

The Ultimate Mortgage Checklist

The Rate

1. ____ Is the rate you're quoting me the lowest I can possibly get, given my qualifications and mortgage preferences?
2. ____ If I find a lower rate for a similar product elsewhere, will you match it?
3. ____ How many other lenders did you check when shopping around my mortgage?
Which major banks and credit unions did you not check?
 - These questions apply to brokers because bankers and credit union reps generally don't shop around for you.
 - RateSpy.com is a tool I created to help mortgage shoppers benchmark the competitiveness of their rate. If you're within 0.10% to 0.15% of the lowest rates on this site (for the term you've selected), you're in good shape. Just be sure to compare apples to apples because the cheapest rates are often for no frills mortgages with potentially costly restrictions.
4. ____ How long will the lender hold my rate, once I apply?
 - The best rates often come with only 30-45 day rate hold periods (aka. "quick close rates").
5. ____ If I get approved and rates drop, how will I know? Will the lender automatically adjust my rate lower? Will I get the lender's very best promotional rates if its rates fall?
6. ____ Can I get a pre-approval at this rate?
 - Pre-approvals often come with rate premiums.
7. ____ Do you offer fully discounted rates *up front* at renewal? Or do you send me an inflated rate in a renewal letter and hope I sign it?

Extra Payments

8. ____ How much extra can I prepay each year without penalty?
 - Standard "closed" mortgages offer annual "lump-sum" prepayment options ranging from 10-30% of the original mortgage amount.
 - Don't pay for more prepayments than you need (only 18% of Canadians use them). But, just as importantly, don't *underestimate* the prepayment options you'll need. Prepayment flexibility can help you reduce a mortgage penalty, or it can save you interest in the event of a cash windfall.
9. ____ When can I make these prepayments?
 - The best lenders allow you to make prepayments any time during the year, in multiple installments.
10. ____ How much can I increase my ongoing payments each year?
 - Most mortgages let you increase your ongoing payments by 15-20% each year. Some go up to 100% and/or offer double-up payments.
11. ____ What payment frequencies do you have?
 - Examples include monthly, bi-weekly, weekly, and semi-monthly.
 - Accelerated payments (like "accelerated bi-weekly") are the equivalent of making one extra monthly payment per year. RBC Mortgage Specialist Jennifer Bissonnette notes, "A 25 year amortization can be reduced to 22 years simply choosing accelerated bi-weekly payments instead of monthly." Being mortgage-free three years sooner will cost you just \$59

more every two weeks, she adds. That's on a \$300,000 mortgage at 3.69% with a 25-year amortization.

Penalties

12. ____ Can I break my mortgage any time I want?
- Most lenders let you pay a penalty and get out of a closed mortgage early. Some no-frills lenders only let you out if you sell your property. Some don't let you discharge your mortgage at all, until the term is up.
 - You'll almost always pay a rate premium for an "open" mortgage with no penalties. If you plan to keep the mortgage for more than six months, you're often better off choosing a lower rate and paying the penalty to get out early (if needed).
13. ____ If a [mortgage penalty](#) applies, how do you calculate it?
- Fixed rate penalties are usually three months of interest or the [interest rate differential](#) (IRD), whichever is more. Variable-rate penalties are typically 3-months of interest based on your current rate.
 - Penalty calculations based on posted rates (i.e. rates higher the rate you actually pay) can sometimes be several thousand dollars more expensive. This method is common at most large banks, and is their single greatest weakness. If you want to compare penalties, try some sample calculations using each lender's online [penalty calculator](#).
 - Some lenders get tricky. For example, instead of a standard 3-month interest penalty based on your current rate, some lenders charge 3-month interest penalties based on *posted rates*. Others charge interest rate differential penalties when 3-month interest charges normally apply. A few even ding you with 12-month interest penalties or penalties equal to 3% of your balance. Avoid such mortgages unless the rate savings is significant.
14. ____ Can I port my mortgage to a new property to avoid penalties?
- Don't underestimate your odds of moving. Look for good porting flexibility, especially if you're young, need job mobility and/or have a growing family.
 - Some lenders let you port, but not increase. That forces you to pay a penalty if you buy a pricier house and need more financing.
 - Note that credit unions typically prevent porting across provincial lines—a problem if you move out of province.
 - If you have a line of credit attached to your mortgage, make sure you can easily port it as well—and keep your rate.
15. ____ How long do you give me to port my mortgage?
- The longer the better. At least 60 days is preferable. Some lenders make you close your old property and new property on the *same day*, which can be unrealistic.
16. ____ Do you deduct interest from my penalty rebate if I port my mortgage and my old and new house don't close on the same day?
17. ____ If I break the mortgage early, can I use my unused prepayment privileges to lower the penalty?
- Some lenders restrict you from using your prepayment options for this purpose, if you do so within 30 days of discharging the mortgage. Some lenders, like RBC, automatically apply unused prepayment privileges to lower your penalty when refinancing—a cost-saving feature.

