HOW TO GET
PRE-APPROVED

"THE RIGHT INFO. THE RIGHT WAY. THE FIRST TIME."

MORTGAGE CRUSHER

GRAHAM REIMER
www.mortgagecrusher.ca

Get Pre-Approved
"The Right Info. The Right Way. The First Time."

Graham Reimer

The author is represented by Dominion Lending Centres Mortgage Excellence
Visit our website at www.MortgageCrusher.ca

Printed in Canada

Table of Contents

1. The Importance of Pre-Approval

When searching for a home, it's absolutely crucial that you get pre-approved before you begin shopping with a realtor. An accurate pre-approval is vital to making sure your home shopping experience is positive, and it minimizes the stress of the process. We'll be honest here, a pre-approval is not the most enjoyable or exciting part of the home buying experience, but it will save you time, money, and sanity. This book walks you through the process. We help you understand how to be proactive and ensure you're confident with your pre-approval.

What is a pre-approval? It's the starting line at the housing race. To enter the race, you need to start, like everyone else, at the same starting line and wait for the gun to fire. The pre-approval is the starting line for everyone entering the home-buying process. On your marks, get set, get pre-approved!

Benefits of an Early Pre-Approval

A comprehensive pre-approval will determine two factors in your home purchase: what price is right and how to plan. A top quality realtor can direct you in house shopping; however, many of the decisions you must make comes down to one thing: the amount of mortgage you can qualify for. The pre-approval amount helps determine which neighbourhoods you can shop in, what size of house you can afford, and what age of house you can reasonably afford. In fact, without a pre-approval, you could waste time looking at homes you simply can't afford.

You will be challenged physically, mentally, and emotionally when shopping for a house. You pick the neighbourhood you want to live in and the style of house. Hours are spent on the Internet dreaming and searching for the place you want to call home. However, as you start looking around, you get emotionally vested in all the decisions. The last thing you want to do is find out that all of your effort, all of your time, and all of your expectations are totally destroyed because you cannot purchase the house you found. All that work leads to nothing if you're pre-approved for a lesser amount. Who would go through that? Sadly, the numbers are astonishing – so many people prematurely shop for a house. We call this premature evaluation. This causes so much disappointment that it can destroy your desire to look again. The way that you can avoid all that heartache and wasted time is to get pre-approved.

Where the Rubber Meets the Road

An adequate pre-approval can help you determine what important glitches there might be within the buying process. Sometimes, small details identified in the pre-approval can make a huge difference in the way banks see you as a client. It is essential to understand that a pre-approval is where the rubber meets the road on the path to real estate success.

Self-Approving can lead to False Hope

Today's technology allows you to log on to a real estate website and use an online calculator to estimate your price range. However, realize that what you are comfortable paying might not equal how much you can purchase. Many people look at a monthly payment, run their budget, and determine whether they think they can handle it. This is fine if the payment is for an amount approved by a bank, but if it happens to be higher, then it can lead to false hope.

Consider this example: you pay $1500 per month for rent, so the bank will surely approve you for a $1500 per month mortgage payment, right? If it were that easy, we would be out of a job! It's not that simple. Many of the banks prefer that you only spend 35% of your gross (before tax) income on a mortgage payment, property taxes, and heat. Beyond that, they only want you to spend 42% of your total gross income on all debts, including your mortgage payment. If that $1500 payment doesn't jive with their rules, then it doesn't matter whether you feel you can handle it; they aren't going to allow you to borrow that much money. We agree it seems harsh but that is how it works. So the job of the pre-approval is to show how you can fit within the rules. Let's give you a helpful calculation so that you can closely estimate how much "mortgage" the bank thinks you can handle monthly.

Step 1: Take the number of your total monthly contractual debts. These are your credit cards, loan payments, and lines of credit. Then divide that amount by your gross (before tax) monthly income. Your result should be a number less than 1.

Step 2: Now subtract that number from 0.37. Once you have that number, multiply it by your gross monthly income and you will get a close estimate of the payment that a bank thinks you can handle. Below is a real life example:

Step 1: $800 / $6000 = 0.13

Step 2: 0.37-0.13 = 0.24

Step 3: $6000 x 0.24 = $1440

In this example, if this person had $800 a month in contractual debts and $6000 per month in gross income, he or she could afford a $1440 monthly mortgage payment. Now you can use this payment number in online calculators and see how it translates over to a house price. Remember, this is only an estimate as your mortgage professional **(www.MortgageCrusher.ca)** will have the exact number you can qualify for.

Now that we have dealt with income, know that the outcome of a pre-approval depends on many other variables that affect what and how much you can buy. Lenders will consider factors such as:

- down payment
- source of down payment
- your job type and length of employment
- credit rating

A simple online calculator cannot produce accurate results when all of these factors need to be considered. As much as it pains us to say this and scares you, paperwork plays a huge role in how this process pans out. Getting documents out of the way **before** you begin looking for a home is the best option if you want to save time, money, and headaches. We cannot stress enough how much more accurate your mortgage professional is when he or she sees your paperwork first. If you have ever received a pre-approval without having to provide proof of the information, then you should get a second opinion. Verbal pre-approvals are a recipe for disaster.

