

# Real Estate Journal

Your Monthly Home & Financing News

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## DID YOU KNOW...

Minor details can affect your credit score. For example, most people don't realize there are two important dates when it comes to paying off certain credit cards: the due date and the

Welcome to the February issue of the *Real Estate Journal*, which is designed to help you make a more informed decision the next time you're buying or selling a property!

This month's edition explains the differences between appraisals and home inspections, as well as discusses the fine print behind ultra low-rate mortgages. Please feel free to ask questions or offer feedback regarding anything outlined below via phone or e-mail.

Thanks again for your continued support and referrals!

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## Appraisal Versus Home Inspection



**B**oth an appraisal and a home inspection are important steps of the home-buying process, so it's well worth your effort to distinguish the differences between them and how they can uncover detailed information about the home's

### Home Inspection

A home inspection is not used to determine property value, but will provide an assessment of the physical condition of a property. A well-trained home inspector will perform a comprehensive visual inspection to determine the condition of the building and all of its major systems (roof, structural, heating, plumbing and electrical

statement date. The statement date is when the card issuer reports your balance to the credit bureau, not the due date. So even if you pay your balance in full and on time each month, your credit report may not properly reflect this.

## MORTGAGE MATTERS

It's a great idea to purchase a home when rates are low, but pay your mortgage as if the rate was as high as you can afford. This means that you'll be better prepared when rates increase.

## GOING GREEN

### *Hot Water Heater Efficiency:*

About 15% of a typical energy bill goes to heating water. Some new water heaters have insulation and are highly energy efficient. But some older models may benefit from an insulating blanket, which can contain more of the heat from the tank. When installing a new hot water heater, look for a high-efficiency unit. Some hot water on-demand models heat only when you need water, rather than storing hot water in a tank. When designing a new home, ensure that the unit is placed as close as possible to the kitchen, laundry and bathrooms, and always insulate hot water pipes,

value and condition.

### **Appraisal**

Essentially, home appraisal is a survey activity performed by a professional in order to develop an expert opinion on the market value of a real estate property. Home appraisal is usually done for a lending company or a bank as a prerequisite for the approval of a mortgage application by a homebuyer.

The essential elements of a home appraisal report include information and data related to the overall condition of the property, the neighbourhood, variables that contribute to the sale of similar homes and the time spent in selling similar properties. The appraisal report may be presented as a comparable sales analysis or a cost assessment of value.



## Beware of Mortgage Rate Fixation

**T**here has been a lot of chatter surrounding

low mortgage rates that were introduced by many banks early this year. But, it's crucial to look beyond mere rates into the bigger picture surrounding what's important when it comes to your specific mortgage needs.

While "no-frills" mortgage products typically offer a lower – or more discounted – interest rate when compared with many other available products, the lower rate is really their only perk.

The biggest problem with looking at rate alone is that you may end up paying thousands of dollars in early payout penalties if you opt for a five-year fixed-rate mortgage, for instance, and then decide to move before the five years is up.

No-frills mortgage products won't let you take your mortgage with you if you purchase another property before your mortgage term is up – ie,

systems, etc).

While an appraisal is intended to provide the lender with sufficient information to decide on mortgage financing, a home inspection will hopefully reveal to a potential homebuyer whether the building and its systems are in sound working order.

If there are outstanding issues, a good inspector will provide the potential purchaser with a schedule outlining the estimated costs and a timeline detailing when these repairs will need to be completed.

As always, if you have any questions or concerns about buying or selling a home, answers to your questions are just a phone call or e-mail away!

they have the extra cash to put down a huge lump-sum payment. And who needs a portable mortgage if you're not planning on moving any time soon?

But it's important to remember that a lot can change over the course of five years – or whatever term you choose for your mortgage. You could get transferred, find a bigger house, have babies, change careers, etc. Five years is a long time to be anchored to something.

Many people won't sign a cell phone contract for longer than three years that they can't get out of, so why would they then sign a mortgage for five years that they can't get out of?

The thing is, you can still obtain great mortgage savings without giving up the perks of traditional mortgages. For starters, many lenders are willing to offer significant discounts if you opt for a 30-day "quick" close.

And there are many other ways to earn your own

especially where they run through unheated areas. Turn down the water heater thermostat to a minimum setting when you're away for extended periods.

## HOMEOWNER TIPS

### *Homeowner Insurance:*

Much like car insurance, the higher the deductible you choose, the lower the annual premiums will be on your home insurance. But the problem with selecting a high deductible is that smaller claims/problems such as broken windows or damaged sheetrock from a leaky pipe, which will typically cost only a few hundred dollars to fix, will most likely be absorbed by you as the homeowner.

portability is not an option with this product. Portability is an important option that could save you money over the long term if the home of your dreams is within your reach before your mortgage term is up and rates have risen, which they have a tendency to do over a five-year period.

This type of product is only plausible for those who have minimal plans to take advantage of benefits that will help pay off your mortgage faster – such as pre-payment privileges including lump-sum payments.

Essentially, this product is only ideal for: first-time homebuyers who want fixed payments and have limited opportunities to make lump-sum payments during the first five years of their mortgage; and property investors who need a low fixed rate and aren't concerned with making lump-sum payments.

It's understanding why these products may seem appealing. After all, not everyone feels

discounts. For instance, by switching to weekly or bi-weekly mortgage payments, or by obtaining a variable-rate mortgage but increasing your payments to match those of the going five-year fixed rate, you'll be ahead of the typical 0.1% discount of a no-frills product before you know it – and you won't have to give up on options.

No-frills products represent a great example of why interest rates are not the only important factor to consider when deciding whether to opt for a particular mortgage product. Much like buying a car, you get what you pay for. If you don't want a car with air conditioning, a stereo, a cup holder, and so on, then you can get the cheapest car going... but you'll likely regret it later.

Banks don't give anything away for free – they're there to make money. That's why it's essential to speak to your mortgage broker or banker about the full details on the small print behind the low rates, as well as your longer-term plans.

# About



RE/MAX was established in 1973 by two 20-something real estate agents from Denver, Colorado, who decided to develop a new real estate concept. They created RE/MAX – an acronym for “real estate maximums”. The company's system encourages quality real estate salespeople to realize and develop their outstanding business potential.

On its 5th birthday, RE/MAX boasted 1,000 sales associates and launched its first widely recognized trademark – the RE/MAX Hot Air Balloon. And still to this day the Hot Air Balloon trademark is well known all over the world.

In 1979, two Canadians – Frank Polzler and Walter Schneider – launched RE/MAX Ontario-Atlantic Canada.

Today, the RE/MAX franchise network is the most recognized global real estate system operating in more than 60 countries. RE/MAX sales associates lead the industry in professional designations, experience and production while providing real estate services in residential, commercial, referral, relocation and asset management.

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