



# GET **PRE-APPROVED MORTGAGE** BEFORE YOU SHOP

**R**eal Estate Weekly shared in a conference call last week with real estate and mortgage experts from across Canada. While there was consensus that the Canadian housing market is coming in for a soft landing - perhaps a bit bumpier in Toronto and Vancouver - it was the tips for home buyers that appeared most worthwhile.

John Turner, national director of specialized lending at Bank of Montreal, emphasized the importance of getting a pre-approved mortgage in today's lending environment.

"The pre-approved process remains a very important keystone in the home buying process, whether you're a first time homebuyer or a move-up buyer," Turner said.

Pre-approvals are more important today because, under new mortgage lending guidelines, buyers are required to qualify for a mortgage at the posted five-year rate, around 5.24 per cent, even if they opt for a less expensive mortgage term, such as a variable rate

or a one-year term, Turner explained. "There is a stress test built into the system to ensure folks can afford what they're buying."

Turner added that appraisals are also required. "It is important that that appraisal is done in advance of firming up your offer. That's an important dynamic today, probably more so than it was in the last few years."

Down payment is another important aspect and Turner noted there are a number of different strategies that buyers can use to save for the down payment. With an RRSP, clients can withdraw up to \$25,000 for the purchase of a home. "For those customers that may not have a credit history a great tip is to take out an RRSP loan. Obviously pay it back quickly with the tax refund and you have established credit by borrowing but then you can then use those funds to make that purchase of a home," he said.

He advised buyers to avoid the temptation of low-cost

variable rate mortgages and lock into longer-term rates, which currently are at near record lows. "We find most first-time homebuyers opting for security given concerns of budget, but essentially it's about an insurance policy. Looking historically there are many rate graphs that would suggest variable is the right option, and certainly many benefited from that, but maybe the time has changed given where rates are in the cycle," he said.

The banker also urged buyers to take advantage of shorter amortizations and flexible lump-sum payment options to pay off their mortgage faster.

**Get a solid appraisal, pre-approved mortgage before you shop for a home in today's "changed" market, banker urges.**