In addition to providing personal information, you should have had a detailed conversation about yourself, where you work, how long you have worked there and your wage, if you have a down payment, and where the down payment is coming from. You also should have been asked for permission to access your credit because nobody can confidently pre-approve you without seeing credit scores. Additionally, you will need to provide a number of documents after initially speaking with a mortgage professional, including a job letter, a pay stub, Notice of Assessments or T4s, and proof of your down payment. These are the questions and documents that most influence the process. When getting pre-approved, the three big topics that any professional should be paying attention to are: credit, income, and down payment. These are deal makers or deal killers.

The bottom line is you would never go shopping for anything unless you know how much money you have. Buying a house is no different. The last thing you, and, if applicable, your spouse, want is to see a beautiful house that you love only to discover later that you can't qualify for it. That feeling is never warm and fuzzy.

Eating the Frog

The phrase 'eating the frog' means doing the hardest or most dreaded task in the list of to-dos first, so you can get it out of the way. Once it's out of the way, the rest of the process seems easy. Asking a financial institution for money to buy a house can be nerve-racking. The fun part is shopping. Take care of the business end first so that you can enjoy shopping without disappointment and have lots of fun. Go and eat the frog, so-to-speak.

Do not be afraid of the outcome of a pre-approval. In the end, clients are often surprised by what they can afford and it is never too early to start. Getting a pre-approval well in advance of purchasing can help you discover small problems before they become big. If you have to pay off a debt before you purchase, then you have time to work on that and make it happen. If you have to fix a problem you didn't know was on your credit, then you have time and can get the right advice. If you need to save more money, then you have time. It is far better to get a pre-approval early than to realize you were too late.

2. Know Yourself Better than the Banks Do

The next step in the pre-approval process focuses on you, the buyer. In the time before you apply for a mortgage, you need to create your game plan to ensure that you know yourself better than the banks do. When it comes to a pre-approval, the mortgage professional's job is to let you know what your parameters are, and it's your job to discuss how you want to fit within those parameters.

The Right Frame of Mind

Do not get too excited just yet or allow yourself to get too carried away in the process. The point of no return is not too far ahead, as things get serious after the pre-approval. Keep your emotions in check. We recommend you take some time with a pen and paper and respond to these vital questions before applying for a mortgage:

- Why am I so excited about this?
- What is the purpose of the purchase?
- What do I feel I can afford with my current salary?
- What are the cost differentials between renting and owning a home?
- When do I want to buy?

It is imperative that you understand all the differences between renting a house or apartment and owning a home. What you pay for rent will not be the same as what you pay for a house payment. Even if you can find a house for the same price as your current rent, you have to consider all the other costs associated with home ownership such as utilities, house insurance, property taxes, closing costs, updating, maintenance, and repairs. Working through a budget can help you decide a financial comfort level before you start. If something breaks down in a house that you own, then the only person you have to call to deal with it is you. Understand the obligations and costs of buying a home.

First-Time Buying Can Be Scary

First-time home buyers need to be aware of and think about the important factors when applying for a mortgage. It is essential that you understand your goals before you approach a bank so that you can get exactly what you want. Work your budget based off of the data you gather by considering the details of your situation; and then go from there. Important factors include:

- Will the home be a rental property?
- Will the home be for a growing family?
- Will the home need renovations?
- Will your current income cover the cost/expenses?

Knowing exactly what you are looking for is going to save you time and frustration and help you avoid confusion. Are you looking for a fixer-upper home? Are you looking for a home that you can stay in for ten years? Are you going to be moving in two years? Two topics can help you make decisions: 1) longevity and 2) resale. If you plan to stay long term, then the resale is not as important (of course resale is still important but not to the same magnitude). If you are not staying long term, then you want to consider resale more than longevity. Ask yourself, what are the market trends? Some trends include neighbourhoods, style, upgrades within the home, and ability to maximize on some renovations. If you have to sell within a few years, then your home is more likely to move quickly if you have considered selling it upon purchasing it.

Thinking through all of these topics in advance helps both the realtor and mortgage professional get you what you want for the best possible price. It is fine to ask friends and family for advice, but remember to lean heavily on the professionals you hire as that's what they are paid to do. Your mortgage professional and realtor do this for a living, and they are talking about prices, processes, rates, and homes all day every day. They love to help, assist and guide in order to make your buying experience fun and enjoyable.

