Special

THE TEST • THE HOMES • THE BUYERS • THE EXPERTS • THE ADVOCATES
THE LOGISTICS • THE TECHNOLOGY • THE TRENDS • THE UPGRADES

Home prices are stabilizing in most regions. Interest rates are at record lows. Before you rush in, there's more to consider in this discussion.

Mortgages



If you're planning to buy a home or your current mortgage is nearing maturity, you'd probably like to know where rates are headed.

But there isn't a lot of guidance available, even from the people who should know. As Rob McLister, editor of CanadianMortgageTrends.com, wrote recently in The Globe and Mail: "Three years ago … not one economist tracked by Bloomberg predicted that 10-year bond yields would fall below four per cent. Today, 10-year yields are less than half that."



Last year, most Canadians also thought rates were going to rise, says **Colette Delaney, executive vice-president of CIBC.** But in a recent CIBC poll, 46 per cent of respondents thought rates would stay the same over the next 12 months.

The problem, she says, is that "if Canadians don't consider future rate changes as part of their mortgage strategy, they could face challenges. Over the life of your mortgage, rates are not likely to be this low on a sustained basis."

According to Ms. Delaney and other mortgage experts, the most prudent borrowers are using today's rates to get a head start on their mortgage and paying it down more quickly, so that they'll be well positioned whenever rates increase.

Do the math



"There's a lot of fixation on rates, but the more interesting thing is the math," says **David Stafford, managing director of real estate lending for Scotiabank.**

Asked how much of their very first payment goes to principal, borrowers usually guess five per cent, or perhaps two per cent, he says. But "with rates around three per cent on a five-year term, almost 40 per cent of the first payment goes to principal. If you go back to the 1990s…it could be 15 or 20 years before half of your payment was applied to principal. Today, that happens between the fourth and the fifth year."

The new mortgage math represents an opportunity to shave years – and tens of thousands of dollars – off your mortgage. "Pay your mortgage like it's 2008," advises Mr. Stafford. "Set your payments at the amount you'd pay if rates were five to six per cent."

When you add even an extra dollar to your payment, he explains, that is a dollar you'd otherwise pay interest on for the next 25 or 30 years. Especially in the early years of your mortgage, even "small amounts have huge impacts on your savings."

Manage your debt

According to one of CIBC's recent polls, 45 per cent of respondents would choose a fixed-rate mortgage, compared with just 26 per cent who would opt for a variable-rate mortgage, says Ms. Delaney. By choosing a low, fixed-rate mortgage and then making extra payments, Canadian consumers have an opportunity to make solid progress on reducing their debt levels, which another CIBC poll suggests is a key aim, she says.

In addition to managing their mortgage debt, "people are also starting to think about how much other debt they have," she adds. "We've found that Canadians who increased their other debts after buying a home were less likely to take the steps that help them pay down their mortgage faster, such as making some lump-sum payments."

For those who are renewing and have the option, Ms. Delaney says, consolidating your debt can also be an effective strategy, if properly managed.

Make informed decisions

With mortgage rates so low that Finance Minister Jim Flaherty felt obligated to intervene, and real estate markets shifting in favour of buyers in most cities, it's likely that many Canadians will realize their dreams of first-time home-ownership or of moving up the real estate ladder in the coming months.

As the snow melts and the market quickens, connecting early with a mortgage specialist is the best strategy, says **Inde Sumal, regional vice-president of residential mortgages at RBC.** "Traditionally, people tend to wait until the last minute to approach their lender for mortgage approval. They often make the home purchase first, and then look to secure financing."



By meeting with a mortgage specialist before they start their search for a home, buyers can lock in at current low rates, know how much they qualify for and be ready to make an offer when they find the right property.

Likewise, borrowers whose mortgages will mature in the next year should think about investigating their options with an adviser now, says Mr. Sumal.

"Mortgage specialists provide the advice required to help Canadians navigate what has become a very complex world," he says, noting that forward-thinking homeowners review their mortgages annually, as part of their overall financial plan.

"Are they in the right mortgage for their current needs? Do they need to do a refinance or early renewal? These are some of the questions a mortgage specialist can advise on," he says.

BY THE NUMBERS

$1.5 billion
Outstanding residential mortgage credit in Canada in 2012

$378,532
National average price for homes sold in March 2013

46
Percentage of Canadians who think rates will stay the same for the next year

80
Percentage of first-time homebuyers who qualified for mortgage default insurance with a 30-year amortization who would also qualify with a 25-year amortization

0
Number of economists who predicted 10-year bond rates of below 4 per cent three years ago

45
Percentage of Canadians who say they would choose a fixed-rate mortgage (versus variable) today

Ask the right questions



"We're starting to see first-time and repeat buyers investing more time in educating themselves on the mortgage options available," says **Farhaneh Haque, director of mortgage advice at TD Canada Trust.** "Previously, the interest rate was the driving factor when we met with our customers. Now they're asking different questions: 'Can I take my mortgage with me if I move? What if I want to pay my mortgage off sooner?'"

With more knowledge comes greater awareness that small adjustments are the key to paying off your mortgage faster, she says. "Can you forsake one evening out and put $100 towards your mortgage? Will you redirect some of your tax refund toward your mortgage principal? It's the concerted effects of these little tweaks that help you get there faster."

With record-low rates and lower home prices fuelling affordability, buyers are being careful but ambitious, adds Ms. Haque. "Condo dwellers are starting to say, 'Now that I've built some equity, I want to start looking at a detached home or a townhouse.' Detached homeowners are thinking about reinvesting in their property to increase its value."

