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Shop around before taking a mortgage

Editor's Note: This is the second in a three-part series on purchasing a new home. While it is primarily designed for the first-time buyer, even experienced buyers should not discount the possibilities that they may overlook something. Part two is on mortgages.

By DON ATANASOFF
News Editor

With the mortgage rate on an upward trend it pays to shop around before signing on the dotted line.

At least that's the advice offered by Ray Eady, manager of Canada Trust on McCowan Rd.

But while looking around for the lowest rate is usually the best policy, it's not always the right way to approach a new mortgage.

"Everyone should shop around for rates, but sometimes it might be better to take that extra quarter point and maintain some flexibility," explained Mr. Eady, noting that a quarter point might mean \$540 at today's rates on a \$90,000 three-year mortgage.

What Mr. Eady meant by flexibility was in the terms of the contract being drawn up. He said the amount of prepayment allowed on a closed mortgage (without interest penalty) during the life of the contract, is important to those who want to reduce principal, shorten the life of the mortgage and save the interest dollars.

While there are many types of mortgages and many ways to set them up, Mr. Eady strongly recommends that prospective home buyers look very carefully at weekly or bi-weekly payments rather than semi-monthly or monthly. His reasons are quite simple — they save money.

"By making weekly or bi-weekly payments you make one extra payment a year," explained Mr. Eady. "On a 25-year amortized mortgage it could shorten the total life of the contract by about eight years."



RAY EADY
Mortgage advice

"You are in effect, tricking yourself into making the extra payment. It's a great saving, maybe as much as 20 per cent."

Mr. Eady said that most people who come in to sign a mortgage actually bring in too much material, but he added it was better than not bringing in the right information.

"Usually people come in and want to chat," he began. "But there is a lot of misunderstanding on how mortgages work. Some say they have been warned by their parents and friends on what to look out for," he continued. "They have a lot of concerns and are usually quite apprehensive. But setting up a mortgage is not as hard as it seems."

Mr. Eady said that in order to buy a new home, the prospective client must furnish the following items:

- A copy of the agreement to purchase.
- A site plan of the home.
- An appraisal, although many mortgage companies will do appraisals.
- Income verification.
- Verification of downpayment.

In determining the size of a mortgage the prospective client can afford, a principle known as the Gross Debt Service Ratio (GDSR) is put into use. What it means is the principal, interest and taxes as a percentage of the gross income. Usually that works out to 30 per cent of a husband and wife's total income.

Also taken into consideration is the Total Debt Service Ratio (TDSR) which takes in the per cent of income, principal, interest, taxes, other loans and financial obligations. This normally would not exceed 40 per cent of a couple's total income, but the rate will vary between financial institutions.

Once the affordability of the proposed mortgage has been determined, the amount of the downpayment may determine what type of mortgage is necessary.

There are two types of basic mortgages, the conventional and the high ratio. Although there is no difference in the rate, the high ratio mortgage must be insured by Central Mortgage and Housing at the cost of 1 1/2 per cent of the mortgage. It is a one-time fee; providing the client renews with the same lender.

In order to obtain a conventional mortgage, a 25-per cent downpayment on the purchase price of the home must be paid.

Mr. Eady pointed out that while many potential buyers don't have 25 per cent to put down, there are ways of avoiding a high ratio mortgage. He suggested a small second mortgage, or a personal loan. "A family member is the best place to get a loan," Mr. Eady added.

In closing the deal, the buyer must provide a survey (one from the vendor is acceptable), fire insurance (one at least equal to the value of the mortgage) and proof of a downpayment.

Finally, to make everything valid, a lawyer must do a title search and register the deed and the mortgage.

Lynx Technology

Markham company receives order from Xerox Corp.

Lynx Technology Inc. of Markham has received a purchase order from the Xerox Corporation, Dallas, for 300 advanced field service test instruments used in the servicing of micro-computers and word processors.

The order for 300 Lynx disk drive alignment testers is valued at approximately \$300,000.

This order brings to 500 the number of units sold to the Xerox Service Group since the Dallas-based multinational began extensive tests on the Lynx instruments nearly two years ago.

Xerox's Service Group is one of the largest computer service organizations in the United States, with more than 2,400 personal-computer dealers now affiliated with the Xerox Americare service program.

Lynx Technology Inc. is a three-year-old Markham based, wholly Canadian owned private company, which designs, manufactures and distributes sophisticated electronic test equipment for the computer industry. Lynx was a finalist in the recent Canada Awards for Excellence in Innovation, sponsored by the federal Ministry of Industry and Trade.