This Time it's Personal

Buying a house is personal. Most people compare the kind of house they buy to themselves personally. Everybody has his or her own reasons for buying a house; and furthermore, each buyer has his or her own preferred type of house. Each home comes with a lifestyle and you get to choose that lifestyle. Being "house poor" is no fun for anyone. Pick a home with a price that empowers your lifestyle and doesn't cramp it. Knowing your own personal wants and needs will ensure that you do not get carried away in the process and make emotional decisions. Now is not the time to try to keep up with the Jones's. Buy something that you love, but you don't have to love it so much that you can't afford to leave it!

3. Is it Time for Pre-Approval?

When's the best time for a pre-approval? The answer is **now**. It's a good idea to get pre-approved as soon as you're thinking about the goal of home ownership.

Knowing the most recent market rule changes, your credit score, and other issues beforehand will help expedite the process and make it less of a headache. It also gives you time to repair any potential problems before you buy your home.

The Importance of Knowing Your Credit Score

Knowing your credit score is one of the most important factors when it comes to the pre-approval. However, it can sometimes be difficult to find complete versions of this information without the help of a mortgage professional. You'd think a bank would be the best source of information, but even a bank loan officer can produce incomplete data. A half answer or incomplete report can give you either a false sense of hope or a whole bunch of frustration. Many people are declined when they should be approved and vice versa.

The credit score is the first key to all of this. If your credit score is not good, then the bank does not care how much money you make – your credit score tells them you don't pay anyone back. The rules for mortgages change based on your score. If you are between 620 and 679, then you can be approved, but the box that the bank wants to fit you in is pretty firm. If you are at 680 or higher, then sometimes they will let you stretch the numbers a little because your score is exceptional. This is why it is crucial to know your score and understand the full credit bureau. Some banks and lenders don't get all the details, so if they say that you have a negative on your credit bureau that you can't explain, then get a second opinion. Professionals who pull your credit should be able to tell you what any problems are, when they happened, and walk you through the bureau. Accuracy is the key to a pre-approval. You don't want them to tell you what you want to hear; instead, you want an accurate, honest answer so you can proceed intelligently and correctly.

Sometimes, a bill is reported to collections without a person even knowing it – perhaps an old utility or cell phone bill. Collection companies won't typically call you over a $100 charge. Meanwhile, you're thinking you have spotless credit because you pay all the other bills on time. This blemish on your record might result in you getting turned down for the mortgage when the remedy is almost instant and would have been easy to take care of a long time ago.

Your credit report can be obtained by working with a mortgage professional or contacting and requesting it directly from the credit agencies Equifax Canada or Transunion. Whether you have bad credit, unforeseen credit issues, or no credit at all, working with a pro can help you remedy these issues quickly.

Smooth Sailing

When you want to enter into home ownership, being prepared improves your odds of approval as well as the speed in which you get your answers.

“If a client comes to me with most of his or her paperwork in hand, I can have the client pre-approved and shopping in 30 minutes.”

– Graham Reimer, Dominion Lending Centres Mortgage Excellence

A few key areas need to be addressed prior to shopping for a home. Knowing the details surrounding these considerations will increase the probability of getting that dream home you always wanted.

- **Down Payments –** For many hopeful homeowners, the down payment is an issue. With zero-down mortgage options now off the table, some home shoppers are finding it difficult to get into the homes of their dreams. Recent and regular rule changes have altered the options available; a professional worthy of your business will no doubt be on top of this. The pros understand the nuances of the system; and they can help you get your down payment situation figured out before it’s too late. The minimum down payment for a home that you are going to live in is 5%. The down payment can come in different forms depending on your situation: a gift from your family, an inheritance, the sale of a vehicle, savings, RRSPs, etc. Just remember this point about the down

payment: you have to prove that it came from a legitimate source. Cash under the mattress does not work for the bank; by law, they have to confirm the money is yours via their guidelines. Unfortunately, some folks don’t realize this important fact until it is too late, causing avoidable delays in the process. If you had a recently large cash deposit, the money has to be in your account for 90 days before they consider it legitimate. The only way around the 90-day rule is to show where it came from, such as a vehicle sale, etc.

- **Co-Signers** – A co-signer is a family member who is needed to bring overall strength to your mortgage application to guarantee mortgage approval. It’s fairly common for a first-time buyer to need a co-signer. There are several reasons why you might need a co-signer:

- **Your credit might not be strong enough on your own**. This can occur due to lack of credit, which means you just started borrowing, or you might have made some mistakes when it came to paying back your debts.
- **You just switched careers and the bank won't accept your new income**. Sometimes if you switch careers and start working in a different industry, then the bank wants you to pay your dues and show stability. Therefore, they might want a co-signer to stay on the file until you've been in a certain type of work for more than a year.
- You are carrying too much debt. If you have too much debt on your own and you cannot get approved, then you have the option to obtain a co-signer that can provide additional income to help you qualify. In this case, you have to be very cautious to make sure you're not purchasing something that you cannot afford. If you cannot qualify on your own, then the rules are set up to recommend that you purchase something with a slightly lower payment. You can still move forward in this case, but just make sure you are entirely comfortable and can qualify in the future.
- You are self-employed and not claiming as much income as you actually make. When you are in commission sales, piece work, or self-employed income, you often have good cash flow, but once you write off your expenses and take advantage of accounting benefits, your income may not look so hot. In the bank's eyes, you don't qualify but you are personally comfortable with the payment. In this case, you can get a co-signer to help you qualify.