18. ____ If the mortgage includes cash back, how much of that cash do I have to repay if I break the mortgage early?
- Usually it's a pro-rated amount but some lenders make you repay 100% of the cash back, even if you break the mortgage one day early.
 - Have your mortgage adviser calculate your "effective rate," including the cash back. That tells you how much of a rate premium you're paying for the cash.

Refinancing

19. ____ Is there any restriction on when I can refinance?
20. ____ Can I increase my mortgage at any time, at fully discounted rates, and *without* paying any penalty?
- This is vital if you need to refinance or buy a more expensive home.
 - Some lenders have a policy of charging penalties, or *not* giving you the best rates when you increase your mortgage.
21. ____ Can I extend my mortgage term at any time without penalty, and at fully discounted rates?
- This is useful if rates drop and you want to blend your rate with the new lower rate (which lowers your payment). It's also key if you're past the middle of your term and you want to mitigate the risk of higher rates at renewal.
 - Beware of lenders that let you "blend and extend" but then bake a prepayment charge into your new mortgage rate.
22. ____ Is your mortgage readvanceable?
- Readvanceable mortgages let people with at least 20% equity re-borrow principal that they've previously paid off. This feature usually involves a credit line linked to your mortgage. Readvanceables are good low-cost sources of funds for investment opportunities, a small business, renovations and so on. Readvanceables also let you pre-pay your mortgage without the fear of not having cash on hand in an emergency. Some people even use them as an alternative to a [contingency fund](#).
 - There are two types of readvanceables: manual (where you must apply to re-borrow paid-down principal) or automatic (where every principal payment is instantly available to you if you need it).
23. ____ Can I roll in my refinance or switch costs to the new mortgage?

Variable-rate Mortgages

24. ____ Does your variable rate mortgage have any restrictions?
- Some variable-rate mortgages prevent you from porting or blending your rate, prevent increases and have fewer prepayment privileges.
25. ____ Can I fix my payment so that it doesn't move if rates increase?
- If so, and rates rise, more of your payment goes to interest. If rates fall, less of your payment goes to interest. Note that most fixed payment variable mortgages have "trigger rates." If prime rate increases so much that it exceeds the trigger rate, the lender will boost your "fixed payment."
26. ____ How fast does the lender increase rates when prime rate rises?

- Some lenders, like ING, adjust their variable rates every three months, which keeps your rate lower longer. (This delay works against you if rates drop)
 - A few lenders offer capped-rate variables with a ceiling on how high your rate can go. These are usually a bad deal if you do the math.
27. ____ Can I convert my variable rate to any of the lender's fixed rates, at any time?
- Remember, you'll rarely get the best fixed rate when you convert. Moreover, it's impossible to successfully time interest rates over the long run. For those reasons, do not go variable to save money in the short run, hoping to lock in "at the right time." Variables are a long-term strategy.
28. ____ If I convert my variable rate to a fixed rate, will I get the absolute lowest rate the lender offers for that term?
- Typically you won't. Lenders know you'd have to break your mortgage and pay a penalty. Most use that as leverage to offer merely average rates on conversions.