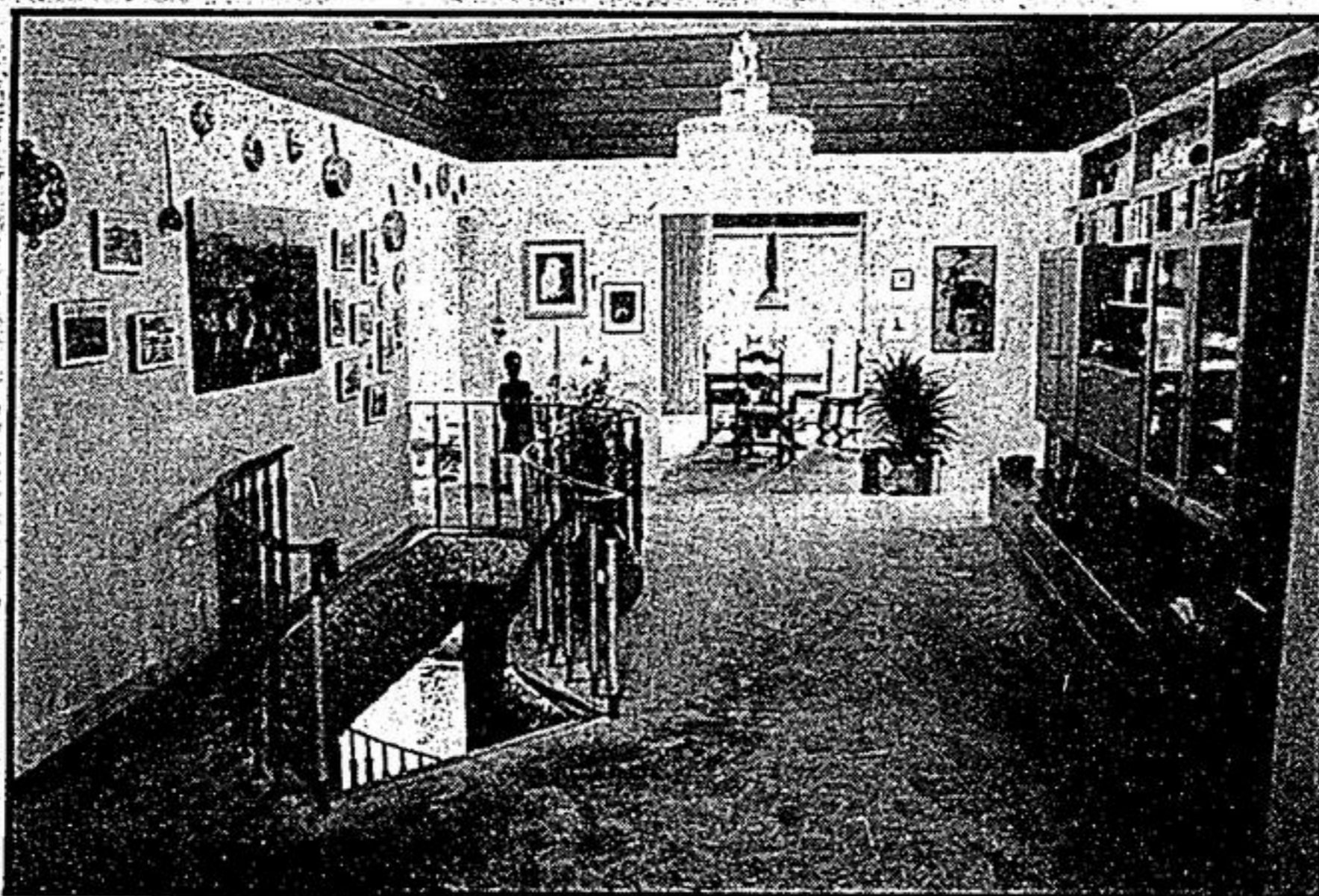


Realtor Diane Blackburn consults with the seller of our home of the week in the large dining room of the home on 27 Carolwood Dr. in Markham overlooking the Rouge River valley.