The co-signer need not stay on long-term. Many lenders will let you take a co-signer off the mortgage and title in as little as one year. They will never guarantee this, of course, but if 12 months pass and your situation improves, allowing you to qualify on your own, most lenders will take the co-signer off of the mortgage and title of the property. They do this just for the cost of the title change, which can cost $200-$400. If you need a co-signer, then check with your mortgage professional about the current options, as rules do change. Most lenders want to see an immediate family member (grandparent, parent, sibling, child) be the co-signer, but on occasion some lenders will make exceptions.

- Rate Holds – You should request a rate hold anytime you get a pre-approval. The hold allows you to shop with security for between 90 and 120 days. During the hold, the mortgage rate from the pre-approval is protected from going up. The great thing about a pre-approved rate hold is that if the rate goes down, they will drop the rate; and if it goes up, they will leave it where it is. So this is a no brainer and a win-win.

To enjoy smooth sailing during the home-buying process, you obviously need to get pre-approved. However, making sure that this pre-approval is accurate, legitimate, and comprehensive is important. Working with industry professionals is the wisest choice, and best of all, the services are free.

4. Professional Roles

Just as it is important for professionals to know their respective roles, so too is it essential that you understand role boundaries. The average home purchase involves five main parties: the buyer, the bank, the mortgage specialist, the realtor, and the lawyer. Understanding what each of these parties does will help you purchase your home without getting your wires crossed.

Mortgage Specialists

These professionals know the pre-approval process like the back of their hands. With a vast understanding of lenders and the associated rules, these pros can explain everything to you in a clear way. You can go to these experts for questions about what documents you need and how to get things done, and for valuable opinions on what you should and shouldn't do as far as your home purchase and financial future is concerned. What you need to understand is that independent mortgage specialists (**www.MortgageCrusher.ca**) truly work for you.

They will go through all of your information and determine what is best to increase your odds of approval or to increase the speed at which everything will be done. They get paid when you are happy and get a mortgage; therefore, you always have someone on your side. If they see something that the bank shouldn't do or ask for, then they fight it on your behalf. If they see a better rate, then they go get it. This is by far the most efficient way to obtain a mortgage at no cost to you. The lender who gives you a mortgage pays them for their work. A win for everyone.

Realtors

Realtors are experts as well. They will take you through the process of shopping and negotiating. A good realtor knows where good deals are and stays on top of the market. The realtor makes sure you don't overpay for a house. A reputable realtor will take care of:

- Neighbourhoods
- Property Negotiations
- Contracts
- Conditions
- Inspections
- Buyer/Seller requests

Lawyers

Your lawyer makes sure at the end of the day you legally own your house and you are protected along the way. They deal with the money switching hands, collecting your down payment, witnessing your signatures for the bank, putting your name on title, and anything else that is required by the lender. They also manage property taxes and set that up correctly between you, the bank, and the city. This can vary from province to province as some provinces will let you use a notary. Check with your mortgage professional to determine specific provincial requirements.

Keeping the Lines Sharp

When working with a team, it is important to avoid getting the wires crossed. When it comes to a mortgage, always check and confirm everything about the mortgage with your mortgage specialist. Do not let your realtor and lawyer meddle as they are not the ones dealing with rule changes and speaking back and forth to your lender. Stress develops when one professional gets information wrong by talking about a topic that is not within his or her specialty. This rule applies to all parties. When talking about the law, listen to the lawyer; when talking about real estate, listen to the realtor. Following this rule will save you a lot of confusion and stress.

In addition, you may hear a lot of unsolicited advice from your family and friends, advice that may be difficult to ignore. But keep this in mind: unless the loved one is an expert in the field, do not let them meddle in your decision-making. Your best bet is to find a team of knowledgeable professionals that you can trust. Gather all the experts' advice, and then make your own informed decision.

5. Application Walk-Through

So, do you think you're ready to start the pre-approval? We are sure you are, or at the very least, you're close! You have outlined your goals, considered your current financial position, readied your list of real estate professionals, and you have started to casually look at houses on the market.

