GISELE POIRIER
SALES REPRESENTATIVE
MCNE, SRES

Direct: 613.898.0503
Office: 613.592.6400

giselep@royallepage.ca
www.giselepoirier.com

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Real Estate News

5 Surprises to Avoid When Switching Mortgages Before Your Term Ends

Switching your mortgage can save you money – but be careful not to pick an offer that reduces that benefit by hitting you with higher fees and other costs.

1. Watch out for fees

Leaving your current mortgage before the end of your term usually triggers a host of fees. Ask your existing lender for a list of all the costs you could be dinged with if you leave, and ask any new lenders you're considering about fees that would apply to your new mortgage. Some examples: interest penalty, new appraisal, legal or title fees, discharge fee, property tax administration fee to name a few.

2. Don't pay more for your banking services

Sometimes financial institutions offer mortgage rate deals if you move some or all of your other banking products to them. Compare all the fees and rates on every product included before you agree to do so. Negotiate the best deal for each account and don't switch anything that's not to your benefit.

3. Don't sacrifice customer service

We all want to feel respected for our time and business, so warm and friendly employees who know their stuff and return your messages promptly can be the deciding factor among multiple lenders offering the same rate. Mortgage specialist Mandaric, for example, gives potential clients her cell number and swiftly returns calls or texts, sometimes even during non-business hours. If you're not getting great service during initial interactions, it's unlikely a lender's service will improve once they have your business.

4. Changes to your finances or health could impact your qualifications

Life happens. If changes, like having a baby, divorce or switching jobs, have occurred, your income or debt load may be impacted, affecting your ability to qualify for a mortgage. So it's important to investigate your options, if you're thinking about switching.

5. You might lose insurance coverage

If you have mortgage (or line of credit/credit card) insurance through your bank, that insurance will end when you switch. But you'll want to continue to have enough coverage so that your debts don't become a burden to your surviving family members should you pass away. Know that minor changes to your health or simply getting older can affect your ability to obtain mortgage insurance with a new lender, so read the new lender's insurance certificates about pre-existing conditions that might exempt you. Ask the new lender to apply for the mortgage insurance you want at the same time you do your initial credit application to ensure you're approved before proceeding to switch.

Final thoughts

Switching your mortgage may seem complicated with its many considerations. But you can be strategic by starting to shop for a new lender up to 90 days before your renewal date and beginning the paperwork about 30 days prior to your mortgage maturity date. Have all your current mortgage and banking information available along with verification of all your income sources, and don't be shy to ask questions up front to help you avoid misunderstandings, and make fully-informed decisions about your money.

"Your referrals are important to me. I value your support and trust."

What Happens When a Buyer Backs Out of a Real Estate Deal?

Signing a purchase agreement and then failing to close can have serious financial consequences—and courts don't take it lightly.

When it comes to backing out of a real estate deal, the law doesn't tend to side with the deal breaker, says Ron Butler, a veteran mortgage broker and one of the founders of Butler Mortgage in Toronto. If you're the buyer, "You should find a way to complete the sale – beg, borrow, do whatever you need to do – but close, because the case law overwhelmingly favours the seller," he says, adding that the courts aren't usually sympathetic towards the deal breaker, no matter their reasons or motivations.

Can you back out of a real estate purchase?
Roughly a decade ago, a Toronto got a call from a client of hers who had just closed on a house. The client's wife didn't like their new home, a classic case of buyer's remorse. But simply undoing the deal wasn't an option, the agent says. She told her client buying a home was akin to having a baby – there's no going back once the baby is born.

Buyers' remorse pops up in all kinds of transactions, but due to the financial implications, real estate agents usually caution against letting feelings dictate whether or not to back out of a deal.

To ensure the purchase process goes smoothly, experts recommend you get pre-approved for a mortgage by a broker or lender. "I don't let people sign contracts unless they're very, very sure that they're going to get financing," the agent says.

"You should find a way to complete the sale – beg, borrow, do whatever you need to do – but close."

That said, financing does sometimes fall through, and that can kill a home transaction, no matter how badly you may want to close.