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Take the test. Are you prepared to buy a home?
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Relief measures sought for first-time homebuyers.
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Looking for a home or a mortgage? There's an app for that.
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Pay it down Tip #1:

Look for flexibility. "Life doesn't happen in five-year intervals. When you see a great rate, look at all the other major terms and conditions on the mortgage, or you may find out later that it wasn't nearly as good a product as you thought."
David Stafford is managing director of real estate lending for Scotiabank

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MORTGAGES

Pay it down Tip #2:

"One of the best ways to pay down your mortgage faster is to make lump-sum payments. These payments are put directly toward principal – and can save years in mortgage payments and thousands in interest over time."
CIBC mortgage adviser **Jasmine Lintott**

THE TEST

Is it time to take the plunge? Here's how to know if you're prepared to buy a home



You've pored over online listings, determined your "must have" home features and scoped out the market in your town. But are you really ready to become a homeowner? You are, says **Stuart Levings, Genworth Canada's chief operations officer**, if you're doing these five essential things.

5 signs you are ready for homeownership

1 Saving at least five per cent for a down payment

Mortgage insurance programs, like Genworth's Homebuyer 95, let first-time buyers purchase their first home with as little as five per cent down. Setting up a savings plan and budget can help you save that five per cent sooner. "In the absence of doing that, as we all know, money finds a way of leaving your wallet," Mr. Levings says.

2 Budgeting for extra fees

Having your down payment set aside isn't enough. "You also need to think about the costs of closing on a home, which can often run up to three per cent of the cost of the home," Mr. Levings says. Those extra costs could include title insurance, legal fees and a home inspection fee.

3 Doing your homework

Unless you already work in the world of real estate and mortgages, homebuying education must be self-taught. You'll need to understand the processes and legalities of working with a real estate agent, making an offer, making a down payment, closing a home and getting insured. Explore helpful online resources such as www.genworth.ca, where you'll find tips, mortgage calculators, useful information and videos.

4 Building a good credit score

A low credit score can affect your ability to buy a home "quite severely because there is a minimum score required," Mr. Levings says. According to Canadian government regulation, 600 is the lowest score you can have to qualify for a mortgage. But Levings warns "many insurers will not even go that low depending on other criteria, such as the amount of money you're putting down, because the more you put down, the less risky you are in the eyes of a lender." He recommends going into a home search with a credit score of 650 or higher. A solid history of paying debts such as a car lease and credit card accounts with limits upwards of $1,500 can boost your score.

5 Getting the right advice

"You need to deal with a professional realtor and mortgage broker," Mr. Levings advises. "Brokers are a good source of information for your mortgage options." A financial planner can also help you create a realistic budget and save for that down payment.

RESOURCE

Mortgage insurer provides tools for first-time and other homebuyers

Mortgage default insurer Genworth Canada offers a number of programs to help homebuyers realize their dreams and financial goals.

- Genworth Homebuyer 95 program gives qualified borrowers the opportunity to own a home with as little as a 5% down payment;
- New to Canada program allows eligible recent immigrants who do not yet have established credit profiles in Canada to qualify for a 5% down payment option;
- Purchase Plus Improvements program can help qualified homebuyers make tailored improvements to their home immediately after taking possession – and this all with one manageable mortgage payment, at a competitive interest rate and with as little as 5% down.
- The Energy Efficient Housing program offers savings, including a 10% refund on the mortgage premium, to homeowners who purchase new energy-efficient homes.

Genworth Canada has also created www.homeownership.ca, a website that offers plenty of resources for first-time homebuyers.











THE HOMES

Prices vary, but starter homes offer distinct value

1. Toronto's Trinity-Bellwoods district

This three-bedroom home is located in one of Toronto's trendiest neighbourhoods. It has two decks and two skylights and is just steps to transit, parks and amenities. There is also a separate entrance to a one-bedroom basement apartment that rents for about $800 per month, which can help the buyer offset the monthly mortgage fee. "Basement apartments allow you to live in an area you otherwise wouldn't be able to afford," said real estate agent Darren Josephs.

List price $680,000
MLS#: C2604051
Your biweekly* mortgage payment: $1,448.13

2. East Vancouver artisan loft

With 18-foot ceilings, this loft space in Vancouver's trendy Strathcona district appeals to buyers interested in big, open spaces and access to the various activities the city offers. It's located just minutes from eclectic Commercial Drive and a short drive or transit ride to downtown. "This is a well-constructed warehouse-conversion artisan space, open plan with lots of light," said realtor Hootie Johnston. "For a first-time buyer, it offers low maintenance costs and lots of flexibility."

List price: $574,900
MLS#: C2604051
Your biweekly* mortgage payment: $1,224.31

3. Perfect for young family in Edmonton

Located in the southwest Edmonton community of Terwillegar Towne, this three-bedroom, two-storey, 1,360-square-foot home is the perfect size for a young family. There are schools nearby, and families will enjoy the proximity to a new recreation facility, restaurants and retailers. The home is also close to the Anthony Henday ring road. "First-time buyers will appreciate the value per square foot of this well-constructed and beautifully finished home," said realtor Kerri-lyn Holland.

List price $369,900
MLS#: E3328660
Your biweekly* mortgage payment: $785.61

4. Affordable family home in Burlington

This lovely three-bedroom townhome in Burlington, Ontario, is in good condition and has seen many renovations. It has a new kitchen, updated powder room, newer windows and furnace, and two parking spots. The basement features a large recreation room. "This is a great, affordable home for a first-time buyer and is close to several amenities including parks, cinemas, a shopping centre, transit and easy access to Queen Elizabeth Way," says real estate agent Angela Nolan.

List price $229,000
MLS#: H3105409
Your biweekly* mortgage payment: $487.68

5. Unparalleled lifestyle potential in Fredericton

This gorgeous semi-detached, two-bedroom, two-bathroom home on Fredericton's south side has a bright and spacious open-concept that is great for entertaining, says real estate agent Rebecca Steeves. This one-level home has hardwood and ceramic tile throughout, and the main floor has a large master bedroom and ensuite along with a large walk-in closet. There is a one-car garage, and the property is landscaped front and back. "It's a perfect starter or downsizer home," says Ms. Steeves.