> *Tip: Is it premature to start looking at houses at this point? Potentially. We always encourage you to wait until you are pre-approved so you do not get false expectations, for reasons we explained before in this book. At the same time, you're only human, so we don't blame you for being excited!*

Get Ready with the Basics

First things first. Get your basic documentation in hand so the application can flow quickly and smoothly for you and for us. Get your driver's license, social insurance number, date of birth, and your current mailing address in hand. Hopefully you know your date of birth – even if you would rather forget it! This list of basic items allows the verification of personal information to cruise quickly and easily. We'll think you are an application pro if you have that information ready. You can also go one step further by making sure that you have the last three years' of mailing addresses ready, as that information is required if you have recently moved. We use this data to build a basic customer profile and to pull your credit history and score.

Step Two

Now that the easy stuff is out of the way, we jump to the fun stuff: income, down payment, assets, and liabilities (a.k.a. debt). Along with your credit, these four categories are the bread and butter of the application. To simplify the list even further, the three major categories that make or break a pre-approval are: income, down payment, and credit. If you've got those in order, you will be good to go!

Feeling independent?

You can always feel free to call us to get an application or set up a mortgage meeting. Also, we have decided to go one step further and give you a third option: now you can apply in a few minutes, 24/7, online at **www.MortgageCrusher.ca** and have your basic application submitted for a quick pre-approval.

Consider yourself Pre-approved

We will receive your online application right away, and we jump on new applications like a kid on candy. We love pre-approvals as we know these are exciting moments for you, the potential buyer. They are also exciting for us, as we know that we have the ability to make a dream happen. We are experts in this area. We will make sure that you get basic pre-approval at the very minimum, along with a game plan and answers to those questions you have been pondering for weeks. Remember, we are here to help!

P.S. Honesty is the Best Policy

You probably already know this, but please be honest on your application. We always eventually find out your actual income or how much you have in your bank account, etc. There's no need to exaggerate or inflate numbers or goals. We are here to serve you in your current situation and make sure that we do that with excellence, but we need your help to make it happen.

6. Timelines: Before, During, and After

Now that you have an idea of the application process, it is time to draw a mental picture of your mortgage timeline: before, during, and after. As you would agree, it is important to have clear expectations for anything, especially your mortgage! Here is what you can expect for a Mortgage Timeline.

Before the Approval Stage:

The application itself does not take much time at all, as we mentioned in the previous chapter. Basic information is taken down in a couple minutes online, in ten minutes over the phone, and up to 30 to 60 minutes in a face-to-face meeting. The 60-minute slots are usually required for chit-chatters or those with lots of good, genuine questions. During the “before” stage, you can expect to gather paperwork, which can take a day or a week depending on whether you have good document management. If you do, then you will find the basic documents we need in a matter of minutes. Average time: three to five business days.

During the approval stage:

Once you have made an offer on a home with your pre-approval in mind, you will now be looking to get your full approval from the banks we work with. If all the paperwork has been delivered up front, then this portion of the timeline will take approximately three to four days. We have seen completion in less than 24 hours many times, and it’s always our goal. This timeline depends on having the correct paperwork as we have requested. Second, it depends on the speed of the banks and whether an appraisal is needed to verify the home’s value. The goal is always: A.S.A.P. Average time: four to five business days.

After you have been approved:

Congratulations! You just got yourself a mortgage, which now allows the doors of home ownership to open. This stage is fairly stress-free as the hard part is over. You’re simply waiting for the lawyer, realtor, and lender to organize your file for completion. Lawyers gather your information for registration of your name on the title as well as for the mortgage lender/bank. They will contact you to set up the final signing and go through any last conditions and questions. Average time: five days.

Add up these times and you can see that the average transaction will take three weeks from start to finish. This allows time for us and all the professionals to perform our duties and work our magic. It can happen faster, and sometimes slower, but at least you now know what to expect if everything lines up perfectly. Keep in mind that after your pre-approval “before” stage, it may take weeks or months to find a home you love and feel ready to make an offer on. This variable is hard to control, but it still needs to be mentioned to manage your expectations of a Mortgage Timeline.

You’ve put in the hard work; now you deserve to be taken seriously when shopping for a new home. As long as you choose a property that is priced within your pre-approval amount, you will be approved for that house without any qualms. Of course, there are some stipulations:

1. If the lender or insurer does not like the property, then there is nothing that anyone can do about it. They have a right to decline any mortgage. But keep in mind that they are not declining you personally; they are simply declining the property. This could end up being a blessing in disguise, as you do not want to purchase a house for more than it is worth or has problems you may be unaware of.

2. Any change in the application will remove the guarantee. Financing something new during the process will change some of your vital application information, which could result in you losing your pre-approval for a specific property or price range. Due to this reality, it's important to hold off on buying anything that requires financing – like a car or a boat – if you can; and if you must, it's essential that you update your pre-approval application. Knowing where you stand during the pre-approval application process will help you figure out what needs to be done to give you the keys to your dream house.

Only when you go in blind or work dishonestly do you see closed doors. Get ready to relinquish vast amounts of information about yourself and your finances. It is now time to conquer the paperwork!

