

Real Estate Journal

Your Monthly Home & Financing News

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Bob & Jo-Anne Maynes

RE/MAX Treeland Realty
Brokerage
Independently Owned & Operated
Phone: 604-533-3491
Cell:
Fax: 604-576-2694

[E-mail](#)
[Website](#)

DID YOU KNOW...

It's a good idea to request a copy of your credit report from the two Canadian credit-reporting agencies at least once a year, not only to verify that your personal

Dear ,

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 how to financially prepare for homeownership, as well as looks at some top tips to help you pay down your mortgage faster. 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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Budgeting Towards Homeownership

From an interest rate standpoint, there has never been a better time to become a homeowner. But transitioning from renter to homeowner is one of the biggest decisions you'll make throughout your lifetime. It can also be a stressful experience if you don't plan ahead by building a budget and saving prior to embarking upon homeownership.

the gym membership and all the other things you may spend money on each month? Although everyone needs some "me time" to wind down, could you not get that by taking a walk or reading a good book you borrowed from the library?

If you can set your budget solidly in place before you head out home or mortgage shopping, you will be far more prepared to purchase your first home.

Following are three top tips to help you prepare for

information is up to date, but also to ensure that you have not been the victim of identity fraud.

Because credit information can be kept by more than one credit-reporting agency, it is important to check both credit reports carefully. The agencies are: [Equifax Canada](#), 1-800-465-7166; and [TransUnion Canada](#), 1-866-525-0262.

To see what a credit report looks like, know how to get errors corrected or understand what factors influence a consumer's credit score, see the publication [Understanding Your Credit Report and Credit Score](#) from the Financial Consumer Agency of Canada.

MORTGAGE MATTERS

You can help protect your home and family through a mortgage life insurance policy. Mortgage life insurance is a life insurance policy on a homeowner, which will allow your family or dependents to pay off the mortgage on the home should something tragic happen to you. This is not to be confused with mortgage default insurance, which lenders require to cover their own assets if you have less than 20% equity in your home. Mortgage life insurance is meant to protect the family of a homeowner and not the mortgage lender itself.

Budgeting is a core ingredient that helps alleviate the stress associated with money issues that can sometimes arise if you purchase a home without knowing all of the associated costs – including down payment, closing expenses, ongoing maintenance, taxes and utilities.

The trouble is, many first-time homeowners fail to carefully think about their finances, plan a budget or set savings aside. And in this society of instant gratification, money problems can quickly escalate.

The key is to create a realistic budget based on your goals. Track your spending and make your dollars go further by sticking to your budget once it's in place. Budgeting offers a step-by-step formula for figuring out how to best save your hard-earned money to invest in homeownership.

Start by listing your household income, then your household expenses, and review your spending habits. All of this can be done on a pad of paper or on a computer spreadsheet.

Keeping receipts for everything that you purchase will enable you to accurately keep track of where your money is going each month so that you can review and make necessary changes to your plan on an ongoing basis.

Examine all areas of your life from entertainment to the type of food you buy, where you buy your food and clothes, and how and where you travel. Also look at your spending personality and make necessary adjustments. Are you a saver, a splurger, a spontaneous shopper or a hoarder? Become smarter with your money and avoid impulse buying.

If you find you're spending a lot of money in one area, such as entertainment for instance, set aside a reasonable amount each month and prepare to stop spending money in this area once your budget has been exhausted.

Budgeting provides you with the opportunity to re-evaluate your needs and wants. Do you really need the magazine subscriptions,

the purchase of your first home:

1. Set up a savings account. You can deposit a predetermined amount into this account each pay period that you will not touch unless it's absolutely necessary. This will enable you to put money aside for a down payment and cover closing costs, as well as address ongoing homeownership expenses such as maintenance, taxes and utilities.

2. Save up for big-ticket items. As you accumulate money in your savings account, you will be able to also save for specific purchases to help furnish your home – avoiding the buy now, pay later mentality, which can have a negative impact on your credit when you're seeking mortgage financing.

