

# Real Estate Journal

Your Monthly Home & Financing News

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## DID YOU KNOW...

It's rarely possible to find a perfect home for your needs, tastes and budget. Think about your priorities before you start your home search, but be flexible and willing to change your mind once you see what your true options are – viewing properties can shift your priorities. And remember that if you can only find places that require too many compromises, it's okay to keep looking – new homes come on the market every day!

## MORTGAGE MATTERS

While most Canadians spend a lot of time and

Welcome to the February issue of the *Real Estate Journal*, which is designed to help you make a more informed decision the next time you're buying or selling a property!

This month's edition offers tips for spotting telltale signs that a home you're looking at may be a "money pit", as well as cautions about solely paying attention to your mortgage rate. Please feel free to ask questions or offer feedback regarding anything outlined below via phone or email.

Thanks again for your continued support and referrals!

## In This Issue

1  
Avoiding the  
'Money Pit'

2  
How Much  
Does Rate  
Matter?

3  
About  
Royal LePage



## Avoiding the 'Money Pit'

If you're in the market to purchase your first home or relocate to a new home, it's easy to get caught up in the home-buying process and forget some of the details. The clock is ticking, rates have nowhere to go but up and you've found the perfect home on the perfect street. Nothing left now but to make an offer, right?

Well, while location definitely matters, if you're not careful and observant when making your new home choice, you could end up in a great location

been painted – particularly the floor of an unfinished basement – make sure you ask why this was done. Ensure you take a look around the outside perimeters of the home to see if there are other telltale signs of a possible basement leak.

**2. Strong smells.** Your senses are your first and one of your best methods of avoiding deception. Mould smells like mould. It's easy to hide the visual signs of mould with paint, but it's a hard smell to mask. Don't be afraid to sniff around any area that makes you feel uneasy.

**3. Suspicious piles and large plants.** If

expend a lot of effort shopping for an initial mortgage, the same is generally not the case when looking at mortgage term renewals. Omitting proper consideration at the time of renewal costs Canadians thousands of extra dollars every year. Homeowners should never accept the first rate offer from their existing lender. Without any negotiation, simply signing up for the market rate on a renewal is unnecessarily costing the homeowner a lot of money on their mortgage. It may be worth your while to enlist the free services of a mortgage professional to get the lenders competing for your mortgage business at renewal time to ensure you receive the best mortgage options and rate catered to your specific needs.

## GOING GREEN

### *Hot Water Heater Efficiency:*

About 15% of a typical energy bill goes to heating water. Some new water heaters have insulation and are highly energy efficient. But some older models may benefit from an insulating blanket, which can contain more of the heat from the tank. When installing a new hot water heater, look for a high-efficiency unit. Some hot water on-demand models heat only when you need water, rather than storing hot water in a tank. When designing a new home, ensure that the unit is placed as close as possible to the kitchen, laundry and bathrooms, and always insulate hot water pipes, especially where they run through unheated areas. Turn down the water heater thermostat to a minimum

and still purchase a money pit.

After all, in many cases, those anxious to sell their home have been known to make a few cosmetic adjustments or staging tricks to hide the areas where their house may require a little extra care or even some serious repairs.

Pay special attention to, and mention to your home inspector (if you reach that point) if you come across, anything that seems out of the norm, including:

**1. Freshly painted basements.** We all know that basements can be prone to leaks. If you notice that a basement has recently



## How Much Does Rate Matter?

**O**ften times, borrowers are fixated on their mortgage rate because it's the one aspect of their home financing they know to ask about. But, it's important to look beyond mere rates into the bigger picture surrounding what's significant when it comes to your specific mortgage needs.

If we dollarize the difference between 2.99% and 3.04%, for instance, it works out to an additional \$2.66 in your monthly payment per \$100,000 of your mortgage. Over the course of a five-year term, this culminates into just \$159.60 per \$100,000.

While "no-frills" mortgage products typically offer a lower – or more discounted – interest rate (like the 2.99% used in the example above), when compared with many other available products, the lower rate is really their only perk.

The biggest problem with looking at rate alone is that you may end up paying thousands of dollars in early payout penalties if you opt for a five-year fixed-rate mortgage, for instance, and then decide to move before the five years is up.

No-frills mortgage products won't let you take your mortgage with you if you purchase another property before your mortgage term is up – ie, portability is not an option with this product.

something looks out of place, ask about it. A pile of bricks stacked against the side of the house could just be a pile of bricks, but it could also be a way of hiding a cracked foundation. The same holds true for a large plant or tree located in an odd area.

One of the benefits of working with a qualified real estate professional is that we know what to look for in a home to ensure you're not buying a money pit. If you see anything that doesn't feel right, let's discuss it. Follow your gut. Even after you've been through a home, answers to your questions and concerns are just a phone call or email away!

make lump-sum payments during the first five years of their mortgage; and property investors who need a low fixed rate and aren't concerned with making lump-sum payments.

It's understandable why these products may seem appealing. After all, not everyone feels they have the extra cash to put down a huge lump-sum payment. And who needs a portable mortgage if you're not planning on moving any time soon?

But it's important to remember that a lot can change over the course of five years – or whatever term you choose for your mortgage. You could get transferred, find a bigger house, have babies, change careers, etc. Five years is a long time to be anchored to something.

Many people won't sign a cell phone contract for longer than three years that they can't get out of, so why would they then sign a mortgage for five years that they can't get out of?

The thing is, you can still obtain great mortgage savings without giving up the perks of traditional mortgages. For starters, many lenders are willing to offer significant discounts if you opt for a 30-day "quick close".

And there are many other ways to earn your own discounts. For instance, by switching to weekly or bi-weekly mortgage payments, or by obtaining a variable-rate mortgage but increasing your

setting when you're away for extended periods.

Portability is an important option that could save you money over the long term if the home of your dreams is within your reach before your mortgage term is up and rates have risen, which they have a tendency to do over a five-year period.

This type of product is only plausible for those who have minimal plans to take advantage of benefits that will help pay off your mortgage faster – such as prepayment privileges including lump-sum payments.

Essentially, this product is only ideal for: first-time homebuyers who want fixed payments and have limited opportunities to

payments to match those of the going five-year fixed rate, you'll be ahead of the typical discount of a no-frills product before you know it – and you won't have to give up on options.

Banks don't give anything away for free – they're there to make money. That's why it's essential to discuss the full details surrounding the small print behind the low rates. It's also important to take into account your longer-term goals and ensure your mortgage meets your unique needs now and into the future.

## 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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