7. Paperwork 101

The documents that you are asked to gather play a huge role in the outcome of your pre-approval and subsequent mortgage. Regardless of the amount, it is important that you get it all finished as quickly and accurately as possible. This mass of paperwork is not required because the mortgage professionals love paper. These documents are needed to make the process easier for everyone involved. Feel free to complain to us and vent about the number of documents required. We hear you, and we agree 100%! We would love our careers as mortgage professionals ten times more if the process required less paperwork. We'll keep our fingers crossed for that reality, but we will not hold our breath as the banks and government continue to tighten the rules.

Now versus then...

In 2008, the housing market crashed, which was caused by many major factors that we don't have room to explain in this simple book. In summary, loans ended up not being paid because people were placed into homes that they could not afford. Thus, the market took a huge hit as lenders ended up holding mortgages with no payments coming in.

As a result, the banks have now become cautious when offering mortgages to hopeful homeowners. As a result, you will have to provide what seems like an excessive amount of paperwork; but it is not all for nothing. Providing the large sum of documentation as soon as possible gets the headache out of the way early and provides you with more options for approval rather than less paperwork. In this case, "less is not more." More paperwork means more options and banks to choose from, which increases your odds of approval. On a corporate level, documentation also creates security and stability in the industry and a level of professionalism that was previously not there.

The Big Three in documentation are:

1) Income verification

2) Down payment confirmation

3) Credit (score and history)

If you can cover these three major aspects of a mortgage application with satisfactory paperwork, then you will be good to go. Here are some quick examples of each:

1) Income – employment letter, pay stub, and two most recent years of income tax statements.

2) Down payment – most recent three months of bank statements showing the accumulation of savings in the bank account.

3) Credit – payments are made on time, there's no over-borrowing on credit, and the credit history is clean.

When gathering paperwork, make sure you contact us with any questions about what is needed. If you are unsure, we always recommend sending the document to us anyways. It never hurts to have too much paperwork as it is easier to shred an extra document than it is to ask you for more. You can also fall back on your lawyer, accountant, and the CRA. These three sources will have most of the paperwork needed to make your approval happen with ease. If you cannot find the documentation requested, then ask those professionals or the government to resend. They often will have your information saved and accessible for times just like this.

A final reason explains why we encourage you to dig deep into your files. Every bank is different and requires a different set of paperwork to prove your application. If we get more up front, then it allows us to time the mortgage market better and move your application around to different banks if rate specials and mortgage deals pop up. With all the work done earlier, we can then move your mortgage to a lender with a better rate without having to ask for more paperwork. We work in the background, and you will only notice a beautiful low rate and an excellent product. This way, we can better work our magic and make you a satisfied customer.

8. Affordability versus Qualification

When the time comes to choose a house, you will want to be 100% sure that you have made the best decision. Factoring in your income, your job stability, your goals, and your family needs is important here. However, it is imperative that you understand the difference between the amount for which you qualified and the amount you can actually afford.

See the Difference

As with any expert pre-approval, you will be given two different figures to consider when the smoke clears. These numbers represent a) the max mortgage amount that you can get with your current income level and financial situation, and b) the amount with which you are most comfortable based on your budget and lifestyle. Finding that happy medium will help you to live a life as a homeowner without becoming “house poor” and stressed out. Remember these differences in definition:

- **Qualification:** the banks dictate
- **Affordability:** you, the purchaser dictates

If you want to stay satisfied with your home purchase, then you want to make sure that you do not overshoot the goal too much when it comes time to make an offer. Stay excited about your home by being responsible with your funds and insightful about your financial future.

9. What Not to Do

If you’ve made it this far on your pre-approval, then congratulations! Be patient and careful now as material changes in your personal finances or employment could greatly affect your pre-approval. Your mortgage broker will have all the details regarding your specific case. In general though, there are seven major actions that should be avoided at all costs during this process. Think of these as the Seven Commandments to protect your pre-approval:

1) **Don’t increase your debt.** Remember that your pre-approval is based on a percentage of your gross income going to debt. Any increase in borrowing means you have less income available to put towards the mortgage. These changes include an increase in a credit card, line of credit, or home equity line of credit. The purchase of a new vehicle or a new term loan counts too. If you need to borrow, then just talk to your mortgage broker and let the broker help you find the best way to structure it.

2) **Don’t change the course.** Stay steady with your vision as a homeowner and don’t let anything deter you. Life is full of ups and downs, but your pre-approval experts work hard to give you as many advantages as they can. Sometimes the pre-approval process takes a while, and since life is ever-changing, it is inevitable that your financial situation will change somewhat over the course of the deal. This is another good reason to have an open line of communication with your pre-approval specialist. If a lot of time has passed and your employment or borrowing has changed in any way, then make sure you update your mortgage broker to keep your pre-approval accurate.

