

Real Estate Journal

Your Monthly Home & Financing News

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DID YOU KNOW...

With educational materials and interactive tools, the Financial Consumer Agency of Canada (FCAC) provides objective information about financial products and services, and informs consumers about their rights and responsibilities when dealing with banks and federally regulated trust, loan and insurance companies. Through its financial literacy program, FCAC helps Canadians increase their financial knowledge and confidence in managing their personal finances. FCAC also ensures that federally regulated financial institutions and

Welcome to the June 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 suggests five important questions you should ask your mortgage broker or lender, as well as discusses how you can supplement your home's water supply. 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!

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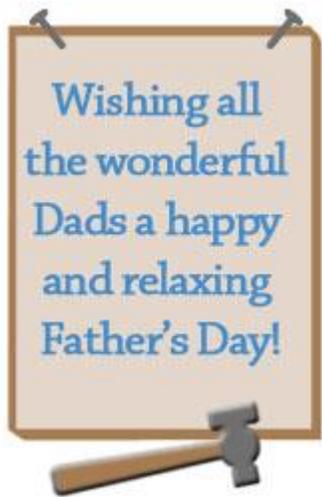
5 Key Questions Borrowers Should Ask

As a mortgage borrower – particularly if this is your first time embarking upon homeownership – there's no doubt you have a load of questions related to the mortgage process. Aside from the most common questions, such as those relating to mortgage rate, the maximum mortgage amount you'll be able to receive, as well as how much money you'll need to provide for a down payment, the following five questions and answers will help you dig a little deeper into the mortgage financing

reimbursed with your new mortgage. Some lenders allow you to port your mortgage, but your sale and purchase have to happen on the same day, while others offer extended periods.

4. What amortization will work best for me?
The lending industry's benchmark amortization period is 25 years, and this is also the standard used by lenders when discussing mortgage offers, as well as the basis for mortgage calculators and payment tables. Longer and shorter timeframes are also available. The main reason to opt for a shorter amortization period is that you'll become mortgage-free sooner. And

payment card network operators comply with legislation and agreements intended to protect consumers. **For more info, visit [FCAC's website](#).**



MORTGAGE MATTERS

Preparing for a mortgage will increase your chances for approval. Don't buy or lease big-ticket items or increase debt for 6-12 months prior. Purchasing things such as a new car, furniture or major appliances worsens debt-to-income ratios, which can make you ineligible for the best available loan terms.

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We're benefiting from one of the best mortgage environments in history. Take a look at the interest rates on mortgages these days. Now look at what you're paying on your credit cards and other debts. You can actually power down your debt load faster by pulling together your credit cards, car loans or any other high-interest debt and rolling everything into a new or existing mortgage. This can be a great money-saving strategy, and well worth discussing with your mortgage broker or lender.

process when speaking to your mortgage broker or lender.

1. Can I make lump-sum or other prepayments on my mortgage without being penalized? Most lenders enable lump-sum payments and increased mortgage payments to a maximum amount per year. But, since each lender and product is different, it's important to check stipulations on prepayments prior to signing your mortgage papers. Most "no frills" mortgage products offering the lowest rates often do not allow for prepayments.

2. What mortgage term is best for me? Terms typically range from six months up to 10 years. The first consideration when comparing various mortgage terms is to understand that a longer term generally means a higher corresponding interest rate and a shorter term generally means a lower corresponding interest rate. While this generalization may lead you to believe that a shorter term is always the preferred option, this isn't always the case. Sometimes there are other factors – either in the financial markets or in your own life – you'll also have to take into consideration. If paying your mortgage each month places you close to the financial edge of your comfort zone, you may want to opt for a longer mortgage term, such as five or 10 years, so that you can ensure that you'll be able to afford your mortgage payments should interest rates increase.

3. Is my mortgage portable? Fixed-rate products usually have a portability option. Lenders often use a "blended" system where your current mortgage rate stays the same on the mortgage amount ported over to the new property and the new balance is calculated using the current rate. With variable-rate mortgages, however, porting is usually not available. This means that when breaking your existing mortgage, you will face a penalty. This charge may or may not be

since you're agreeing to pay off your mortgage in a shorter period of time, the interest you pay over the life of the mortgage is, therefore, greatly reduced. A shorter amortization also affords the luxury of building up equity in your home sooner. While it pays to opt for a shorter amortization period, other considerations must be made before selecting your amortization. Because you're reducing the actual number of mortgage payments you make to pay off your mortgage, your regular payments will be higher. So if your income is irregular because you're paid commission or if you're buying a home for the first time and will be carrying a large mortgage, a shorter amortization period that increases your regular payment amount and ties up your cash flow may not be your best option.

