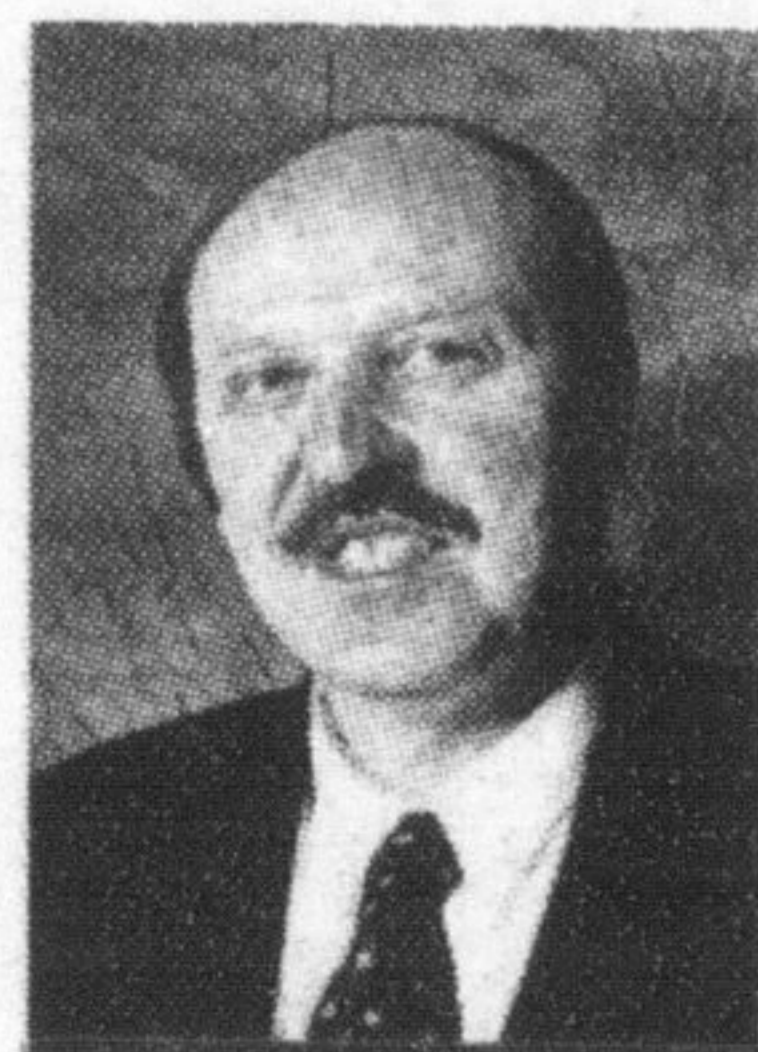


Money-saving tips for your mortgage



John Cavan, AMP
Mortgage Agent
License # M08003080
Mortgage Architects
Brokerage #10287
Ask your local mortgage planner

Most of us feel that we have the right mortgage for our situation, but we certainly don't want to think about the cost of that borrowing. The good news is that there are ways to save money over the life of your mortgage and during your mortgage years. Here are some tried-and-true money-saving mortgage strategies.

Increase your payment frequency. If you've been renting, you likely paid your housing costs once a month. But with a mortgage, you can also pay weekly (52 payments), bi-weekly (26 payments), or semi-monthly

(24 payments). You make additional payments with weekly and bi-weekly versus monthly or semi-monthly, which shortens your amortization period and reduces the amount of interest you pay over the long run.

Example: A \$200,000 mortgage amortized for 25 years at 4.5%. Adjust payments from monthly to every two weeks (bi-weekly or 26 payments), and you'll reduce your amortization to 21.7 years and save \$20,033 in interest.

Shorten your amortization. If you have the cash flow, you could shorten the number of years it will take for you to pay off your mortgage. A shortened amortization means higher mortgage payments, but you will pay less interest overtime.

Example: \$200,000 mortgage amortized for 25 years at 4.5%. Switch to 20 years, and you'll pay off your mortgage 5 years earlier and save \$29,488 in interest.

Some homebuyers often use extended amortizations as a safety net. They may choose a 30 year amortization for their mortgage, but they keep their payments at 20 or 25 years. This gives them the flexibility to reduce their payments at any time should they need more breathing room during a maternity leave, or in the event of a job loss or illness.

Use your pre-payment privileges. Those privileges are there for a reason— they help you pay off your mortgage faster and reduce your interest costs. Pre-payment privileges differ from lender to lender. Take the 20+20 option. Once a year, you can increase your mortgage payment by up to 20%. The second 20 lets you make a lump sum payment of up to 20% each year.

Example: \$200,000 mortgage amortized for 25 years at 4.5%. Put \$2,000 lump sum amount each year on your mortgage and you'll pay off your mortgage in under 20 years and save \$32,629 in interest costs.