3) **Avoid additional credit bureau pulls.** One of the advantages of a mortgage broker is that he or she applies on your behalf to many lenders and only accesses your credit file once. Every time a utility company, cell phone company, or other credit supplier pulls your credit, it is counted as a small negative on your credit record. This can be a big deal for self-employed people as often your suppliers will pull credit to set up accounts; as the pulls add up, they can affect your credit score.

4) **Don’t miss payments . . . for anything.** Each time you miss a payment on a credit card, utility bill, cell phone bill, or just about anything else, it is promptly reported to your credit bureaus. If a credit score is above 680, then there are a number of options that open up to you. The scores are calculated in a way that each missed payment can have a large impact on the options and programs available to you.

5) **Don’t go bankrupt.** This should be a given, but some people have decided to file for bankruptcy during the pre-approval process. Obviously, this completely ruins any work that you or your professional has done. If life leads down a path to bankruptcy, do not have your home foreclosed on. Having a home included in your bankruptcy will void any potential of getting a mortgage for the next six years, even if you re-establish your credit score.

6) **Don’t get divorced.** Divorce is a terrible thing to go through no matter when it happens, but it is especially damaging during the mortgage pre-approval process. There are available programs aimed at clients who have completed a divorce; however, if you are in

the middle of a divorce, then it is difficult to get a mortgage as spousal support and other payments are often up in the air. As a result, lenders cannot accurately determine your financial position.

7) **Don't change your employment.** Switching up the employment and income information on your pre-approval application at the last minute can affect your application. This doesn't mean that you should pass up that great promotion or job opportunity while you're purchasing a home. Just make sure that you bring it up to your professional so he or she can discuss the affect that it will have on your application.

Now that you know what not to do, you should be better equipped to make wiser decisions regarding your financial standing. The professionals at **www.MortgageCrusher.ca** have the answers, and they are ready and willing to walk you through the process.

10. No Such Thing as a Decline

The typical mortgage pre-approval process is full of surprises – various ups can be encouraging and various downs can be discouraging. You should not become discouraged if something goes wrong. Several common problems face home buyers; just remember that they are not insurmountable and the effort is worth it in the end.

Some of the more common hurdles that home buyers face during the pre-approval process are:

- Credit issues – a collection from years ago you forgot about
- Income verification – a salary job with a portion paid as commission
- Income strength – a new job with a probationary period
- Down payment problems – a recent deposit from a friend who owed money
- Affordability concerns – too much reliance on overtime income, which varies year to year

If you encounter one or more of these hurdles on your application, please know that it is not uncommon, and you can work through it. You get pre-approved to find out where you currently stand; it's a starting point that allows us to get all our ducks in a row for when we submit your file to a lender. You can be confident that whatever the hurdles are, there's most likely a way to overcome them and continue forward. Our job is to achieve this for you and give you a game plan that works.

Setting up a Game Plan

If your mortgage broker identifies a few concerns to work through, then you should ask the person to help you develop a game plan to get yourself to a position where you can buy a home. We won't lie to you – it's a lot of work, it requires a ton of focus, and it takes time, but with a plan, you can work through it and get into a home. Most of the concerns we identified above can be worked through in a year or less with the right attention from you.

Buying a home is a huge goal and an emotional process. Please ask your broker for tips and help to get on the path to get there.

11. Owning a Home Costs How Much?!

Home buyers are often surprised by how much owning a home really costs. We've mentioned the term "house poor" earlier in this book. Becoming house poor results from failing to factor in all the costs of home ownership; people end up spending so much on their home each month that they have little left to live life well. Let's look at some of the costs you should consider when budgeting for your home.

Common Factors that Affect Cost

It's wise to research some common costs of your new home. It does not matter who you are or through which lender you got your loan. You will become responsible for timely payments of the following:

- Mortgage payments (average cost: $1300/month)
- Property taxes (average cost: $200/month)
- Utilities (average cost: $300/month)
- Home owners' insurance (average cost: $70/month)
- Maintenance and Upkeep (average cost: $100/month)
- Life insurance (average cost: $50/month)
- Average home ownership cost: $2090/month

Factoring these costs into the equation will help you to better understand the actual cost of home ownership. We're not trying to talk you out of owning a home; it's a great investment and source of personal satisfaction. A mortgage broker should be more than just a middle man and help you make the best financial decisions for your situation.

12. Remember that you are Saving Time and Money

Doing a little hard work now will save you from having to do a lot of it later. Remember that the pre-approval is designed to save you time and money. The pre-approval guarantee allows you to get fully prepared. By providing all the information up front, you save yourself massive amounts of work after you have made an offer, when things are rushed and stressful.

Pre-Approvals Speak a Professional Language

Many of the professionals that you will work with during the pre-approval process will be commissions-based salespeople. The more confidence you and your application brings them, the more likely they will be to work hard for you. A strong pre-approval allows them to make recommendations with confidence and provide you with the best service possible. With a guaranteed pre-approval in your hand, the seller and the seller's realtor are going to be more willing to negotiate. After all, you will be coming from a place of financial and organizational power. A good pre-approval speaks a language that professionals understand; and this work will eventually save you time and money.