5. How do I ensure my credit score enables me to qualify for the best possible rate? There are several things you can do to ensure your credit remains in good standing. Following are five steps you can follow: **1) Pay down credit cards.** This is the #1 way to increase your credit score; **2) Limit the use of credit cards.** If there's a balance at the end of the month, this affects 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.** Ensure everything's up to date as old bills that have been paid can come back to haunt you; **4) Keep old cards.** Older credit is better credit. Use older cards periodically and then pay them off; and **5) Don't let mistakes build up.** Always dispute any mistakes or situations that may harm your score by making the credit bureau aware of each situation.

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



Supplementing Your Home's Water Supply

GOING GREEN

One of the great advantages about thinking of ways to preserve and protect our environment is that it often puts money back in our pocket. This shouldn't be the only reason to take steps to be greener, but it's an added bonus that can't be overlooked. **Be creative with entertainment.** Consider going to the park and playing sports, cooking food outside, and just enjoying the day with your family and friends. It's so much cheaper than going to the movies or an amusement park, and it's much better quality time because you have fewer distractions. **Think differently about cooling your home.** With the onset of air conditioning season, it's important to think of natural ways to cool your home and save energy. Consider planting shrubs and trees that will shield your house from the sun and keep it cooler while attracting beneficial birds, insects and other nature neighbours.

Canadians enjoy some of the highest-quality

water in the world. But despite our abundant supply of fresh water, it remains, by its very nature, a valuable resource that should be conserved and protected – particularly in those areas of Canada facing water shortages. As a result, more Canadians are paying attention to the amount of water they use, and are cutting back by using water wisely and purchasing water-efficient fixtures and appliances.

Another way to conserve water is by using auxiliary water sources – if permitted – to supplement and conserve the local public water supply. Auxiliary water includes everything from rainwater collected from your downspouts, to “greywater” that's collected from the laundry or shower, treated and reused for non-drinking purposes around your house.

If you're thinking about using auxiliary water sources in your home, Canada Mortgage and Housing Corporation (CMHC) offers the following tips on how to supplement your water supply while keeping your family safe and healthy, and not running afoul of local building regulations:

- If you're building or renovating a house, find out from your local building department what's allowed, what is not and what may be required to get municipal approvals.
- Auxiliary water sources must use a separate plumbing system so it is not mixed with your potable water. Talk to your builder, architect, renovator or plumber as early in the process as possible about including auxiliary water-ready components in your home. This may include dedicated piping for auxiliary water as well as any related storage and treatment systems. Planning for those components now could save you a great deal of time and money in renovations later, regardless of whether you include the auxiliary supply today or at some point in the future.

- Work with your contractor to determine how much water and what level of water quality is needed for different uses in your home. This will help ensure the system is designed properly and will be able to supply all the water your family needs, at whatever level of quality you require.
- Make sure you know where the water you're collecting comes from and identify its purpose. Not all of the water you collect from different fixtures can be used for the same purposes. For example, water that's collected from your shower may be safely treated and reused to flush your toilet. But only fully potable (drinkable) water should ever be used in the shower itself. Again, make sure you check with your municipality.
- Depending on how you're using the auxiliary water, you may also need to think about storing the water before it's used. For instance, using rainwater collected from your downspouts to water your lawn is often used immediately, without any further treatment. But if you're collecting greywater for use in toilet flushing, you may need to treat and store that water so it's available on demand.
- Find out what programs or regulations are in effect in your area when it comes to auxiliary water. Some communities, like the City of Guelph, ON, offer rebates for homeowners who use auxiliary water. Other cities may have rules in place that limit what kind of water you can reuse. Always check with your local municipality or water authority before you install an auxiliary water system in your home.

To find out more about auxiliary water sources, or for information on any other aspect of owning, maintaining or buying a home, visit www.cmhc.ca or call 1-800-668-2642.

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