For this reason, it's important to purchase reasonably and not in a heated market with a long closing. If the market changes, and home values go down, the property may not appraise and you'll need to make up the difference.

Home buyers may desperately want to close their home, but the banks won't give them the money now that the value has dropped.

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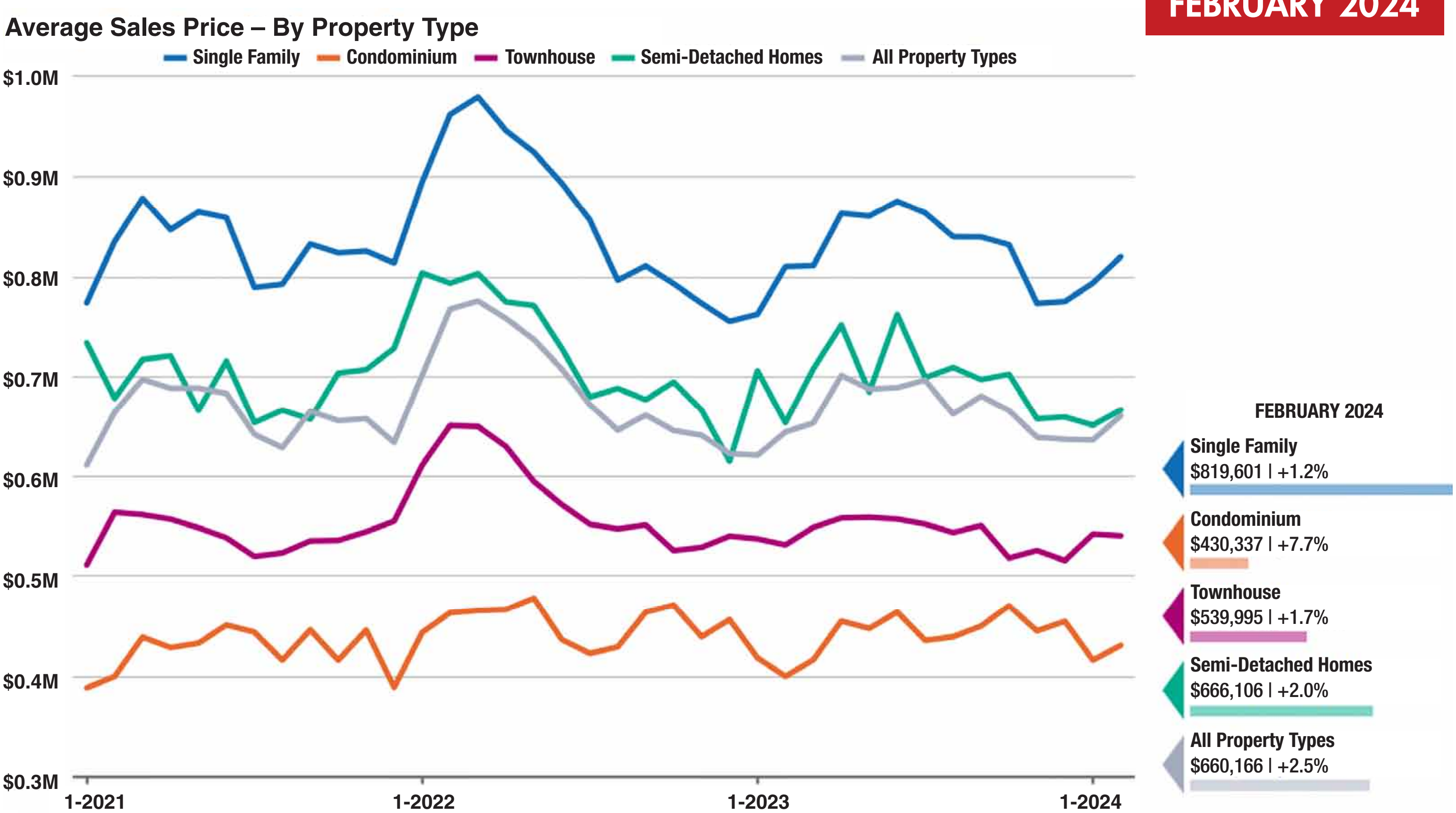

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