



# Looking to buy a home?

Your quick guide to mortgages.

You're at an exciting life stage when you're looking to buy your first home and are considering a mortgage. Along with the thrill of anticipation, you might also be curious to learn how mortgages work. Buying a house is not only one of the most important investments you'll likely make, but your mortgage is also a key component of your overall long-term financial plan.

[Let's take a look at the basics of a mortgage.](#)

## What is a mortgage?

Most people don't have the cash to buy a home, so they take a loan to cover the balance. This is called a mortgage. When you take out a mortgage, you agree to pay back the amount borrowed plus interest, within a set time period.

## How do you get a mortgage?

You can apply for a mortgage with an approved lender like Canada Life, which offers competitive and flexible mortgages. Our Credit Planning Consultants (CPCs) are experts in home financing and are available to meet with you to discuss your borrowing needs. They can show you mortgage options best-suited to your lifestyle, budget and long-term goals. Contact me and I can connect you with a CPC to get you started.

## What are the most important considerations when getting a mortgage?

- **The right lender** – make sure you work with a lender who takes the time to understand your needs, both current and future. You want someone who's there for you and offers solutions aligned to your complete financial picture, not just a part of it.
- **The right mortgage** - having flexibility in your mortgage is just as important as the interest rate. Don't overlook features that provide flexibility, such as conversions, pre-payments, the ability to switch lenders and the option to borrow more.
- **Rate** – although this is often considered the most important part of a mortgage, it's not. A competitive rate ensures you're getting a fair interest cost. However, features and flexibility are often far more important than merely the rate.
- **Know what you're signing** – Does your great rate come at a price, like hidden fees or expensive penalties? Read the fine print so there aren't any surprises later.

## How much will I have to pay?

There are two parts to your mortgage payment – the principal and the interest amounts. The mortgage payment that you pay the lender each month includes a principal portion (the amount you borrowed) as well as the interest amount the lender charges you to borrow the money, which is spread over the entire life of the mortgage.

## Factors that determine your mortgage costs and payments

Factor	What is it?	How it impacts the costs?	What to consider?
<b>Amount borrowed</b>	The funds you borrow from a lender to pay for the cost of your home	The more you borrow, the more you need to pay back and the more interest you are charged.	Simply, borrow less. Purchasing a home below your maximum credit limit can help keep the costs within reason.
<b>Amortization</b>	The total length of time your mortgage repayment is scheduled for. Most mortgages are spread over 25 years. Other popular choices include 10, 15, or 20 years.	The longer your chosen amortization period, the more you'll end up paying for your mortgage in total, as you'll be borrowing the money for longer. However, the longer your amortization, the lower your payment amount.	If your goal is to pay off your mortgage as fast as possible, choose the shortest amortization your budget allows.
<b>Interest costs</b>	Interest costs are based on the rate the lender charges you to borrow money for buying the home.	The lower the rate, the lower the interest costs, which results in a lower mortgage payment.	Rates are usually offered in two forms and can be locked in for different periods of time (mortgage term). <ul style="list-style-type: none"> <li>• <b>Variable rates</b> change with market conditions and may not be ideal for someone looking to make predictable payments. In most cases, lenders allow borrowers to switch to a fixed rate at any time.</li> <li>• <b>Fixed rates</b> are locked in for a specific period of time, ranging from six months to 10 years. A five-year fixed-term rate is most popular. Fixed rates are good for borrowers looking for a set payment amount and no surprises with sudden rate changes.</li> </ul>
<b>Payment frequency</b>	The regular time intervals at which you make payments towards your mortgage.	Payment frequency can affect your costs in two ways: <ul style="list-style-type: none"> <li>• Making payments at more frequent intervals, can lower each payment amount for you. For example, an accelerated bi-weekly payment would be around half of a monthly payment amount.</li> <li>• Making more frequent payments can reduce the length of time it will take you to repay the mortgage and will also save you money in reduced interest costs.</li> </ul>	Most mortgage lenders will offer several options for your payment frequency: <ul style="list-style-type: none"> <li>• Monthly payments</li> <li>• Semi-monthly payments</li> <li>• Accelerated weekly payments</li> <li>• Accelerated bi-weekly payments</li> </ul>
<b>Pre-payments</b>	The amount a lender allows you to pay directly towards the principal, outside of the regularly scheduled payments.	The more principal you can pay off directly, the less interest you'll pay over the length of your mortgage.	All lenders are different, but typically, they allow pre-payments in the form of lump sums or increases to your regular payments, up to a limit every year. For example, your yearly pre-payment allowance can be capped at 15% of the original balance.

To understand what your payment could be or to get a sense of how much of a mortgage you can afford and to understand what your payment would be, check out our [mortgages section](#) at [canadalife.com](#).

### Did you know?

Canada Life offers a re-advance feature on our mortgages.

### What is this and how does it help me?

A re-advance allows you to re-borrow any part of the principal you've already paid back, saving you some of the fees associated with a refinance. This could come in handy for an unexpected expense or for something like a home renovation.

[Contact me to learn more.](#)

