My Home,
My Mortgage

My game plan for the purchase of a property.

LAURENTIAN BANK

MY GAME PLAN

Interested in buying a property, but don't know where to start? Usually, there are seven steps to follow when you purchase a property. Here is the game plan that we recommend you put in place to carry out your project.

1. SETTING MY BUDGET

Good budgeting is essential to achieve your goals, especially when buying a property, one of the biggest investments you will make in your life.

Before you start looking for your property, think about the down payment you need, the start-up costs and your ability to pay back your mortgage. A good understanding of these three key factors will help you house-hunt more effectively.

1.1. MY DOWN PAYMENT

The down payment is the portion of the property purchase price that comes from your personal savings, your RRSPs, gifts and the value of the land on which you intend to build your home.

Ideally, it should correspond to **20%**[1] of the property purchase price.

Conventional loan or insured loan

› If your down payment is equal to or greater than 20%, your loan is known as a **conventional loan**.

› If your down payment is less than 20%, your loan must be insured with a recognized mortgage insurer such as Canada Mortgage and Housing Corporation (CMHC) or Sagen. In this case, your loan is known as an **insured loan**. A premium calculated based on your down payment and loan amount is then added to your mortgage. Visit the mortgage insurers website to find out how much the premium will be.

MORTGAGE DOWN PAYMENT SOLUTIONS

The 5% solution Insure your mortgage	Mortgage insurance allows you to make a down payment as low as 5%. This solution is ideal if you have little in liquid assets.
The HBP solution Use your RRSP as down payment	You can also use up to $60,000 ($120,000 for a couple) from your RRSP to buy your first home without having to pay taxes thanks to the Home Buyers' Plan (HBP). If you have a healthy RRSP, why not make the best of it? The key condition of this solution is that, each year, you must reimburse at least 1/15th of the amount taken out of your RRSP within 15 years. Note that if your RRSP originates from a loan, several conditions apply, including that only the principal repaid on the loan is eligible for the HBP solution.
The savings solution Use your nest egg	Do you have savings? Use them to increase your down payment. Savings accounts and bonds, certificates of deposit, investment funds... It works, because it keeps your capital working for you.

1.2. MY START-UP COSTS

When you buy a home, expenses add up quickly. Proper planning will spare you any unpleasant surprises. Start-up costs typically represent **at least 1.5%** of a property's value.

The main upfront costs you should anticipate:

› Inspection and appraisal fees
› Home insurance
› Notary fees
› Moving and utility installation expenses
› Taxes*: Land transfer taxes, adjustments of municipal and school taxes, taxes on CMHC or Sagen premium (if applicable)
› Renovations
› Furniture and appliances
› Electricity, heating, Internet and television

* These taxes vary depending on the municipality and the property value. Municipal and school taxes are recurrent taxes that should be anticipated every year, while the others apply upon purchase.

1.3. MY BORROWING POWER

Besides your down payment and start-up costs, the other important factor to determine when you decide to buy a house is the amount you can borrow. To determine this amount, your advisor must take the following steps:

1. Assess your credit history
2. Evaluate the following two debt ratios:

The gross debt service (GDS) ratio

This ratio is the percentage of your gross annual income required to cover the payments needed to finance and maintain your property on a monthly basis.

1) Assess all monthly payments.

Monthly payments	
Mortgage payment	
Property tax (municipal and school taxes)	
Heating costs	
50% of co-ownership expenses, if applicable	
Total monthly payments	

2) Calculate your GDS ratio.

$$\frac{\text{Total monthly payments}}{\text{Gross monthly income}} = \boxed{}\ \%$$

This ratio should be < 35%[2]

The total debt service (TDS) ratio

This ratio takes into account all current debts and obligations that you must handle, including the payments needed to finance and maintain your property.

1) Assess all current obligations.

Monthly payments	
Mortgage payment	
Property tax (municipal and school taxes)	
Heating costs	
50% of co-ownership expenses, if applicable	
3% of the balance of all your credit cards and 3% of your line of credit limit	
Other debts	
Total current monthly obligations	

2) Calculate your TDS ratio.

$$\frac{\text{Total current monthly obligations}}{\text{Gross monthly income}} = \boxed{}\ \%$$

This ratio should be < 42%[2]

Have the following at your appointment

- A copy of the **property listing**
- A copy of the **accepted offer** to purchase or, for new homes, a copy of the **preliminary construction** contract or **contract for services**
- **Confirmation of employment** specifying your salary and duties or, if self-employed, income tax reports for the past 2 years and notices of assessment and if owner of an incorporated company, financial statements for the past 2 years
- **A complete personal balance** sheet with an up-to-date statement of your assets and debts

2. MY PREQUALIFICATION REQUEST

Generally, in less than 72 hours, or three business days
You will receive a confirmation of the maximum amount that you can borrow from the Bank toward the purchase of a property.