Other Features

29. ____ Can I split the mortgage into different parts?
- "Hybrid mortgages," as they're called, let you lock part of your mortgage into a fixed rate, or various fixed rate components, while the other parts may float at a variable rate. The purpose is to diversify your rate risk.
 - If you pick a mortgage with both long and short terms, remember that the lender may not offer you the best rates on the renewal of your shorter term. It knows you'd have to pay a penalty to get out of your longer term, making you less rate sensitive.
30. ____ Can you offer the amortization I want?
- Some lenders have minimum amortizations (like 18 years) while a handful of others still offer amortizations up to 35 years (assuming you have 20%-plus equity).
31. ____ Does the lender let me check my balance and remaining amortization online? Make prepayments online?
- Major banks and large non-bank lenders (like First National, Street Capital and the big credit unions) usually have the best online access.
32. ____ Is the lender a bank or credit union with branches?
- Nowadays you can fully service your mortgage online or by phone, but some people still like a branch presence.
 - Almost all lenders link to your chequing account to automatically withdraw mortgage payments and make prepayments. So it's no longer inconvenient to separate your mortgage and banking.
 - There are over 300 mortgage lenders in Canada. [Don't fear small lenders](#) that you've never heard of.
33. ____ Do you offer early renewals at your best discounted rates with no fees or penalties?
- A 120-180 day early renewal can potentially reduce your rate risk. But beware of lenders that try to create false urgency and lock you into a "limited time" offer well before your renewal date.
34. ____ Do you offer an all-in-one style mortgage where I can combine chequing, savings and my mortgage into one account?

- Doing this can save interest as your spare cash lowers your mortgage balance, thus reducing the amount used to calculate your interest.
35. ____ If I sell my house, can the buyer assume my mortgage?
36. ____ If I get a 1-year fixed, can it be converted to any of the lender's fixed rates, at any time?
- Only a handful of lenders offer this option, which gives you variable-rate type features without committing to a long term.
37. ____ Can I skip a payment if needed? If so, how often and under what circumstances?
- "Payment vacations" can be handy in emergencies. But some lenders require that you make an equivalent pre-payment first. Remember that skipped payments aren't free. You still have to make all payments eventually, and interest accrues in the meantime.
38. ____ Do you pay profit sharing on my mortgage?
- Available only at credit unions who rebate a small portion of your interest paid. You can access these funds only after a vesting period, which can last 3-7 years or more.
39. ____ What default insurer will insure my mortgage?
- Default insurance generally applies if you have less than 20% equity. When you switch lenders with an insured mortgage, you must ensure that the new lender accepts that insurer's mortgages. CMHC and Genworth allow you the most flexibility when switching lenders.
40. ____ If I purchase creditor life insurance through you, can I port that insurance to a new lender without having to requalify and lose the premium I'm paying on my current mortgage amount?
- Insurance premiums go up as you age, so you want insurance that's not tied to one lender. That way, you can keep your premiums as-is on your original mortgage amount, even if you change lenders.
 - If you don't have portable creditor life insurance and get sick, your pre-existing condition may not be covered by the new lender's insurer.

Extra Costs

41. ____ Will you pay my appraisal fee?
- Appraisal fees are usually \$225-\$325, but can be significantly more based on location and property-type. There is usually no appraisal cost if your mortgage is insured.
42. ____ Do you have any processing fees?
43. ____ Do you have any [cancellation fees](#)?
44. ____ How is the mortgage compounded?
- Semi-annual compounding costs you less than monthly compounding.
45. ____ Do you charge "reinvestment fees" on top of the penalty if I break my mortgage early?
46. ____ Do I have to pay legal (aka. mortgage registration) fees?
- Most lenders cover this cost on switches where the loan amount, loan-to-value and amortization are not increasing.
 - A few even pay legal fees on refinances, but the rate is often higher than you can get elsewhere.
47. ____ Is the mortgage a "collateral charge" mortgage?
- Collateral charges help you avoid paying legal fees to refinance with your lender. But they also make it potentially more expensive to switch

institutions at maturity. The reason: most lenders only pay switch fees on “standard charges,” not collateral charges.

