

So you want to be a Homeowner...

Guide to Mortgages



Workbook 6



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Introduction

Do you...

- Have an interest in owning your own home now or in the future?
- Think you might need to borrow money to help you buy your home?
- Want to learn about **mortgages** and how to get one?

If you checked yes to any of these boxes, this guide may be helpful for you.



1

What is a Mortgage?

A **mortgage** is money that you borrow to buy a home.

- A mortgage is usually a lot of money and you pay it back over many years.
- When you get a mortgage, the lender (like a bank) gives you the difference between the money you have and what you need to pay the cost of a home.
- The amount of money the bank will give you depends on things like how much money you have, the home you want to buy, your job, and your bills.

You might want a mortgage if...

- You have money for some of the cost of a home.
- You want to have your own home sooner rather than later.

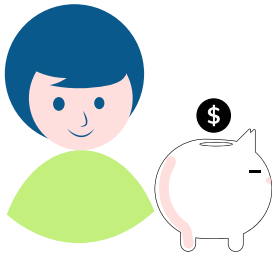
To understand if a mortgage is right for you, you should think about:

- How much money you have to buy a home.
- What kind of home you want to buy and how much it would cost.
- How much money you have every month to pay for your home costs after you buy a home.

1

What is a Mortgage?

This story is an example of someone getting a mortgage.



Jane has saved **\$20,000** to buy a home.



Jane's dream home costs **\$100,000** to buy.



Jane goes to a bank and they loan her **\$80,000** to buy the home now.



Every month Jane pays some money to the bank until all the money borrowed is paid back.

Workbook 2 - Thinking about Money can help you think about how much you need to buy a home.

2

How does a Mortgage Work?

To understand how mortgages work, you need to understand four things:

1. Your **down payment**

- This is the money you have saved to buy your home.

2. Your **mortgage loan**

- This is the amount that you borrow from the bank so that you have enough money to buy your home.

3. Paying **interest**

- This is an extra charge that you pay to the bank for letting you borrow the money.

4. Choosing your **mortgage plan**

- This is your plan to pay back the money you borrowed plus the extra charges.

How does a Mortgage Work?

1. Down Payment

- Before you get a mortgage, you need to have some money to buy a home
- The amount of money you pay from your savings is called a **down payment**
- In Canada, there are some rules about how much money you need to pay yourself. This is not borrowed from a bank or lender.
- The higher the price of the home, the more money you need to have for a **down payment**.



Example: For a home that costs **\$100,000**:

- You need to have at least **\$5,000** for your down payment.
- If you have more than **\$5,000** and less than **\$20,000** for your down payment, you will need to pay an extra charge called **mortgage insurance**.
- If you have **\$20,000** or more, you don't need to pay the extra charge.

2

How does a Mortgage Work?

2. Mortgage Loan

- The amount of your mortgage loan is the cost of the home minus your down payment.
- This money is also called the **principal loan**.
- Over time, you must pay back the amount of your **principal loan** plus something called **interest**.



Example: For a home that costs **\$100,000**:

- If you have **\$20,000** for your down payment, you will need a mortgage loan of **\$80,000** to buy the home.

3. Paying Interest

- **Interest** is an extra charge that you pay to the lender on top of the money you borrowed.
- How much **interest** you pay depends on:
 - The cost to borrow their money – this is called the **interest rate** and it can change over time.
 - How much money you borrow.
 - How long it takes you to pay back the money you borrow.
- The bigger your down payment, the less money you need to borrow and the less interest you pay.

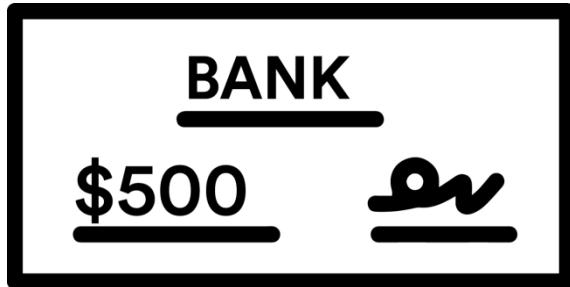
4. Choosing Your Mortgage Plan

- When you get a mortgage, there are different parts of your plan that you will talk about with your lender.
 - The cost to borrow their money. This is called the **interest rate**.
 - How long you will take to pay back the lender. This is called the **amortization period**.
 - How often you will pay your mortgage. This is called the **payment frequency**.
 - How much money you pay each time. This is called the **mortgage payment**.

2

How does a Mortgage Work?

Here is an example of what your mortgage bill could look like.



Every month you pay \$500 to the bank.

- Part of it goes to paying back the money you borrowed (the **principal loan**).
- Part of it goes to paying the **interest** charge on the money you have not paid back yet.
- Sometimes the amount you pay the bank can include other costs like:
 - **Property taxes** which goes to the city for things like garbage collection.
 - **Insurance** for things like if your house catches on fire.

3

What Should I know about Getting a Mortgage?

Before you get a mortgage, the lender will ask you questions about your money. Here are some things that they think are important.