List price $289,000
MLS#: 06039968B
Your biweekly* mortgage payment: $614.46

*All mortgage payment calculations based on: 10% down payment, 25-year amortization, five-year term, interest rate of three per cent, biweekly payments. All payments were calculated using the Mortgage Analyzer calculator at www.mortgageconsumer.org and are only approximations. Please consult your mortgage professional.

THE BUYERS

First-timers can benefit from low interest rates

Mike Schmidt is no economist, but when it came to getting a mortgage, the first-time homebuyer felt comfortable making a choice based on which way he thinks interest rates are headed.

After recently buying a house in Toronto's Corso Italia neighbourhood, Mr. Schmidt and his wife chose a two-year fixed mortgage at 2.49 per cent.

"We got a pretty good deal," says Mr. Schmidt, whose family moved into the house in mid-March. "We could have gotten 2.89 per cent for five years, but stayed with two years, because we feel the jump in interest rates wouldn't be that dramatic over the next few years."

For Mr. Schmidt, the 0.4 per cent he'll save over the next 24 months is money he can use to do renovations or pay down the principal in lump sums – another feature of the mortgage the couple chose.

"Our mortgage has all of those options that seem fairly standard in today's homebuying environment," says Mr. Schmidt, who spent four years looking at homes in Toronto before he found a place in the neighbourhood and price range that suited his family's needs.

That time was well spent, reading up on and asking questions about finding the right mortgage. "I felt way more knowledgeable as a result of doing that homework first," he says.

Rebecca Wilson, a first-time buyer in Kelowna, B.C., says she and her husband are fine with the shorter mortgage terms and tighter qualification guidelines.

"It doesn't bother me. I think 25 years is fine," she says, adding that she would consider a 40-year term a little excessive. "I don't want to be paying off a mortgage for that long anyway."

Deanna Mulligan and her fiancé Scott Harrison are actively house-hunting in Edmonton and have been pre-approved with a mortgage of 2.99 per cent, a rate that their bank has agreed to hold until July.

Ms. Mulligan says the rate is about half of what some friends of hers pay on their mortgages, arranged about five years ago, which makes her feel fortunate to be buying in the current market.

"It's amazing where the rates are now, and good for first-time buyers, who may not have built up equity from a previous home," says Ms. Mulligan. "The lower interest rates can have a huge impact on your monthly mortgage payment."

When they do find a home and finalize a mortgage, Ms. Mulligan and Mr. Harrison plan to take advantage of the low rate and lock in for a five-year term.

"It's not for everyone, but we want some consistency on what our monthly payments will be," she says.

Pay it down Tip #3: Don't let other spending steer you off-course. "If you have to take on non-mortgage debt, have a conversation with a financial adviser to ensure you've got the capacity to fulfill those debts and start making inroads into your mortgage."
Colette Delaney is executive vice president, CIBC



Mortgage default insurance and federal, provincial and regional homebuying programs can help Canadians take their first step on the real estate ownership ladder. ISTOCKPHOTO.COM

THE EXPERTS

Professional advice helps novice homebuyers navigate challenging markets

In today's newly complex mortgage environment, the right tools and advice can help buyers qualify for the right mortgage – and pay it off faster.

To get a sense of the challenges faced by today's first-time homebuyers, consider that, despite some softening since 2011, average prices in many regions are still almost double those of 2000. Contrast that to the increase in average household incomes between 1990 and 2009, which rose just 16 to 19 per cent for the lowest-income 60 per cent of Canadians, and 35 per cent for the top 20 per cent of income-earning households.

Recent regulatory changes have added to those challenges. "The mortgage rule change that had a significant impact on first-time buyers, from the round of changes implemented last July, was the reduction of the maximum amortization period from 30 years to 25 years," says **Debbie McPherson, senior vice president of sales and marketing, Genworth Canada**.



But while that led many prospective homebuyers to decide to sit on the sidelines a little longer before buying a home, "according to our profiles, about 80 per cent of buyers who qualified for a 30-year amortization would have qualified at 25 years," says Ms. McPherson. "This means that the vast majority of first-time buyers can still achieve homeownership – with as little as five per cent down if they qualify for mortgage insurance."

Saving for a higher down payment is always a good idea, she says, and a recent Genworth Canada survey conducted in conjunction with the Canadian Association of Credit Counselling Services revealed a significant rise in the number of recent first-time buyers who put more than 20 per cent down on their homes (56 per cent versus 36 per cent in the 2012 survey). The proportion saving for more than five years before buying a home also increased by 50 per cent.

In addition to programs provided by Genworth Canada (see sidebar, page M 2), there is a wide range of assistance available, including the Home Buyers' Plan, which allows first-time buyers to borrow $25,000 from their RRSP, and the federal first-time homebuyer tax credit. There are also provincial and regional programs, such as the B.C. First-Time New Home Buyers' Bonus and The HOME Program, an Edmonton-based initiative that provides education, assistance and even down-payment matching to low- to moderate-income families.

At any income level, professional advice is crucial. "We need to get in front of potential buyers early in the game, to help them get financially ready for homeownership," says Michael Cameron, an accredited mortgage professional with Axiom Mortgage in Edmonton, who participates in The HOME Program.

Whether it is a matter of rebuilding credit, saving for a down payment or simply preparing a budget, it all takes some time, he notes. "I'd prefer to first meet with my clients two years before they're ready to buy. If there are credit issues, for example, the good news is that time heals everything, but the bad news is that it takes time to heal."