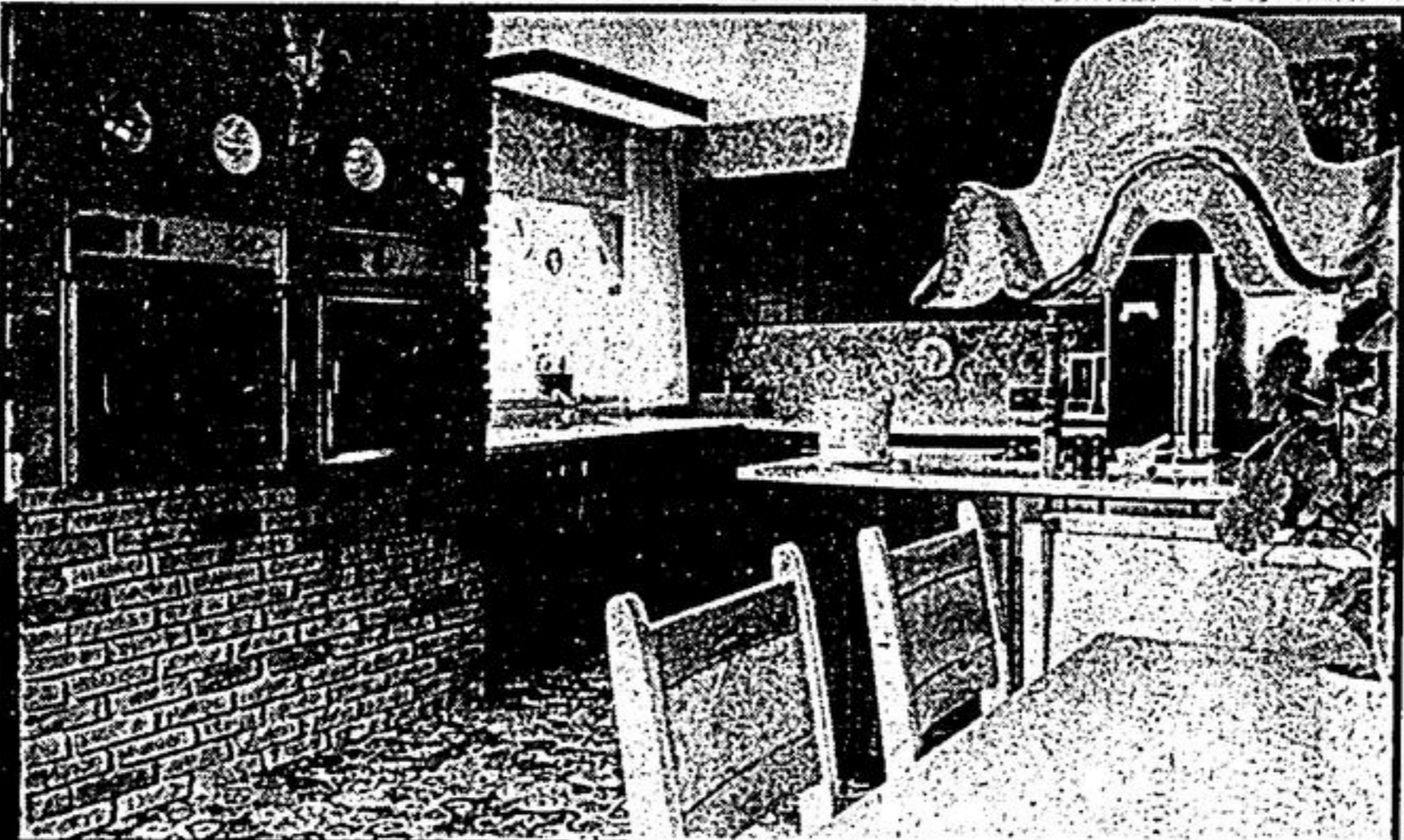
— Photos and story by Sjoerd Witteveen

Home of the Week

A view of Rouge River



The grand foyer makes an impressive entrance to this large airy home.



Everything is built in in the kitchen which has lots of cupboard space and a centre island work area.

A one-acre ravine lot overlooking the Rouge River valley, just south of Markham is the setting for our Home of the Week.

Located on Carolwood Dr., the house has an asking price of \$319,000.

The custom built bungalow suggests elegance and warmth and is designed to make the most of the outdoors by the use of large windows, balconies and walk-outs at both main and lower levels.

A large foyer with a dominant skylight emphasizes the feeling of spaciousness.

The sunken living room measuring 6.30 by 5.60 metres has a large picture window overlooking the treed backyard. Right beside it, the dining room has a walk-out to a sundeck. The kitchen is large with an island work centre, built-in dishwasher and two ovens and a countertop range.