Mortgage terms and conditions will be guaranteed for a period of 90 days[3]
If lending rates go up, your rate will be guaranteed for this pre-determined period.

3. FINDING MY PROPERTY

3.1. MY OFFER TO PURCHASE

Found the home you were looking for? You are now ready to make an offer to purchase. This is one of the most important documents you will sign.

An offer to purchase is a legal agreement between you and the seller. Once the offer is accepted by the seller, it is legally binding. In other words, you have to respect it to the letter. You can usually count on your notary or real estate agent to draw up the offer to purchase.

3.2. DEPOSIT

The seller may require a deposit. The deposit can be made in a variety of ways and concludes the round of negotiations. The deposit is attached to your offer to purchase as a token of your commitment. There is no established rule as to the appropriate amount. If negotiations are successful, the amount can be applied to the down payment. If the sale falls through, your deposit is returned.

If you are having a new house built, please note that contractors require a deposit to protect themselves against transactions that fall through. Some of them may even request partial payments throughout the construction process.

No inspection, no home!

Want peace of mind? Get a professional to inspect your prospective home before buying it. Make an **offer to purchase conditional** on the positive results of a formal inspection report by a professional such as a building inspector.

Are the conclusions of the inspection report entirely to your satisfaction? If so, you can close the deal. Did the inspection reveal serious defects? The ball is in your court: renegotiate your offer or withdraw it if the inspection report is not favourable.

4. MY MORTGAGE LOAN

4.1. MY TYPE OF FINANCING

Choosing your type of financing will depend on several factors: your needs, your consumer profile and your tolerance to interest rate fluctuations.

FIXED-RATE MORTGAGE
Offer me stability.

Features
› Same rate for the entire term

› Rate set at the contract signing and guaranteed for a period of 90 days[3]

› May be transferred under certain conditions

Choose if:
› You prefer stability (equal payments throughout the term).

› You want to plan out your payments for a set number of years.

› You are highly concerned with rate fluctuations.

VARIABLE-RATE MORTGAGE
Grant me flexibility.

Features
› Variable rate tied to fluctuations in the Laurentian Bank's prime rate

› Payments vary depending on fluctuations in the prime rate

› Can be converted anytime to a closed fixed-rate mortgage with a term equal to or higher than the remaining portion of the current term under certain conditions

Choose if:
› You could tolerate rate changes

› You want the flexibility of locking into a fixed rate in the future

Is your down payment greater than 20% of the purchase price?
You might be interested in these types of financing!

HOME EQUITY LINE OF CREDIT[4]
Give me more flexibility!

Features
› Variable rate tied to fluctuations in the Laurentian Bank line of credit base rate
› Choose between three types of repayments: interest only, a percentage of the balance or a fixed amount (minimum $10)
› Access to your funds at any time (cheques, ABM or LBC*Direct*)
› Credit reserve rises at the same pace as your payments

Choose if:
› You want more freedom and to have financing available when you want.
› You're looking for flexibility.
› You want to pay interest only on the amounts used.
› You are not concerned with rate fluctuations.
› You are looking for an attractive variable rate.

HOMEOWNER'S KIT[5]
Let me carry out my projects.

Features
› The Homeowner's Kit is a financing solution that allows you to modify the nature of your financing as you go, without having to notarize every change.
› You pay a one-time notary fee to set up the warranty, and you don't have to sign a new mortgage deed.
› You can obtain financing for the loan up to 80% of your property's current value. Once the loan balance is less than 65% of the property's value, you're eligible to restructure new advances, up to 65%.
› It's possible to combine several mortgage loan facilities or lines of credit, and all the products keep all the features previously noted.

Choose if:
› You think you might want to change the nature of your financing along the way (you will have the flexibility to do so).
› You want to consolidate your debts in a single place and take advantage of a simplified source of funding.
› You want to benefit from an attractive interest rate.
› You want to lower your borrowing costs.

4.2. MY TERM

We offer you two types of terms, the duration of which can vary a great deal. The shorter the term, the lower the interest rate, but there is less budgetary stability due to potential fluctuations in interest rates from one term to another. It's up to you to choose the term that best reflects your priorities.

