

# Monster Mortgage.ca



## Don Bayer

B.A., C.F.P., AMP

President, MonsterMortgage.ca

**Direct:** 416.544.5102  
don@monstermortgage.ca

Don is President and founding partner in MonsterMortgage.ca, and MonsterInsurance.ca. An Accredited Mortgage Professional and Certified Financial Planner, Don has over 20 years of lending and real estate investment experience and specializes in structuring construction and tax advantaged investments.

He has been called upon by local and national media including The Globe and Mail, CTV and CBC to comment on mortgages in Canada and is one of the resident experts on the TV show Hot Property aired weekly on CP24. Don is also a regular columnist for Canadian Real Estate Magazine, Canada's property magazine for first-time homebuyers and real estate investors.

MonsterMortgage.ca has built its success providing superior customer service and ensuring you are fully aware of the facts the banks won't tell you about financing property and bad debts.

## What is the cost of moving?



## If only we could pile in and GO.

Many of our clients are in a position to move up into a bigger home and in some cases a better neighbourhood. As I write this Fall newsletter, the government has just announced that the inflation number is actually negative (deflation) for July. In addition, the Bank of Canada has stated that interest rates will remain unchanged and as of today, the prime rate is 2.25% and the five year rate is around 4%, at or near historical lows. So, is now a great time to buy your next home? I don't want to discourage you, but here are some common costs and common mistakes to watch out for before you make your next move.

## So let's take a closer look at the costs related to moving to a new home.

Let's assume that you own a home valued at \$450,000.00 today and are looking to purchase a new resale home in the \$650,000.00 range. With today's low interest rates, the new money, if borrowed, adds an additional \$416.66 of interest to your monthly payment. Seems reasonable? We have surveyed three lawyers who have provided us with the actual cost of moving from one home to the other.

Continued on the next page ...

## WIN

a **FREE** mortgage payment!  
Register your renewal today!

Register your mortgage renewal date with MonsterMortgage.ca and you could WIN your first month's mortgage payment upon renewal.

When you register your renewal date with us, you are securing the lowest interest rate possible up to four months prior to your mortgage coming due. So if rates go up prior to your mortgage renewing, you can still get the lower rate. If rates go down, you will still get the lower rate ... it is a **WIN WIN** FOR YOU.

Check out our website [www.MonsterMortgage.ca](http://www.MonsterMortgage.ca) for terms and conditions and to register today and win!



## TUNE IN

MonsterMortgage.ca  
experts on CP24's  
Hot Property

See us on Cable Pulse 24's television program 'Hot Property' with host **Ann Rohmer** and mortgage expert Don Bayer from **MonsterMortgage.ca** for all the facts your bank won't tell you about real estate financing and cost saving strategies. For show times, check your local television listings or call our office.



# moving Costs

Legal fees on sale and purchase, including title insurance on the purchase	\$1,850.00
Land transfer cost – Ontario	\$9,475.00
“Mayor Miller’s Tax” – Toronto’s Land Transfer Tax	\$8,725.00
Real estate commission on sale of your home (5%)	\$22,500.00
Hook-ups – hydro, water, cable, satellite, internet	\$250.00
Movers	\$1,250.00
Property tax adjustments/common expenses or flat rate utility account	\$875.00
Harmonization tax (13%) effective July 2010 – additional taxes applied to professional service fees only, for new construction over \$400,000 this amount would be significantly higher (some rebates would apply).	\$3,474.00
Fire Insurance policy on new purchase	This is the difference between your current rate and the rate on your new home.
Mortgage Insurance premium on the “new money” (only for high ratio mortgages)	\$8,100.00
Mortgage penalties – three months or interest differential? Can you even transfer your mortgage and keep your rate?	Please see our spring newsletter online <a href="http://www.monstermortgage.ca/newsletter/">http://www.monstermortgage.ca/newsletter/</a> for calculations, rates/resources to calculate actual penalties.

Most people simply see these costs the day they visit their lawyer and get the keys to their beautiful new home. Quite often, the client is surprised because they are asked to bring in \$20,000.00 more than their anticipated down payment. A good mortgage agent should be able to sit down with you and run through all of the costs. One of the **biggest surprises** is the cost to break your current mortgage. Most people are now faced with the interest differential penalty because the current rates are significantly lower than the mortgage rates available when you purchased your first home. **You do have some choices** as you can move your mortgage with you to the new property and increase the mortgage amount. We call this a “blend and extend”. You avoid the penalty but once again you will be paying the “penalty” into the payment. You need to be careful with this calculation because there are a few moving variables here: your existing mortgage and rate and the new money you need along with the new rate for that money. Once these are blended, this becomes your new mortgage rate. The term is often extended because this positively affects the interest rate. This is not always in the best interest of the client. The blend calculation for each bank is different. Most banks do not offer their fully discounted rates on the new money. They know it is hard to explain and understand this policy.

**Another “Red Flag” is the prime minus variable rate products.** Almost all financial institutions will cancel these mortgages the moment you want to increase or change the mortgage terms. If you have a prime minus mortgage, be very careful as to how you manage your new purchase. Your rate will go from 1.45% today to 2.75% tomorrow as the new variable rates are prime plus something.





This week we came across a client whose variable rate product at prime minus .80% with RBC is simply not transferrable under any circumstance. In this case, the client has to pay a three month interest penalty to break her contract and her rate will move from prime minus .80% to prime plus .5%. On her \$400,000.00 mortgage, the penalty and interest differential cost amount to \$18,500.00.

**The client is outraged**, but by understanding your bank's policy before making financial decisions you can avoid many of these pitfalls. RBC advertises that their mortgages are portable or can be moved from one property to the next, but in this case the move cost the consumer \$18,500.00. For example, [MonsterMortgage.ca](http://MonsterMortgage.ca) does not recommend Royal Banks variable rate products. They offer great rates but at what cost to the consumer?

At the end of the day, there are significant costs to moving. In some cases, renovating your home can make a lot more sense. The financial world has changed significantly over the past year. I believe it is **important to leverage advisors that can help you** better understand the financial decisions that you will need to make over your lifetime. Including someone that can help you plan and manage a good mortgage strategy that give you the facts your bank won't tell you. By calling a mortgage expert before your next move, you will go into the purchase of your next property with your eyes wide open. This way you can make the best decisions that will see you **keep more money in your pocket** and not your bank's.



## Why **Now** is the Time to Buy a Home, Globe and Mail, CMHC

Improved consumer confidence in their own financial situations and low mortgage rates across Canada have increased home sales as well as housing prices across the country, according to an article in the Globe and Mail newspaper, written by Susan Krashinsky titled Housing sales, prices surge in August (Sept 16, 2009). The article explains that existing home sales have increased by 18.5 per cent in the past year, and housing prices have jumped 11.3 per cent in the same time frame. She attributes part of this to interest rates that are hard to pass up. But additionally, Krashinsky quotes Benjamin Tal, a senior economist with CIBC World Markets Inc., stating that the reason for this increase is the confidence that "if you know your job will be there, you jump on it. That's what's happening. People know this will not last forever." Furthermore, the Canadian Mortgage and Housing Corporation (CMHC) posted an article titled Housing Activity to Rebound in Second Half of 2009 and in 2010 (Sept 3, 2009), that discusses the increase in new home construction and the strong rebound of existing home sales since January of 2009. This is expected to continue to grow into early 2010 as there are fewer homes on the market in both the new and existing home sectors which encourages new development and drives prices upwards.

If you are in the market for a home, or are considering new construction, please contact us to get our lowest interest rates and to find out how you can secure the **home of your dreams**.

rates that are hard to pass up

