Financing a Home

When you're looking to buy a home, it's important to understand the steps for getting a mortgage.

Mortgage terminology
Before approaching lenders, you should get to know some basic mortgage concepts. You can start by visiting the Glossary section and read up on mortgage-related terms.

Get pre-approved
Pre-approval of a mortgage is when your lender has reviewed all your financial information and has determined the maximum amount of money you can borrow. The advantages include that you:

- know how much you can borrow, so you don't waste time looking at properties you can't afford
- don't have to worry about rising interest rates while shopping for a home, as usually the mortgage broker will guarantee the current interest rate for 60 to 90 days
- have an edge when you make an offer, because the seller knows you're more likely to get a loan
- save time when you apply for your loan because you've already assembled your paperwork

Where to get pre-approved
Many banks and financial institutions are competing for your business so it makes sense to shop around for a mortgage. Most lenders will reduce their posted interest rate so don't be shy about bargaining. Your ability to bargain for a low rate and a flexible mortgage will often depend on how much business you have with the institution. You can contact banks and credit unions directly, or work with a mortgage broker. A broker will help you find a lender and the best mortgage package.

Once you have selected your lender, you will need to provide your financial information. Your lender will want the following:

- Personal information such as number of dependents and marital status
- Details of employment, including a letter from your employer verifying your salary
- Banking and investment information
- Details of your assets (i.e.- a car, other property)
- Information on loans and other liabilities
- Permission to do a credit check

After your application is complete, you will know how much you can borrow and you will be ready to start searching for a home.

Mortgage payment tips

Whether you're a first-time buyer or you've decided to refinance your home, consider the following money-saving steps when calculating your mortgage payments:

- By shortening your loan repayment or amortization period to 20 years from 25 years, you'll pay your mortgage off five years sooner. You'll pay higher monthly payments, but you'll build equity faster and you'll pay less in interest over the long term.
- Apply for a prepayment option. If you receive one, you can directly pay down some of your principal before it's due. Make sure to check for prepayment penalties.
- By paying biweekly instead of monthly, you'll make 26 payments in a year or 13 months instead of just 12 months and reduce your amortization to about 20 years from 25 years.