Unlike in Edmonton, where multiple offers are still common, Regina is becoming more of a buyer's market, says accredited mortgage professional Paul Kozan, a broker with Power Mortgage there.

But Regina buyers might not agree, he says. "There are more listings available than ever right now, but prices are a lot higher than they were five years ago. Buyers are surprised when they see what their money will buy."

Once they meet with a mortgage professional to do a rent-versus-buy analysis, however, it becomes clear that it still makes good sense to own, says Mr. Kozan.

An advantage of the regulatory changes that limit amortization to 25 years, in concert with low interest rates, is that close to half of mortgage payments are applied to principal from the very first payment. Buyers therefore have the opportunity to accumulate equity quickly if prices continue to rise. "They're paying off their mortgages fairly rapidly, at a relatively low cost," he says.

"The first question I get as a mortgage broker is: 'What is your best rate?' My answer is always the same: 'What's the price of a yellow car?"

Michael Cameron
is an accredited mortgage professional with Axiom Mortgage

To get the right mortgage in a rapidly changing environment, focus on features first and price second, Mr. Cameron advises. "Mortgages are a product, and like all products, there is a range of quality. The first question I get as a mortgage broker is: 'What is your best rate?' My answer is always the same: 'What's the price of a yellow car? Do you want a Volkswagen or a Ferrari?'"

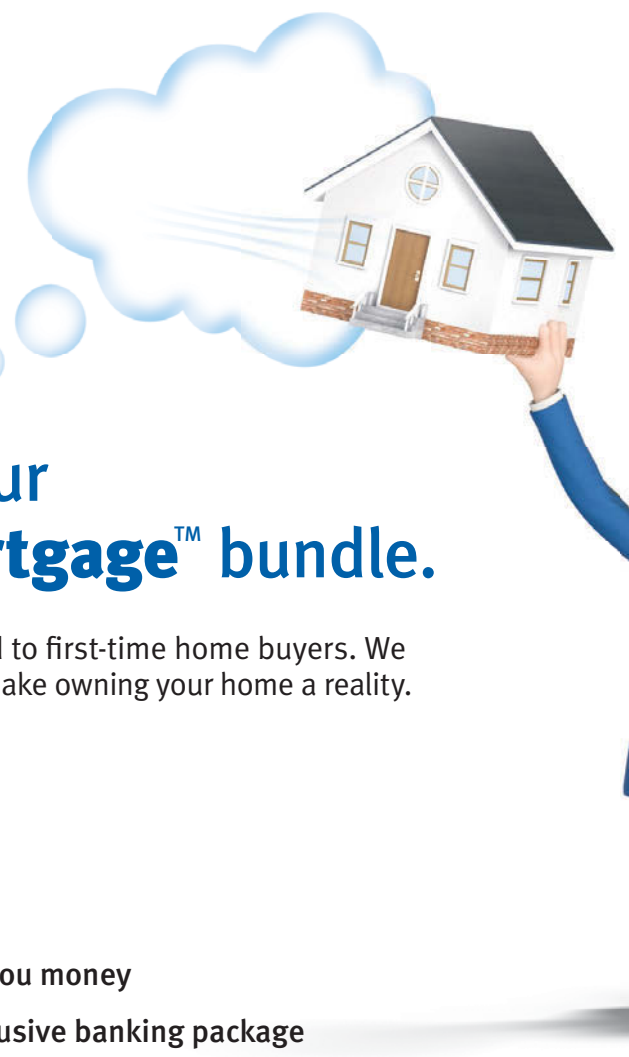
Once you're in your home, making early, additional payments can help you pay off your mortgage faster and save significantly on interest, he stresses. "Too many people treat their mortgage payment like rent. You'd never volunteer to pay extra rent, but it is a fantastic idea to make higher mortgage payments than you have to."

Mr. Cameron and his wife applied such measures to their own mortgage and were able to pay it off in just 11 years. They chose accelerated bi-weekly payments, applied their tax refunds to their mortgage, stayed with the same payment, although their rate dropped from by almost three per cent on renewal, and cut expenses in order to increase each of their payments by $50.

"You might not want to be quite as aggressive as we were," he says. "But with a little bit of effort, you can have a substantial impact on the amount of interest you pay over the life of the mortgage – without significantly affecting your lifestyle."

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MORTGAGES

Pay it down Tip #4:

"Don't treat your mortgage like rent. Shaving unnecessary expenses to make higher monthly payments can take years off your mortgage and save you thousands in interest."
Mortgage broker **Michael Cameron**, AMP

THE ADVOCATES

Association seeks relief for new borrowers, housing market



When homeownership is out of reach for first-time buyers, the impact affects all Canadians, says Jim Murphy, president and CEO of the Canadian Association of Accredited Mortgage Professionals. ISTOCKPHOTO.COM

How are first-time homebuyers faring under the new mortgage rules introduced by Finance Minister Jim Flaherty? According to research by the Canadian Association of Accredited Mortgage Professionals (CAAMP), they're facing challenges, and that has implications for all Canadians.



"A report we did last fall showed that 17 per cent of all people who qualified for mortgages in 2010 would not qualify today under the new rules," says **Jim Murphy, AMP, the association's president and CEO**. The primary reason, he explains, is the change in the maximum amortization term, which was reduced to 30 years from 35 years in January 2011, and then further reduced to 25 years in June 2012.

With almost one of five potential new buyers forced out of the marketplace, the chill is being felt at every level of the market, says Mr. Murphy. "It's affecting first-time buyers the most, but in order to move up in the housing market, obviously, you need somebody to buy your first home."

The impact can be measured in seven or eight months of declining sales – despite a very low-rate mortgage environment. While the federal government wants to slow the market, given concerns about the effect of higher rates on overextended borrowers, the cumulative result of the changes is being overlooked, says Mr. Murphy. "Housing has a very positive impact on the Canadian economy in terms of jobs, and we're now seeing slower growth rates across the country."

