To-Do' List:

We will go easy on you this month with a brief 'to-do' list for homeowners;

1. Clean and maintain your gutters and downspouts.
2. Address cracks. From driveways and walkways to window seals.
3. Tidy your outdoor space, from leftover snow shovels & sleds to attacking the budding weeds early on.
4. Ensure outdoor faucets, lights and plugs are all in working order.
5. A great time to for a semi-annual furnace filter change as well.
6. Mix a pitcher of lemonade and sit back and enjoy a sunny Sunday afternoon.

that larger home often comes a larger mortgage. Last month's edition offered technical tips to help prepare for the process of porting your mortgage to a new property, this month we will talk about preparing for a payment increase in advance.

We test drive cars before we buy, we try on clothes before we buy, we even sample wines or beers before we commit. Yet when it comes to taking on a mortgage payment, or increasing our mortgage size, and thus payment, few of us take the new monthly payment around the block. Instead, we are often so caught up on other aspects of the process that 30 days after moving in when that first payment is withdrawn, there can be a degree of post-closing payment shock.

Knowing your numbers in advance is one thing - living with the numbers in advance is another.

\$25,000	\$114.37
\$50,000	\$228.74
\$100,000	\$457.48

Based on a 2.69% 5yr fixed rate amortised over 25yrs.

The key to this is not simply doing the math and knowing what your future payments will be for the next 25 years. The key is to actually increase your current mortgage (via your prepayment privileges) by the corresponding amount so that you are making that new payment for a few months prior to taking action. Alternatively, you might choose to withdraw an amount equal to the proposed increase from your account and stash it in a 'safe' place like a savings account, an actual safe, or a parents care. The key is to start replicating that new payment and confirm you can live with it prior to actually taking it on.



Will a 'Credit Inquiry' Lower My Score?

Your 'beacon score' is an indicator for a lender as to whether a client is likely to make payments on time and in full. Beacon (credit) scores are sometimes referred to as FICO scores, and both names are derived from the credit bureaus that developed the scoring system. Keeping track of this important number is vital. Inquiries to your score are recorded and tracked on the credit report as well. However not all inquiries are created equal.

This said, inquiries for 'good debt' such as a mortgage have far less impact on one's credit score than multiple inquiries for 'bad debt' such as a car loan/lease or debt consolidation.

Who has access?

Only individuals with a specific business purpose can check your score. Creditors, lenders, employers and landlords are some examples of approved business people. The inquiry only appears on the credit report that was checked. For example, if a landlord uses Experian to check the creditworthiness of an applicant, the credit

Credit Inquiries

Each time a creditor (potential lender) checks your credit report, a record is created of this event. There are two types of inquiries, soft and hard. A soft inquiry occurs when you pull your own credit report. (Worth doing on an annual basis and FREE via mail at either [Equifax](#) or [TransUnion](#).)

A hard inquiry occurs when submitting loan or credit applications with your written authorisation to inquire. A lender cannot process a hard inquiry without your written permission. There is a process to have non-authorized credit inquiries removed from your report.

Effects on Your Score

Soft inquiries do not affect the credit score. Consumers can pull their own credit score as many times as they wish without repercussions. Hard inquiries affect the score to varying degrees. Multiple inquiries that occur in a 14-day span are (typically) counted as just one inquiry. This helps those who are credit shopping (mortgages, personal loans, etc.) and need to have their credit pulled several times. Multiple inquiries are rarely the reason that people are denied credit, unless the score was borderline to start with.

check will only appear on Experian's report, not TransUnion or Equifax. To limit the number of soft inquiries made on your credit report, contact the credit reporting agencies and request that they remove your name from marketing distribution lists.

Conclusion

Having a few inquiries in a period of a couple of weeks while determining whether to work with a specific Mortgage Broker will (in most cases) not have a notable negative impact on one's credit score. If your score is at or near 600 or 680 then one must be more cautious with inquiries as this affects certain mortgage product availability.

Working with an independent Mortgage Broker typically results in one inquiry on your bureau for the use of multiple lender partners of that Broker. Thus more than one rate-hold can be placed with more than one lender without negative credit consequences via a Broker. Yet another great reason to work with a Dominion Lending mortgage professional!

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.

**Not intended to solicit Buyers/Sellers currently under contract.