3. Surround yourself with a team of professionals. When you're getting ready to make your first home purchase, enlist my services as a trusted real estate professional and find a licensed mortgage agent. Experts are invaluable to you as you set out on the road to homeownership because we help first-time buyers through the home purchase and financing processes every day. Experts can answer all of your questions and set your mind at ease. Mortgage agents, for instance, have access to multiple lenders, and can help you get pre-approved for a mortgage so you know exactly what you can afford to spend on a home before you head out house hunting, while I will be able to match your needs with a house you can afford. Both parties will negotiate on your behalf to ensure you get the best bang for your buck. And, best of all, these services are typically free. Experts will also be able to refer you to other reputable professionals you may need for your home purchase, including a real estate lawyer and home appraiser.

As always, if you have any questions about homeownership, your answers are just a phone call or e-mail away!

HOMEOWNER TIPS

Homeowner Insurance:

Homeowner insurance isn't a luxury – it's a necessity. In fact, most mortgage lenders won't finance a residential real estate transaction unless the buyer provides proof of coverage for the full or fair value of the property (most of the time this is the purchase price).

Much like car insurance, the higher the deductible the homeowner chooses, 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 the homeowner.

Many insurance companies give a discount of 10% or more to customers that maintain other insurance contracts under the same roof, such as auto insurance. Consider obtaining a quote for other types of insurance from the same company that provides your home insurance. You may end up saving on both annual policy premiums.

It's a good idea to review your insurance policy at least once a year and compare the costs of other insurance policies to your



Top Tips to Pay Down Your Mortgage Faster

With interest rates at an all-time low,

many Canadians are taking advantage of the savings by refinancing their mortgages to invest in real estate or buy a recreational property, or simply moving up the property ladder.

Following are ways to take even further advantage of this excellent rate environment by paying down your mortgage faster.

Tip #1 **Prepay early in the mortgage**

Make extra payments as early as you can after getting a mortgage because the loans are interest-heavy upfront and the faster you pay down your principal, the more interest savings you will accumulate over the long run. Within the first five to seven years of your mortgage is where the largest portions of interest payments are contained. This not only will save you thousands of dollars in interest payments, but it will also increase the speed at which you are accumulating equity in your property. Many mortgage products allow you to make up to 20% more in payments per year.

Tip #2 **Make an annual lump sum payment**

Whether you use your tax refund, receive an inheritance or get a Christmas bonus, you should apply as much as possible directly to your principal. Most lenders allow you to pay 20% in lump sum payments per year without penalty. Your mortgage professional or lender can help you determine exactly how much you can prepay and what maximum percentage of your principal you are allowed to pay without penalty each year.

Tip #3 **If your payments go down, don't lower the**

and let them know that you would like to continue making payments for the original amount. Your mortgage professional or lender will let you know if there is a charge for making the extra payment. Even with the charge, in most cases, it is still worth it and will help you pay down your principal faster.

Tip #4 **Round up your payments even if it's just a little**

If your monthly mortgage payment is \$776.22 and you were to round up your payment an extra \$23.78 a month to \$800 – that's less than a dollar a day – you would effectively reduce your mortgage amortization from 35 years to just over 32 years right away or from 25 years to just over 23 years.

TIP #5 **Increase your payments with your pay increases**

If your income increases, try not to keep your mortgage payments the same. Although the disposable income is a joy to spend on unnecessary luxuries in the short-term, the long-term benefits of being mortgage free faster and saving those interest payments will far outweigh the short-term joys. Pretend that your income did not increase and maintain the lifestyle that you are currently living.

Tip #6 **Increase the frequency of your payments**

You can also change the way you make your payments by opting for accelerated bi-weekly mortgage payments. Not to be confused with semi-monthly mortgage payments (24 payments per year), accelerated bi-weekly mortgage payments (26 payments per year) will not only pay your mortgage off quicker, but it's guaranteed to save you a significant amount of money over

own.

payment amount

If you are on a variable-rate mortgage and the rates go down your payment will also often go down. Instead of making the lower mortgage payments, however, it's best to call your lender

the term of your mortgage. Basically, with accelerated bi-weekly mortgage payments, you're making one additional monthly payment per year.

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.

The RE/MAX website – www.remax.ca – offers helpful information through both a Buyer’s and a Seller’s Guide.



#101 - 6337 198th St Langley BC V2Y 2E3

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