No More Runaround

A pre-approval allows you and your realtors to zero in on the houses that are right for you and your needs. With potentially hundreds of homes on the market, knowing the purchase price you can handle eliminates hours of shopping.

Planning for the Long Haul

Planning your future by completing a pre-approval automatically forces you to think more critically about your decisions. It creates a virtual bird's-eye view of your finances and it makes it easier for you to choose the house that is right for you. It eliminates as many costly surprises as possible.

There should be no surprises about lawyer fees, closing costs, taxes, or anything else. In essence, going through the work associated with an accurate pre-approval will help prepare you to enter the market of buying a home.

13. Length of the Average Pre-Approval

How long can your pre-approved status last? Great question, difficult to answer. The information gathered in a pre-approval is reviewed by the lenders and considered at the time of the pre-approval. A rate hold is then put in place for a period of time. If an offer is made on a home and your mortgage is submitted for a full approval during the rate hold period, then it is submitted at that rate. The good news is that your pre-approval status remains as long as your financial position doesn't change and the government regulations stay the same.

Rate Hold Duration

As we mentioned before, a rate hold locks in your rate or payment on the mortgage loan. As mentioned before, a rate hold will last anywhere from 90 to 120 days. Each rate hold differs slightly based on the lenders involved; but your pre-approval professional should have all the information you need. The good news is that you are not tied to the lenders that have provided the rate hold, and your mortgage broker will continue to look for the best rate and the best mortgage available for you.

Pre-Approval Duration

Essentially, a pre-approval never goes bad. Once you have been pre-approved for a mortgage, you are free to progress as you see fit. However, it's vital that you understand how time plays a huge role in the accuracy of your initial pre-approval.

You will need to be proactive when it comes to updating your information. This will ensure that your broker keeps all information current. Because of this reality, most pre-approval experts suggest that you brush up your application information every 90 to 120 days – the same time as the standard rate hold lasts. This will ensure that you always get the best deal and the most up-to-date opportunities. Give your mortgage professional a call every 90 to 120 days to provide them with an update, if they have not reached out to you.

Being and Staying on Top of your Game

Even if you are not ready to buy a home at this particular moment, a pre-approval sets the stage for your future purchase. By going through the process now, you can ensure that no major issues will pop up when you are ready to proceed.

Although your pre-approval never expires, your rate hold will. These changes could mean differences in what you end up being able to purchase. If rates increase after you have been pre-approved, your updated rate hold will lock in those payments you've calculated. If your rate hold is outdated, then you might become subject to increased rates and payments.

14. Take the Stress Out

Now that you know all the ins and outs of the technical side of the pre-approval, let's discuss a little about the emotional side of buying a home.

Once in a Lifetime Opportunity

Buying a home is not an everyday, common purchase. You are not deciding where to eat, which shoes look best with your outfit, or what to watch on television. Purchasing a home has a huge impact on your future. So it's not surprising that most home buyers have varying emotions for the duration of the deal.

It is important to consider the counsel you receive from your advisors. Your mortgage broker will have many suggestions to help you along the way. He or she knows the legalities of getting your mortgage and can help you understand the best ways to get your mortgage in place.

No Such Thing as a Stupid Question

You should always feel comfortable asking a lot of questions. Let's be honest: we like answering questions; it's really satisfying to help a client understand the process, and you're not supposed to know everything that the pros do. Think about this: if you gave a mortgage professional your job for a day, how would they do? We promise you don't want to do that – it wouldn't be pretty. A good mortgage professional won't make you feel foolish for asking (and re-asking) plenty of questions.

Asking for a breakdown is the best way to take the stress out of the process. Getting some enlightening information will help you stay out of the dark; and there's no reason to be embarrassed, regardless of the question on your mind.

This is the most important purchase you will ever make, and it comes with a big bill. Because of the magnitude of this purchase and what it's going to mean to you in years come, do not, for one second, apologize or hold back on anything that you need clarified to make you feel more comfortable. That is what professionals are there for. They get paid if they keep your business, so make them earn it. Don't feel bad; they will be compensated.

You have the Final Say

We love working with our clients, we love to help them, and we do all we can to get them into a home they will love. One thing we want all our clients to remember: you have the final say. You should be presented with options as well as suggestions; however, you should make the final decision. Hundreds of mortgage products and lenders are out there. It's worth your time and your money to work with mortgage professionals who will educate you, get you pre-approved, and help you make a decision you feel great about.

***

For more precise information or answers to some of your more pressing questions, start doing your homework with us. You can find articles, blogs, and other useful resources on our website. Check out **www.MortgageCrusher.ca** for the most updated data and to find the help you need to get those keys sooner.