

CHECKLIST: Shop Around for a Mortgage



Buying a home and getting a mortgage is a big financial decision. It is important to shop around and see what mortgage products and features different mortgage lenders are offering. The more mortgages you compare, the more likely it is that you get one that best suits your needs.

Shopping around for a mortgage takes time, but given the amount of money involved it's worth it, plus it could save you thousands of dollars over the years. The internet is a good place to start shopping for a mortgage.

To make the most of comparison shopping, you need to know what options are most important to you and have questions prepared to clarify what different options are available. Make sure you know what you can afford and how much of a down payment you have.

Obtain and compare loans (or pre-approval quotes) from potential lenders and talk to them too, as the posted rates are often negotiable. Ask at least three lenders for the same loan amount, loan term and type of loan so you can compare the information.

A lender is any business organization, person, or group of persons who loan money for the purchase of a home. The home is security for the loan. Lenders will charge interest on the loan and agree with the borrower on the interest rate, payback timeframe and frequency.

Banks are the most common mortgage lenders in Canada, but borrowers can also secure a mortgage from other financial institutions (credit unions or caisses populaires, loan and trust corporations, life insurance companies), pension funds, or from other organizations, individuals or groups (private lenders).

Private lenders who lend their own money on the security of real estate must be licensed if they are doing business as mortgage lenders. However, private lenders do not need to be licensed if they use a licensed Mortgage Brokerage.

Remember, no two mortgages are the same. Make sure you've considered all the mortgage features in your decision, including cash back options, balloon payments and penalties.

WHETHER YOU USE A LICENSED MORTGAGE BROKER OR AGENT OR SHOP AROUND YOURSELF, YOU SHOULD ASK THE FOLLOWING QUESTIONS:

- What type of mortgage is best for my needs? In particular:
 - a fixed, variable or adjustable rate mortgage (link to types of mortgages article)
 - an open, closed or convertible mortgage

- What mortgage features and options are best for my needs? For example:
 - a short or long mortgage term
 - a short or long amortization period (link to paying for your mortgage article)
 - frequent or less frequent mortgage payments (e.g., monthly versus biweekly payments) (link to paying for mortgage article)
 - regular or accelerated payments (link to paying for a mortgage article)
 - the ability to make prepayments or lump sum payments (e.g., to pay an extra \$200 each month or an extra \$2,000 per year)
 - the option to transfer my mortgage to another home if I sell my home

- How will different factors (e.g., frequency of payments, amortization, etc.) influence the total cost of my mortgage?

- What are my options if I cannot make a payment? For example, can I skip one payment per year or apply any prepayments I have made to a current payment that is due?

- What penalty charges may apply if I want to break my mortgage contract or renegotiate a new one? How are they calculated?

- Will I have to pay an additional fee if a payment is late?

- How can I change the size of my mortgage payments?

- What fees are involved in setting up, discharging or renewing my mortgage? How are they calculated?

- How can I save on interest charges?