To help mitigate the decline, CAAMP is advocating for a number of changes to assist first-time buyers, while supporting the federal government's aim of reducing the overall indebtedness of Canadians. The proposed measures include:

- Indexing the Home Buyers' Plan, which currently enables first-time buyers to borrow up to $25,000 from their RRSP for a down payment, to inflation;
- Increasing tax credits for first-time buyers; and
- Allowing first-time buyers who have qualified for a mortgage with a 25-year amortization to instead choose a 30-year amortization (similar to the federal government policy that requires a borrower to first qualify for a five-year fixed rate in order to qualify for a lower-rate variable mortgage).

The changes are essential "for the overall housing market as well as overall economy," explains Mr. Murphy.

Reducing debt levels is an important aim, and Canadians are getting the message, he says. "Research shows that people are making additional payments, increasing payment frequency and making lump-sum prepayments."

CAAMP research shows that most Canadians retire their mortgages after just two-thirds of contracted periods, he notes. "Most people will pay off a mortgage amortized over 30 years in 20 years, and 87 per cent of mortgage-holders in Canada have at least 25 per cent equity in their home."

For more information, visit www.mortgageconsumer.org or www.caamp.org.

CHECKLIST

Many new homebuyers are surprised by the additional costs that come with purchasing property.

Here's a checklist of what to consider, and save up for:

- **Property appraisal** (if applicable)
- **Deposit** (paid when Offer to Purchase is signed)
- **Down payment**
- **Estoppel certificate fee** (for condo/strata)
- **Home inspection**
- **Land transfer tax** (where applicable)
- Legal fees
- **Mortgage broker fee** (if applicable)
- **Mortgage loan insurance** (if not included in mortgage)
- **Adjustment for prepaid property taxes or utility bills**
- **Property insurance**
- **Survey Certificate of Location fee**
- **Title insurance**
- **Moving expenses**
- **Repairs and maintenance**
- **Furniture and appliances**

Source: CMHC



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Pay it down Tip #5:

"Seek expert advice before making decisions about breaking your current mortgage. People often assume that the penalty is equal to three months of interest, but penalties vary from lender to lender, and for different types of mortgages."
Angela Calla, AMP, is a mortgage broker with Dominion Lending Centres

THE LOGISTICS

Effective renewal requires foresight, creativity

Canadians often invest vast amounts of time and energy into planning their vacations, purchasing cars or even upgrading their smartphones.

But when it comes to their mortgages – usually the biggest financial commitment of their lifetime – most will wait until just before their current mortgage matures to sit down with a mortgage adviser. Many make the mistake of simply renewing with their original lender, at the posted rate. They'll then pay exactly the prescribed amount, until their mortgage matures again.

Think of these as life's most expensive oversights.

If you have a mortgage maturing anytime in the next year, advises RBC mortgage specialist Jennifer Bissonnette, start looking at your options now. "At RBC, for example, our clients are able to renew their mortgages 120 days prior to their actual renewal date, without penalty."

With record-low rates still available, those extra 120 days could represent real savings.

The key to choosing the right mortgage is talking through your needs and priorities with a mortgage professional, says Ms. Bissonnette. "One person will benefit from a variable-rate product, while others may be better suited to a fixed-rate term. With today's current low-rate environment, a five- or seven-year fixed-rate mortgage will provide peace of mind to first-time homebuyers, while a seasoned homeowner may be comfortable with rate fluctuations."

In some cases, especially if borrowers are adding higher-interest debt to their mortgage, it can pay to renew early. Caution is warranted, as pre-payment penalties can be costly. But a mortgage professional can walk you through the calculations, weighing penalties against the interest saved over the longer term.

If you do decide to renew early, says Ms. Bissonnette, it's wise to minimize the pre-payment penalty by first taking advantage of any pre-payment options allowed under your existing mortgage. "For example, you may be able to make an anniversary payment of 10 per cent," she notes.

For one of her clients who was close to renewal at another institution, an early switch to RBC paid off handsomely – to the tune of $3,500 a year. "He really liked our Home Line Plan, which is part mortgage, part line-of-credit. We shifted his mortgage and line-of-credit into one package, with a lower rate of interest. It was really a win-win," she says.

"For the many Canadians who are renewing their five-year term at a lower rate this year, for example, maintaining the same repayment schedule that they're used to will save thousands in interest costs over the life of the mortgage."

Jennifer Bissonnette
is an RBC Mortgage Specialist

Once a mortgage is renewed, early payments made possible by flexible pre-payment terms can help reduce the overall cost. For the many Canadians who are renewing their five-year term at a lower rate this year, for example, "maintaining the same repayment schedule that they're used to will save thousands in interest costs over the life of the mortgage," says Ms. Bissonnette.

"If your goal is to pay your mortgage off sooner, let us show you how you can do that," says Farhaneh Haque, director of mortgage advice at TD Canada Trust. "Instead of taking a 30-year amortization, let's look at a 25-year amortization. Let's give you the opportunity to pay that mortgage off sooner by increasing your payment, your payment frequency."

In July 2012, mortgage rules were changed to limit refinancing to 80 per cent of the home's value, down from 85 per cent. That may have an impact on homeowners renewing or refinancing in order to finance renovations and to pay off other higher-interest debt, Ms. Haque notes. "Previously, you could take out an extra $20,000 on a $400,000 home, by accessing that additional five per cent of equity, so the change may materially affect your decision to renovate your house, for example."

Working with your mortgage professional can help ensure that you understand the impact of the new guidelines and can develop an effective plan to repay your debt, she adds. "Do your research. And make sure that you have the people that you need in your corner to guide you through the process."



