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DID YOU KNOW...

The Home Buyers' Plan (HBP) is a program for first-time homebuyers that allows you to withdraw funds from your RRSPs to buy or build a home. You can withdraw up to $25,000 tax-free ($50,000 for a couple). Your RRSP contributions must remain in the RRSP for at least 90 days before you can withdraw them under the HBP. Generally, you have to repay all withdrawals to your RRSPs within a period of no more than 15 years. You'll have to repay an amount to your RRSPs each year until your HBP balance is zero. If you don't repay the amount due for a year, it will have to be

Welcome to the January 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 clarifies the differences between collateral and standard charge mortgages, as well as suggests ways to boost your credit rating. 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! Happy New Year!

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Collateral Versus Standard Charge Mortgages

Since an increasing number of lenders are moving towards collateral charge mortgages these days, it has never been more important to understand the differences between a collateral and standard charge mortgage.

The primary difference is that a collateral charge mortgage registers the mortgage for more money than you require at closing. For instance, up to 125% of the value of the home at closing with TD Canada Trust or 100% through ING Direct and many credit unions, instead of the amount you need to close your transaction (as is the case

With a standard charge mortgage, in most cases, the new lender will cover the charges under a "straight switch" in order to earn your business.

In addition, with a collateral charge, it could be difficult to obtain a second mortgage or a home equity line of credit (HELOC) unless your home significantly appreciates in value.

Lenders offering collateral charge mortgages promote the benefit that it makes it easier and more cost effective to tap into your equity for such things as debt consolidation, renovations or property investment. There's no need to visit a lawyer and pay legal fees – the money is available as your mortgage is paid down. Yet, if you read the fine print, you may still have to re-qualify at included in your income for that year. **Click here** for more information from Canada Revenue Agency.

MORTGAGE MATTERS

Making mortgage payments each week, or even every other week, can lower the amount of interest you pay over the term of your mortgage and result in the equivalent of an extra month's mortgage payment being made each year. Paying your mortgage this way can reduce your mortgage from 25 years down to approximately 21 years.

GOING GREEN

Greener Laundry:

There's a simple path to greener laundry: pick the cold water wash cycle! Around 90% of the energy used by washing machines goes to simply heating the water. Many people assume that they're getting extra cleaning power by washing in hot water but, in most cases, washing clothes in cold water is just as effective as washing clothes in hot water. Hot water is sometimes beneficial when you're trying to remove oily stains or sanitize heavily soiled items but, otherwise, wears out clothes quickly, causing them to fade, stretch and wrinkle. The hot cycles on most residential washing machines don't even heat water to the temperatures required to destroy or remove a majority of allergens (55-60°C).

with a standard charge mortgage).

The major downside to a collateral mortgage becomes evident at your mortgage renewal date. For borrowers who want to keep their options open at maturity and have negotiating power with their lender, this isn't the best product feature because collateral charge mortgages are difficult to transfer from one lender to another.

In other words, if you want to change lenders in order to seek a better product or rate in the future, you have to start from the beginning and pay new legal fees, which range from $500 to $1,000.

renewal.

A standard charge mortgage gives you the ability to move to another lender at renewal should you want to without incurring legal fees, and many borrowers find it more beneficial to keep their options open. If you need to borrow more with a standard charge mortgage, you have the option of a second mortgage or a HELOC, which also enables you to take money out as your mortgage is paid down.

As always, if you have any questions about buying or selling a home, your answers are just a phone call or email away!

Quick Tips for Boosting Credit

In today's economic climate of tighter credit requirements, there's no doubt that many people may not fit into the traditional banks' financing boxes as easily as they may have just a few years ago.

Your best solution is to consult your mortgage professional or lender to determine whether your situation can be quickly repaired or if you face a longer road to credit recovery. Either way, there are solutions to every problem.

Mortgage professionals who are experts in the credit repair niche can help credit challenged clients improve their situations via a number of routes. And if the situation is beyond the expertise of a mortgage professional, they can help you get in touch with other professionals, including credit counsellors and bankruptcy trustees.

Following are five steps you can use to help attain a speedy credit score boost:

1) Pay down credit cards. The number one way to increase your credit score is to pay down your credit cards. Revolving credit like credit cards seems to have a more significant impact on credit scores than car loans, lines of credit, and so on.

2) Limit the use of credit cards. Racking up a large amount and then paying it off in monthly your score – credit formulas don't take into account the fact that you may have paid the balance off the next month.

3) Check credit limits. If your lender is slower at reporting monthly transactions, this can have a significant impact on how other lenders may view your file. Ensure everything's up to date as old bills that have been paid can come back to haunt you.

Some financial institutions don't even report your maximum limits. As such, the credit bureau is left to only use the balance that's on hand. The problem is, if you consistently charge the same amount each month – say $1,000 to $1,500 – it may appear to the credit-scoring agencies that you're regularly maxing out your cards.

The best bet is to pay your balances down or off before your statement periods close.

4) Keep old cards. Older credit is better credit. If you stop using older credit cards, the issuers may stop updating your accounts. As such, the cards can lose their weight in the credit formula and, therefore, may not be as valuable – even though you have had the cards for a long time. You should use these cards periodically and then pay them off.

5) Don't let mistakes build up. You should always dispute any mistakes or situations that may harm your score. If, for instance, a cell phone bill is incorrect and the company will not instalments can hurt your credit score. If there is a balance at the end of the month, this affects

amend it, you can dispute this by making the credit bureau aware of the situation.

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

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