- Some collateral charge lenders register your mortgage for 100-125% of your property value. That lets you borrow more if your property value rises. The tradeoff: It prevents you from securing anything else against your property, like a second mortgage.

48. ____ If I switch my mortgage to you, will you pay my old lender’s discharge fee?
- Very few lenders do this, but it can’t hurt to ask.
49. ____ Do I have to pay title insurance if I switch my mortgage to you?
- The answer is commonly yes, but some lenders don’t require title insurance, or they will pay it for you. It can be \$150-\$300 or more.
50. ____ Will I pay a higher rate if I’m self-employed and cannot prove my income in the traditional manner?
51. ____ Does the mortgage come with free banking or significant discounts on other financial products?
- Unlike days gone by, you no longer need to bundle financial products to get the market’s best mortgage rates. Nor do you need a “special relationship” with your banker. Simply shopping around and negotiating will get you the same mortgage discounts 99% of the time.
52. ____ If I switch lenders and have a mortgage and line of credit, will the lender charge me a separate discharge fee on both the mortgage *and* line of credit?
53. ____ If I need bridge financing to cover the gap between the purchase of my new home and the sale of my old home, what rate and fees will you charge?
- Also ask how long the bridge lasts. 30 days is typical.
54. ____ Will I pay an extra fee if I break my open mortgage within 12 months?

Service

55. ____ If I have a problem with my mortgage, who do I call?
- Large mortgage providers like banks often have live chat or 24-hour telephone support, all tracked and recorded in case you have a problem later.
 - Large lenders also have systems that enable multiple agents to work on your file. This yields faster service if your main contact is unavailable.
56. ____ Will I get a dedicated mortgage advisor, or talk to someone different each time I have a mortgage question?
- You should always have the email address and direct number of your primary mortgage contact.
57. ____ How long do I have to wait on hold to speak to my mortgage advisor? What are his/her hours?
58. ____ Will my mortgage advisor contact me annually for a mortgage check-up?
- This service ensures that your rate is still competitive and that your mortgage type still makes sense for your changing needs.

Advice

59. ____ What are your qualifications as a mortgage advisor?
- How long have you been a mortgage advisor? (The more experience, the less chance for costly mistakes. Look for two years minimum experience.)

- Do you specialize in mortgages or are you a generalist who sells many financial products but is a master of none?
 - Have you closed over \$10 million of financing in the last 12 months? (That's a minimum rule of thumb for professional mortgage advisors.)
 - Are you the right mortgage adviser for me? ([Read this](#))
60. ____ Given my lifestyle and savings, will you be honest with me about whether I can truly afford this mortgage?
- Just because a lender approves you doesn't mean you can safely afford the payments. Moreover, [alternative down payment options](#) may not be worth the trade-offs.
61. ____ What methods will you use to help me pick the right term?
- Proper term selection saves you way more than small rate differences, almost every time. Find an advisor that does more than glibly quote industry research or ask if you can "sleep at night" with a variable rate. At a minimum, your advisor should compare the estimated interest cost of various terms, given sample rate increases over the next five years.
62. ____ Will you help me stress test my mortgage?
- Be sure you can afford your mortgage if rates jump 2-3%.
63. ____ What mortgage strategies will you provide to help me retire faster?
- Your mortgage can be used as a key financial planning tool to accelerate your savings, create future equity and build your investment portfolio.

Note: This checklist assumes you're a qualified borrower who's getting a mortgage on his/her primary residence, with provable income and decent credit. If this doesn't reflect your scenario, other important questions will apply.