Working with a professional to determine the best renewal strategies can create significant savings for homeowners. ISTOCKPHOTO.COM

MORTGAGES

Pay it down Tip #6:

"Let us show you the impact of adding $100 to your payment. If you look at $100 in your budget, it might get you a dinner out – but it can have a big impact when applied to your mortgage principal."

Farhaneh Haque is director of mortgage advice at TD Canada Trust

THE TECHNOLOGY

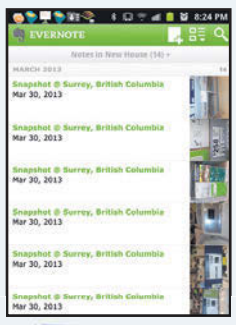
Virtual tools empower buyers

Digital-age solutions are making it easier for buyers to shop for a home and mortgage. The following suite of free home and mortgage apps for smartphones and tablets are among the tools now available to help buyers make more informed decisions.

Evernote

If you've ever looked for a new home, you've probably had the experience of forgetting or confusing important features after seeing six properties in one weekend. Which listing had that great pocket door on the master bedroom? Or the dark bamboo floor in the kitchen? With a smartphone in your pocket and an Evernote account, you can meticulously document your search with photos, text and voice notes, so that you remember all the important details.

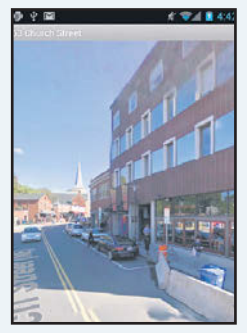
Before you start your search, use Evernote to clip listings and maps from your online research, and to record times of open houses, addresses and your realtor's contact info.



Google Maps

Sure, everybody knows about Google Maps, but when you're house-hunting, you have an opportunity to leverage this awesome tool to its fullest.

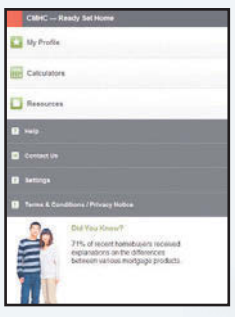
You've probably had the experience of arriving to view a loft with great-looking interiors only to find it's located off an alley you'd never consider walking down after dark. Or had your heart broken by a gorgeous, reasonably priced detached home that turns out to be perched over a busy freeway. With the Google Map app, those days are over. Before you head out, enter the address, click on the street view symbol and then follow the turn-by-turn walking tour to virtually experience the entire neighbourhood.





Ready Set Home

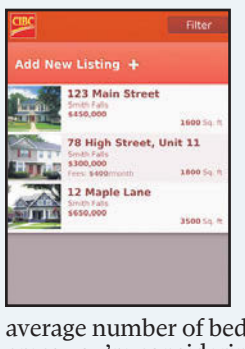
The Canadian Mortgage and Housing Corporation has long been a trusted source of homebuying information for Canadians. Now the Ready Set Home app puts those resources in your purse or pocket.



In addition to helping you track your home-search details, the app includes calculators to help you determine how much you can comfortably afford to borrow and what your payments will be. A handy glossary is available to shed light on any unfamiliar real estate or mortgage terms, too.

CIBC Home Advisor

Yes, this app connects you directly to a CIBC mortgage expert and provides the bank's best rates, but it does much more. You can save info from viewings and compare each of the homes you visit.



The app includes the usual handy calculators, but its most unique feature is the neighbourhood utility, which gives you details such as 12-month price trends, average home prices – even the average number of bedrooms – in the areas you're considering. If you need to know even more, you can request a full report, which will be delivered by e-mail.

Walk Score

The Walk Score app is useful when booking a hotel while travelling or looking for an apartment to rent. But if you're buying a home, it can save you money – and even save your health.

The higher the walk score, the less likely you are to need a car for regular errands. And according to research conducted by RBC and the Pembina Institute, the cost of owning a car is equal to adding $200,000 to your mortgage, at today's rates. So while it often seems expensive to live in the most walkable neighbourhoods, it can save you a significant amount, if it enables you to give up your car or even your family's second car. According to Walk Score, people who live in neighbourhoods with high scores also weigh six to 10 pounds less than those in less walkable ones.



Realtor.com app

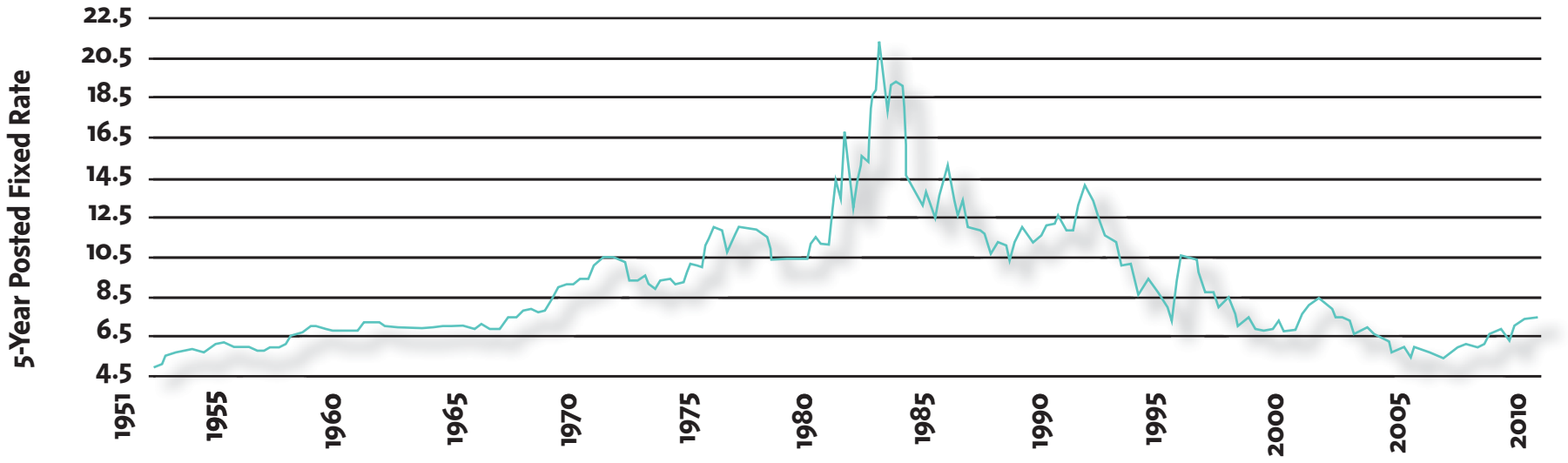
In addition to searching for homes for sale in your price range and target area, this app allows you to filter for foreclosed properties, open houses or properties that have recently been reduced in price. A map view lets you zoom in to check the prices of recently sold homes around those you're considering, and provides an aerial view of the neighbourhood.