Roll high-interest debt into your mortgage.

You can use the equity in your home to consolidate your other high interest debt such as credit cards or store cards. By consolidating all of your debt into a new mortgage, you can make fewer payments, save money on interest costs, and improve your cash flow. In almost every case, you're better off holding your debt in a mortgage than in any other lending vehicle. Why? Because Canadian homeowners are benefiting from mortgage rates that are among the lowest in decades. You can then consider using the money you save each month to pay off your mortgage faster. Or use the savings for investing, RRSPs or RESPs.

If you are interested in exploring ways to pay off your mortgage sooner, we can review your mortgage and offer suggestions to maximize your savings.

John Cavan is an Approved Mortgage Planner with Mortgage Architects. Mortgage questions and concerns can be directed to John Cavan's office, located at 14 Martin St., Milton. John can be reached by phone: 905-878-7213 or by email: john.cavan@mtgarc.ca. John Cavan's website is www.stressfreemortgage.ca. Contact John today about your stressfree mortgage opportunities.

Affordability tips for first time homebuyers

Owning your first home is a milestone as well as an exciting experience. However, many first time homebuyers can be nervous about the process, as they don't know what to expect or how to make the best decisions.

RBC Royal Bank research shows that homebuyers between the ages of 18–34 worry that buying their first home will mean living outside their means.

"With the proper advice and budgeting tools you can still live within your means and purchase your first home – you can do both," said Kavita Joshi, director, Client Strategies, RBC. "An RBC mortgage specialist can help you understand all the financial aspects of owning your first home, by offering tailored advice and support."

Joshi offers a number of tips to help first time homebuyers stretch their dollars even further:

Determine how much you can afford – before beginning your house search in earnest, review down payment options, household income, current debt, estimated monthly housing-related costs and closing costs.

Create your wish list

Determine what features in a house are need-to-have vs. nice-to-have.

Establish your down payment amount

It's helpful to establish an amount you are comfortable with prior to making your purchase. You'll be glad to know that there are options available depending on how much of a down payment you can afford.

Factor in your closing costs

It helps to know upfront what your closing costs will be. When calculating closing costs, it's fairly safe to assume you'll need at least an additional 1.5 per cent of the purchase price.

Get pre-approved for your mortgage

If you are unsure you qualify for a mortgage or how much you qualify for, speak with a mortgage specialist who can see if you can pre-qualify, so you'll know what your mortgage options will be.

Understand your payment options

Many first-time homebuyers give more thought to interest rates than the mortgage solution itself. While rates certainly have to be considered, the different types of mortgages, various payment structures, terms and flexibility may have a much greater bearing on your overall costs of homeownership.

Consider unforeseen expenses ahead of time

When you're buying a home for the first time, there are a number of related costs that you may not be familiar with, including: professional home inspection, lawyer fees, land transfer tax, property tax and property insurance. You also should take into account "one-time" costs, such as moving expenses, and ongoing costs, such as heating, electricity and water.