CLOSED TERM

Features
› The most popular
› Interest rate guaranteed for a fixed period

Duration
› 6 months to 10 years, or current offer (fixed rate)
› 3 or 5 years (variable rate)

Choose if:
› You expect interest rates to go up.
› You're not planning to sell your home in the near future.
› You're looking for financial stability (fixed rate, payments and period).

OPEN TERM

Features
› Possible to repay the loan in part or in whole at any time, with no indemnity

Duration
› 6 months and 1 year (fixed rate)

Choose if:
› You expect interest rates to drop.
› You're planning to sell your home in the near future.

4.3. MY PAYMENT FREQUENCY

Laurentian Bank lets you choose the frequency at which you want to make your mortgage payments:

› Weekly (accelerated[6] or not)
› Bi-weekly (accelerated[6] or not)
› Monthly
› End of month

Accelerated weekly payments are established with the assumption that there are four weeks in a month. Payments are calculated by dividing the monthly payment by four. Since you will make 52 payments per year, by the end of the year you will have paid the equivalent of four extra weekly payments, or one additional monthly payment.

Similarly, **accelerated bi-weekly payments** are calculated by dividing the monthly payment by two. Since you will make 26 payments per year, you will pay the equivalent of one additional monthly payment each year.

COMPARATIVE TABLE OF THE PAYMENT FREQUENCY

Example: $125,000 mortgage loan (amortized over 25 years at a fixed interest rate of 5%)[7]

Payment amount*	Amortization period	Interest paid	Interest saved
Monthly			
$727	25 years	$93,103	
Accelerated bi-weekly[6]			
$363	**21 years and 6 months**	**$78,196**	**$14,907**
Accelerated weekly[6]			
$182	**21 years and 6 months**	**$78,015**	**$15,088**

* For a total borrowing period of 25 years.

The accelerated payment plan enables you to reduce the amortization period and lower your interest payments.

4.4. MY AMORTIZATION PERIOD

This corresponds to the number of years over which you intend to repay your mortgage. You can choose between an amortization period of up to 30 years for a conventional loan or 25 years for an insured loan.[7]

COMPARATIVE TABLE OF AMORTIZATION PERIODS

Example: $125,000 mortgage loan
(at a fixed interest rate of 5%)[7]

Amortization period	10 years	15 years	20 years	25 years
Amortization coefficient[8]	0.01058	0.00788	0.00657	0.00582
Calculation of the monthly payment[9]	0.01058 X $125,000 $1,322	0.00788 X $125,000 $985	0.00657 X $125,000 $821	0.00582 X $125,000 $727
Calculation of the mortgage cost	$1,322 X 120 months $158,640	$985 X 180 months $177,300	$821 X 240 months $197,040	$727 X 300 months $218,100
Calculation of the interest paid	$158,640 – $125,000 $33,640	$177,300 – $125,000 $52,300	$197,040 – $125,000 $72,040	$218,100 – $125,000 $93,100
Interest saved (compared to a 25-year term)	**$59,460**	**$40,800**	**$21,060**	

Reducing the amortization period from 25 to 20 years translates into savings of $21,060 in interest payments at the end of the loan term.

4.5. MY PREPAYMENT OPTIONS

Once a year, we offer you two ways to make a prepayment without indemnity to shorten the amortization period of your mortgage loan by several years.

Solution A
You can make a lump sum prepayment of up to 15% of the amount of your initial mortgage loan facility.[10]

Solution B
You can also increase the amount of your periodic payments by up to 15% of the amount of your initial mortgage loan facility.[11]

COMPARATIVE TABLE OF THE PREPAYMENT OPTIONS

Example: $125,000 mortgage (amortized over 25 years at a rate of 5%[7] with monthly payments)

	Reference mortgage	Solution A	Solution B
Prepayment	None	$1,200 per year starting at the end of the first year	$100 per month starting from the first payment
Amortization savings[12]	**None**	**5 years**	**5 years and 2 months**
Interest savings[12]		**$21,022**	**$21,897**

The better you plan, the less time you will spend paying and the more you will save. So the expense is lower and your finances are healthier!

5. MY FINANCING APPLICATION

5.1. HOW SHOULD I PROCEED?

Contact your advisor or our Customer Service department toll-free at 1-800-522-1846, between 8 a.m. and 8 p.m., Monday to Friday.