You can save open houses to your property tour, add appointments directly to your calendar and store your realtor's contact details. You can also rate the homes you've seen and share those ratings with family members.



THE TRENDS

Average five-year mortgage rates over time. Canadians now consider low interest rates the "new normal."

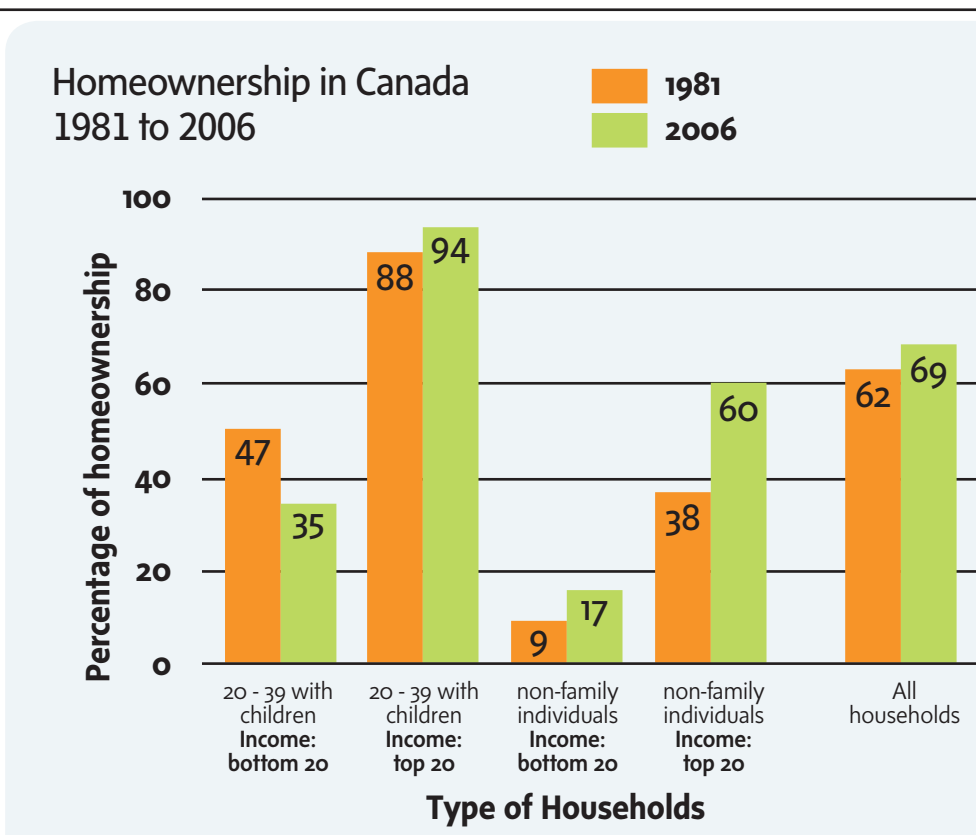


Source: Bank of Canada, graph used with permission of Mississauga4sale.com

Percentage of Canadians who believe mortgage rates will be the same 12 months from now, by region:

	2013	2012	2011
National	46%	42%	24%
Atlantic Canada	38%	32%	19%
Quebec	48%	49%	28%
Ontario	46%	42%	21%
Manitoba and Saskatchewan	45%	39%	23%
Alberta	47%	40%	27%
British Columbia	45%	41%	25%

Source: CIBC Mortgage Poll



Source:Statistics Canada



Newly accessible luxury homes across Canada

1. Steps from the beach in one of Vancouver region's most desirable neighbourhoods

Steps from the ocean and beautiful Sandy Cove beach, this 3,072-square-foot home is considered "entry level" in its highly desirable Rockridge school catchment locale in West Vancouver. The West Coast, open-plan design provides sunshine and natural light from sunrise to sunset, says Sotheby's realtor Yasmeen van Bylandt. The open kitchen-family room with skylights opens to a large sun-filled deck, and the lower level features a large recreation room with wood burning fireplace, sauna and access to the south-facing backyard.

List price: $1,298,000
MLS#: V984218
Biweekly** mortgage payment on $1-million mortgage ($298,000 down): $2,366.23

2. Luxury living in Old Montreal

At almost 3,000 square feet, this warehouse condo is close to the rhythm of this vibrant city, says Carole Baillargeon of Century 21. Listed at $925,000, this Old Montreal home offers unparalleled lifestyle value. In addition to a large living space with two closed bedrooms and two bathrooms, this beam-and-brick condo offers a private rooftop terrace of 660 square feet and nine large windows overlooking the Place d'Youville and the Centre d'histoire de Montreal.