Be realistic

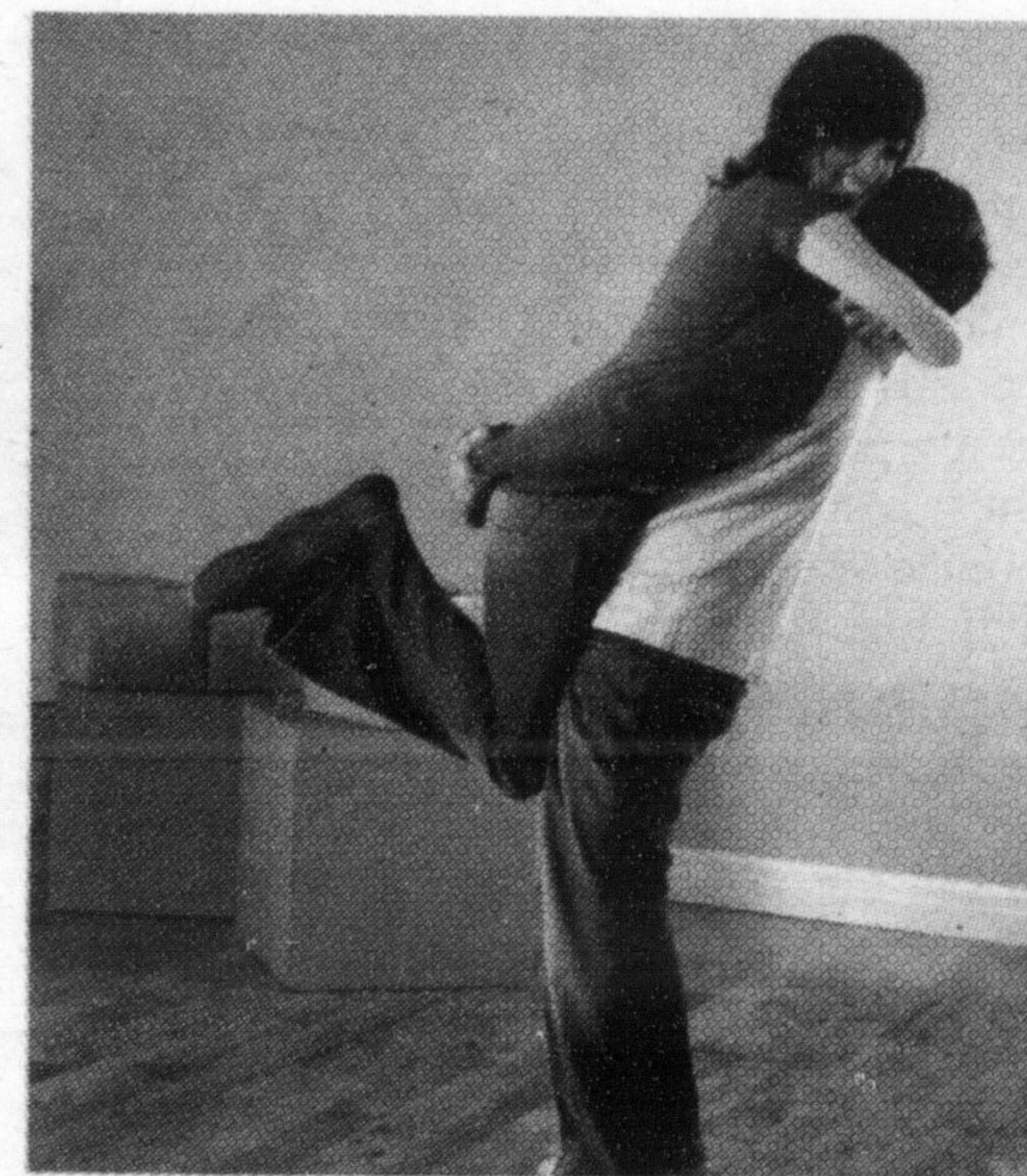
You may be under- or over-estimating how much you can afford for a home. Online mortgage calculators make it easier to estimate accurately, by providing you with information on the maximum mortgage payment amount you can afford each month (www.rbcroyalbank.com/cgi-bin/mortgage/tools/howmuch/afford.pl)

Love your new home

Once you've received the keys to your new home, it will time to sit back and enjoy every minute of being a new homeowner.

For further advice and tips, visit the RBC Advice Centre at www.rbcadvicecentre.com and join the discussion on purchasing your first home on the RBC Facebook page at Facebook.com/rbcroyalbank.

www.newscanada.com



Understanding your new home warranty

Tarion Warranty Corporation is now offering new home buyer education seminars online to help consumers understand the warranty that comes with newly built homes in Ontario. Tarion regulates Ontario's home building industry and ensures purchasers receive the statutory warranty coverage that builders are required to provide.

"Understanding Warranty Coverage" is the first in a series of online topics designed to help purchasers better understand the new home warranty process and coverages. It provides a broad range of information on topics such as deposit and delayed closing protection, what is and is not covered under the work and materials warranties, and how homeowners can go about making a warranty claim to their builder. For a quick introduction to the warranty's key features, check out the '10-Minute Guide to Ontario's New Home Warranty.'

The newest addition to the online library is "What to Expect at a Tarion Inspection", which provides specific information on what homeowners need to know before, during and after a conciliation inspection. It also explains the importance of a pre-delivery inspection, how to make a claim and some exceptions to the warranty process. New topics are continually being developed so check back periodically.

The seminars can be accessed 24 hours a day, seven days a week on tarion.com. Topics are arranged in manner that allows viewers to quickly move through the presentation to the areas that are of most interest.

"Offering educational seminars online allows us to reach homeowners across Ontario so they can better educate themselves about their warranty rights and responsibilities," said Tarion president and CEO Howard Bogach. "Understanding not

only the warranty process, but also the roles that builders and Tarion play will help provide a successful experience for new home buyers – and that is our goal."

In addition, relevant documents such as the Homeowner Information Package and the Construction Performance Guidelines are readily available in the resources section.

In order to ensure continual improvement, Tarion encourages viewers to provide comments through the feedback section. One viewer commented, "I wish I had seen this prior to my purchase. Thank you for this seminar. [It] did a far better job in increasing my understanding of the home warranty."

To watch the online seminars go to www.tarion.com and select the link on the homepage. For those new homeowners who want to start managing their warranty online, register for MyHome at www.tarion.com.

www.newscanada.com