There are three bedrooms on the main floor with the master having its own four-piece en suite and a walk-in closet. Another four-piece bathroom and a two-piece

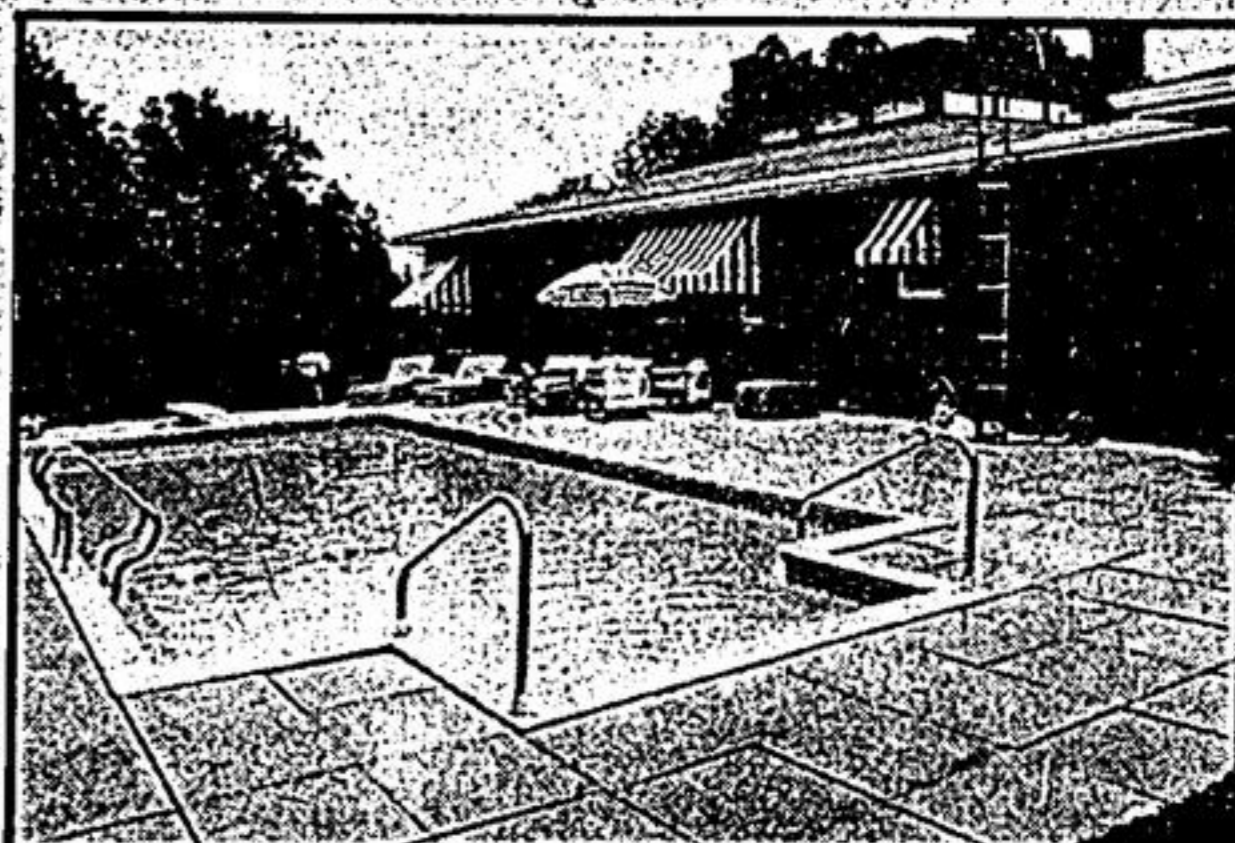
powder room complete the main floor.

Outside the two-car garage sits beside a long paved driveway with an automatic door opener. There is also a utility room beside a backdoor which leads to the fenced in portion of the yard with the inground pool.

The lower level is reached via a circular staircase where large and bright family room dominates. A floor to ceiling fireplace and a walkout to a patio in the wall-to-wall window treatment are extra touches. There's also a kitchen with a barbecue and stove on this level for entertainment purposes. A bedroom, a three-piece bathroom, a study/games room and a sauna complete the lower level.

Other features in the home include central vacuum, central air, intercom, electronic air cleaner, water pump and rental water softener.

The home is listed by Family Trust Corporation Realtor and the listing agent is Diane Blackburn, who can be reached by calling 294-1372.



The large pool is fenced in and heated.



The family room is extremely large and has picture windows. The downstairs also includes a separate kitchen with barbecue.