List price: $925,000
MLS#: MT958594
Your biweekly* mortgage payment: $1,751.01

3. Living large on the golf course

This prestigious Sherwood Golf and Country Club property is the builder's favourite due to a sunny west-facing backyard adjacent to a private fenced park, says realtor David St. Jean. Thoroughly modern yet luxurious, it offers 6,200 square feet of living space, with a beautiful three-storey spiral staircase, coiffured ceilings, floor-to-ceiling west-facing windows and the ultimate gourmet kitchen – with a second prep kitchen. The four upstairs bedrooms all have ensuite bathrooms. In the basement are two additional bedrooms, a large recreation room, wet bar, exercise room and a custom theatre. The asking price includes a two-year golf membership.

List price: $1,439,900
MLS#: TBC
Biweekly*** mortgage payment on $1-million mortgage ($439,000 down): $2,366.23

4. Private retirement haven or urban getaway

With sweeping views of the valley below, this 3,200-square-foot custom-built home and 10-acre property in the British Columbia interior was valued at $950,000 at the peak of the market. Near Merritt, two hours from Vancouver, it offers a spa-like master suite, soaring ceilings and wood-burning fireplace in the great room. Extras include an infrared sauna, wine-tasting room, gated driveway and an acre of fenced pasture.

List price: $649,000
MLS#: 113968
Your biweekly* mortgage payment: $1,228.55

*Mortgage payment calculations based on: 10% down payment, 25-year amortization, five-year term, interest rate of three per cent, biweekly payments. All payments were calculated using the Mortgage Analyzer calculator at www.mortgageconsumer.org and are only approximations. Please consult your mortgage professional. **Mortgage payment calculations based on $298,000 down, 25-year amortization, five-year term, interest rate of three per cent, biweekly payments. ***Mortgage payment calculations based on $439,000 down, 25-year amortization, five-year term, interest rate of three per cent, biweekly payments.

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MORTGAGES

Pay it down Tip #7: Reduce your energy bill and apply the savings to your mortgage principal. Use the Home Energy Savings Calculator at www.ecoliving.scotiabank.com/calculator, launched by Scotiabank in 2012 to mark Earth Day.

THE UPGRADES

Keep your eyes open in renovation planning

More than one in three homeowners plan to renovate in the next year, according to a recent CIBC poll. If history is an accurate guide, most will spend significantly more than they planned and many will make design decisions they regret – but a bit of planning and some expert advice can help.

Greg Sommers, president of Surface Concepts in Edmonton, has supervised multimillion-dollar renovations and new builds in the Cayman Islands and Bahamas as well as new home construction in British Columbia, so he knows how to keep a renovation project on budget. His passion for greener, more livable and affordable homes led him to glass-fibre reinforced concrete, which replaces marble, quartz and granite surfaces with a lower-cost, completely customizable material.

Choosing such a lower-cost alternative for elements such as countertops, which are often the key focal point in a room, as well as one of the biggest expenses in a renovation, can make it easier to stay within budget, Mr. Sommers says. But whatever the project, he advises starting with a clear vision for the look and feel of the completed work. "Then find contractors you trust and feel comfortable talking to about your design and budget," he says. "Ask lots of questions. Your contractor should be able to tell you how to achieve the design you want on budget, or suggest more affordable materials that can be used to create a similar effect."

"Just make sure that whatever you do fits into your life, so you don't have to spend the next year or two making your life fit into your debt obligation."

Colette Delaney
is executive vice-president of CIBC



Choosing a lower-cost option for the key focal point in a room, like these glass-reinforced concrete counters, can help keep your renovation budget in check. SURFACE CONCEPTS

While using savings to pay for renovations is always the first choice, it's important not to deplete your emergency or retirement savings, says Colette Delaney, executive vice-president of CIBC.

If additional funds are required for a major renovation, "a secured line of credit, like our Home Power Plan, which offers Canadians with equity in their home a low-cost borrowing solution, can provide flexibility," says Ms. Delaney.

Just as it's important to plan your renovation, it's crucial to have a plan in place for repaying such a renovation loan, she says.

Whether it's a "want," like a new kitchen, or a "need," like a new roof, renovations should always help you enjoy your home more today, while increasing the future value of your property. "Just make sure that whatever you do fits into your life, so you don't have to spend the next year or two making your life fit into your debt obligation," she cautions.

"The bigger the project, the more time you need to spend planning it," says David Stafford, managing director of real estate lending for Scotiabank. "Because the bigger the project, the more expensive the cost overruns, and the longer the timeline changes."

Start by understanding what you can afford, he says. "Then get your financing in place ahead of time. Have a budget and stick to your plan."

With mortgage rates still at record lows, many homeowners are choosing to reinvest in their properties, says Farhaneh Haque, director of mortgage advice at TD Canada Trust. "If you have a neighbourhood that you really enjoy, there are often opportunities to invest in your property so that it meets your needs and you don't have to move."

PROFILE

HGTV expert partners with bank to help homeowners renovate wisely



Scott McGillivray, host of HGTV's Income Property, is working with CIBC this spring to help homeowners get a handle on their renovations. Here are some of his tips for Canadians looking to get the best value for their renovation dollar:

- **Plan the work:** You don't want to be in the middle of a home renovation project when you realize you're unable to meet your timeline or budget, especially if you're operating with tight resources.
- **Set your priorities:** If you're taking on multiple renovations, decide which projects are the most important to you, and tackle those first. Kitchens and bathrooms make good choices. for example, because they add value to your home.
- **Expect the unexpected:** Regardless of how much you plan in advance, leave a cushion in your budget for the unknown. Set aside 20 per cent to cover any unexpected costs.
- **Put it in writing:** Always get quotes from contractors before any work starts, with a signed agreement on the scope of work and everything that's included. Be clear on what's not on the list, so you'll know about any items that are your responsibility to pay for.



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[1] Some conditions apply and subject to approval.
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