

What's power of sale?

A Power of Sale occurs when an owner of a property is unable to make their mortgage payments. The mortgage lender then steps in and offers the property for sale to the public under their rights contained in the mortgage loan agreement.

On the surface, Power of Sale properties may appear to be excellent buys for some people. Generally, the price should be attractive and the mortgage company is anxious to sell.

However, there are three areas that should concern any potential buyer. First, even if the buyer makes an offer that is accepted, there is no guarantee they will actually get the property until the date of closing. That's because the current owner has the right to redeem the property by paying out the mortgage up to the last day. That means the owner, as one of his options, could accept another offer besides the one presented to the mortgage lender. So, if one is buying a Power of Sale, don't expect to move in on the closing date. Make plans to move in after the date.

Secondly, buyers of Power of Sale properties buy it "as is." The mortgage lender is under no obligation, nor will he make any changes to the property. Finally, there are no warranties by the seller as to whether the chattels, such as appliances, will be part of the sale.

If you can live with these three areas of concern then buying a Power of Sale property is an avenue to explore further.

Be practical with mortgages

Your dream home becomes a nightmare when you end up "house poor" with most of your money going to pay for the mortgage and little left over for enjoyment.

When buying a home, you need to be practical and realistic. Over-extending yourself financially is the quickest way to destroy the excitement of owning your own home. A real estate professional can help you find the home of your dreams; a realtor can also assist you in evaluating mortgage options and obtaining financing at the most attractive prevailing rate. In the meantime, here are some ways to determine your "affordability quotient."

Setting a maximum price range is more important than simply establishing an upper price limit because unanticipated costs could push you into the "house poor" danger zone. To determine your affordability price range, you must calculate two amounts, the amount of cash you can afford to put towards the purchase (the down payment) and the maximum amount of loan (mortgage) you can comfortably carry.

A mortgage covers the difference between the purchase price and your down payment. The larger the down payment, the less you have to borrow, the smaller your monthly mortgage payment and the lower your cost of interest over the term of the mortgage. So it probably makes sense to put down as much of your own money as possible.

You should keep a cash reserve for unexpected expenses and such typical "post purchase" expenses as land transfer tax, legal fees, mortgage arrangements, moving expenses, new furnishings and appliances.

The first step towards establishing a maximum mortgage limit is to calculate a monthly payment you can afford. Financial institutions do this by calculating your debt-service ratio.

To calculate your debt-service ratio, list all your loans (car, personal loans, monthly credit card balances). The sum of these loan payments and your mortgage payment (including principal, interest and taxes) should not exceed approximately 40 per cent of your gross income. The mortgage payment and taxes should not exceed approximately 30 per cent of your gross income.

The size of the mortgage you can arrange, based on payments you can afford, depends on interest rates. The lower the rates, the larger the possible mortgage and the more affordable the housing is.

But there are other mortgage terms to consider as well. How open is the mortgage? Would prepayment be allowed? Is the mortgage affordable? Discuss your mortgage options with a realtor, your banker or a financial advisor. Establish a limit and stick to it.

The usual source of mortgage funds is a lending institution that determines the maximum loan allowed. But there are other sources of funding, too and a realtor can help you.

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Approx. 1800 sq. ft. \$5 sq. ft. + trm.
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\$599,000

Shaded on a one acre lot in Campbellville, this quality home offers 4 bedrooms (master on main level with ensuite), 4 washrooms, garden kitchen with built in appliances, separate dining room, formal living room with fireplace, family room with fireplace, library, 2 double car garages and much more. Offered at \$599,000. Contact Bill Currie.

\$194,900

HAVE A LARGE BATH? Then this two bedroom home may be just what you need, included is a main floor family room, good size living room and dining room. Has large size double garage, central vac, basement is partly finished and close to town. Call Joan at ext. 285 for your viewing. Listed at only \$194,900.

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\$175,000

Very attractive 3 bedroom home with link in preferred area. Features 3 large bedrooms, finished rec room with wood-stove. Please call Chris at ext. 227.

HOBBY FARM

Conveniently located 7.96 acre hobby farm with 33' x 65' 10 stall barn, 4 paddocks. Very neat 3 bedroom bungalow with 2 walkouts to wrap around deck. Separate two bedroom in-law suite with full walkout and separate entrance. For further details contact Diane Carway 878-4444, Ext. 260. Priced at \$349,900.

\$189,900

SOLD

Move ready! Call for details. Features: 3 bedrooms, full bathroom, driveway, patio walkway. Great for a family, backs onto schoolyard. For your personal viewing call Ross Cescon at ext. 231.

\$248,500

SOLD

4 bedrooms, main floor living room with fireplace, finished basement with room for pool. Call Audrey at ext. 222.

BUILD YOUR OWN TAKE YOUR PICK

• 4 acres on Scarborough with views \$239,900
• 1.4 acres subdivision lot in Markham \$109,900

Please call Audrey Newell at ext. 222 for further details

\$749,000

Call for details or Bill Currie to view this spacious ranch bungalow overlooking Toronto and yet only minutes from Milliken. Features include: 3 bedrooms with ensuite, large oak kitchen, separate dining room, huge living room with fireplace, den, rec room, 4th bedroom & washroom on lower level, 4 car garage & 30' x 90' out building. All this on 15+ acres.