- How much money you have saved to buy your home.
 - This will help them see how much money you need to borrow.
- How much money you have every month from a job and other places.
 - This will help them see if you can pay them back.
- How you use the bank, like if you have a credit card or borrowed money before.
 - This will help them see if you have experience borrowing money.
 - This will help them see if you have any borrowed money you still have to pay back.
 - This will help them see if you can pay them back.
- If you do not have enough money on your own or enough experience with the bank, they might ask for someone close to you to sign the mortgage with you.
 - This can be someone like a family member or a friend who the bank can trust to help you pay your mortgage if you have trouble.

Information for the bank or mortgage broker

Going to meet with a bank about getting a mortgage? Fill out these questions to help you be prepared. You can get some of these answers by doing the questions in Workbook 2 – Thinking about Homeownership.

- How much money do I have to buy a home? _____
- How much money do I get every month? _____
- How much money do I have to spend on my housing every month after paying for other things I need? _____
- Will anyone be helping me pay the mortgage? If so, who? _____
- How do I use the bank?
 - I have a credit card.
 - I have borrowed money for something before.
- If needed, do I have someone I trust who can sign the mortgage with me? If so, who?

4

What Should I know about Signing a Mortgage?

When you get a mortgage, you and your lender will sign papers together. Here are some things that the document will include.

- The date
- The name of the homebuyer (you or you plus someone you're buying the home with if you chose co-ownership) and the name of the lender (bank)
- The name of someone signing with you, if needed
- Your home address
- How much money you are borrowing
- The parts of the mortgage plan like how often you pay your mortgage and how much you pay each time
- **The lender's promise:** give you the money
- **Your promises:** pay your mortgage bill on time and take care of the home



4

What Should I know about Signing a Mortgage?

Before you sign a mortgage paper, here are some things you should know.

- **Before signing this paper** you must read and understand what's in it.
 - Make sure you ask questions about anything you don't understand.
 - You could also ask someone you trust, like a family member or lawyer, to help explain the agreement to you.
- **Once you sign the paper**, it becomes legal.
- You must **keep the promises** you agreed to as they are written on the document.
- **Paying your mortgage bill on time** is the main thing you need to do with your mortgage. You can decide to allow the bank to take this money right out of your account so you don't forget.
- **If you do not keep up with your promises** the bank could charge you more money or even take away your home.
- It's important to think about **what could go wrong and have plans** for what to do.
 - You can talk about this with your lawyer, financial planner, family and friends.

5

How to get a Mortgage

This is a list of the things you might need to do to get a mortgage. You can use the checkboxes to help you keep track of what you need to do.

It's also ok if some of your steps are different from this list.

Before you start...

- Talk to a friend or family member who could help you with getting a mortgage, like going to meetings with you and supporting your choices.
- Make sure you're ready to start looking for a home.
- Think about what kind of home you want to buy.
- Think about how much money you have to spend on a home.
- Think about how much money you feel comfortable borrowing and paying back.

How to get a Mortgage

Step 1: When you're ready to start looking for homes...

The first step is to talk to someone at a bank or a **mortgage broker** who works with different banks and lenders. They will tell you how much money you can spend to buy your home. This is called a **pre-approval**.

- ❑ Make a meeting with someone at a bank or a **mortgage broker**.
- ❑ Bring papers to help them check up on how much money you have and other information.
- ❑ The bank will decide how much money they can give you for your mortgage and at what **interest rate**. This is the money they charge you to borrow their money.
- ❑ When you get a **pre-approval**, you can start looking for homes that fit with how much you have to spend.

What to bring with you:

- ✓ ID with your current address like a passport.
- ✓ Proof of how much you have to buy a home and where your money is saved, like a bank statement.
- ✓ Proof of money you make. If you have a job, this can be pay stubs, tax papers, or a letter from your employer.
- ✓ Information about any other borrowed money you have to pay back.
- ✓ Proof of any money gifted from family or friends if it's not in your bank account, like a letter and their bank statement.



Before you choose anything, make sure you feel good about it!

Step 3: Finding and buying a home

- You will look for homes that meet your needs and fit what you can spend.
- You will ask to buy a home from someone and tell them how much you want to buy it for.
- If the seller says yes, you will go back to your bank to complete the **mortgage** plan and sign papers.
 - You will give them papers about the home you want to buy and the price you offered.
- Once your mortgage is ready, you will sign the **mortgage papers**.
- On the day when you get the keys to your new home, the bank will give the money to the seller.

Congratulations, you are a homeowner!

- Don't forget to keep up with paying your mortgage bills!

Guide to the Workbooks

Guide to Mortgages is workbook 6 in a set of 7 workbooks to help you own a home.

Workbook 1	Know the People who can Help you own a Home
Workbook 2	Thinking about Homeownership
Workbook 3	Thinking about Money
Workbook 4	Choosing a Home
Workbook 5	Thinking about Help and Support
Workbook 6	Guide to Mortgages
Workbook 7	Guide to Home Maintenance

Helpful links

Click on these links below for more information and tools to help you buy a home

- Canada Mortgage and Housing Corporation's Homebuying Step by Step: [link](#)
- Canada Mortgage and Housing Corporation's s Module on Mortgages: [link](#)
- Canada Mortgage and Housing Corporation's Mortgage Calculator Tool: [link](#)

You can also find real stories about homeowners with a developmental disability by visiting: www.myhomemycommunity.ca