You can also request an appointment at www.laurentianbank.ca/appointment. Your advisor will then contact you to schedule a meeting.

5.2. HOW SHOULD I PREPARE MYSELF?

Make sure you have all the documents you need for your appointment with your advisor. For an exhaustive list of the documents needed to receive mortgage financing, visit www.laurentianbank.ca/requireddocuments.

6. PROTECTING MY ABILITY TO REPAY

6.1. CREDIT INSURANCE

Mortgage financing is a major financial responsibility. That’s why it's advisable to protect your assets and avoid finding yourself in a tough situation. Why risk your home, your legacy, when you can insure your mortgage loan or your home equity line of credit with Laurentian Bank and you and your partner can benefit from life insurance and disability insurance?[13]

By taking out credit insurance,[14] you or your loved ones will be able to meet your obligations without worry in the event of a disability or death. In the event of disability, your payments would be covered by the insurer, while in the event of death, the balance of your financing would be covered. You could be protected for just a few dollars a day.

If you obtain mortgage financing with your spouse and you both acquire life insurance, you will get a discount. The premium corresponds to the premium paid by of the eldest of the two, multiplied by 1.5.[14]

Discuss it with your advisor. Your family and your home deserve to be protected.

6.2. MY PREAUTHORIZED PAYMENTS

Owning a home entails constant management of mortgage payments, municipal taxes, current expenses, unforeseen expenses and whatever else comes up. We have tools to simplify your life.

Opt for the practical solution: go automatic!

By turning over the management of your current affairs to us, you can be certain that everything is settled on time. Mortgage payments, municipal tax payments... Payment of your taxes can be spread out over the year to regularize your budget.

How does it work?

We debit a monthly amount from your mortgage payments and credit it to a separate account specifically used to pay what you owe to the municipality on the right date. You can let go of your worries we take care of everything!

7. MY PROPERTY PURCHASE

At last the day is here, the day you finally achieve your goal: to take possession of your new home.

Once the formalities below are settled, the keys will be yours! Then it will be time to celebrate and move in! Or vice versa.

Breakdown of the mortgage financing
We will take care of sending the documents to the notary.

The down payment and disbursements
You must transfer these amounts to your notary. The disbursements include legal and registration fees, property tax adjustments and other related expenses.

Signing the deed of loan and deed of sale
Your notary will verify the validity of your land title and prepare the necessary documents for you to put your John Hancock on.

Registration of your property
Your notary or lawyer (for Ontario residents) will register the property in your name, then pay the seller and give you the deeds. You will then officially be the owner of your new home.

LEGAL NOTES

1. Certain conditions apply. The amortization period is a maximum of 25 years if the down payment is less than 20% of the property purchase price.
2. The ratios can be up to 39% and 44% respectively under certain conditions.
3. Certain exceptions and conditions apply. For a residential building with one to a maximum of four dwellings.
4. Certain conditions apply. Subject to credit approval by Laurentian Bank. The home equity line of credit portion of the debt must not exceed 65% of the principal residence's market value.
5. Conventional first priority mortgage only. The total debt load secured by mortgage on your principal residence must be less than 80% of its market value or of its purchase price, whichever is lower.
6. Payment frequency unavailable with variable-rate mortgage loan with variable payments.
7. Annual rate calculated on a half-yearly basis. The rate is provided for information purposes only. Calculations based on a 5% interest rate maintained throughout the amortization period.
8. Visit www.laurentianbank.ca to see the table of amortization coefficients.
9. Payments are rounded off to the closest dollar.
10. This privilege is non-cumulative. The borrower does not benefit from this privilege when the amount of the prepayment is higher than 15% of the initial amount.
11. This privilege is non-cumulative and is not applicable for variable-rate mortgage loans with the variable payment option. This benefit may be applied to the open loan once during the loan term.
12. Calculations are approximate.
13. Certain conditions apply. Disability insurance is not offered on the mortgage line of credit.
14. Issued by Industrial Alliance, Insurance and Financial Services Inc. Some conditions apply. For more details, refer to the the summary of insurance and the insurance certificate available at branches or online at laurentianbank.ca.

Printed on Sustana Enviro™. This paper which contains Sustana's 100% sustainable recycled fiber is processed chlorine free. It is designated Ancient Forest Friendly™. Bringing paper products full circle with sustainable innovation.

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For more information, contact your advisor.

Call 514-522-1846 or 1-800-522-1846 (toll free).

Visit laurentianbank.ca/myhome.

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