

Section 1.

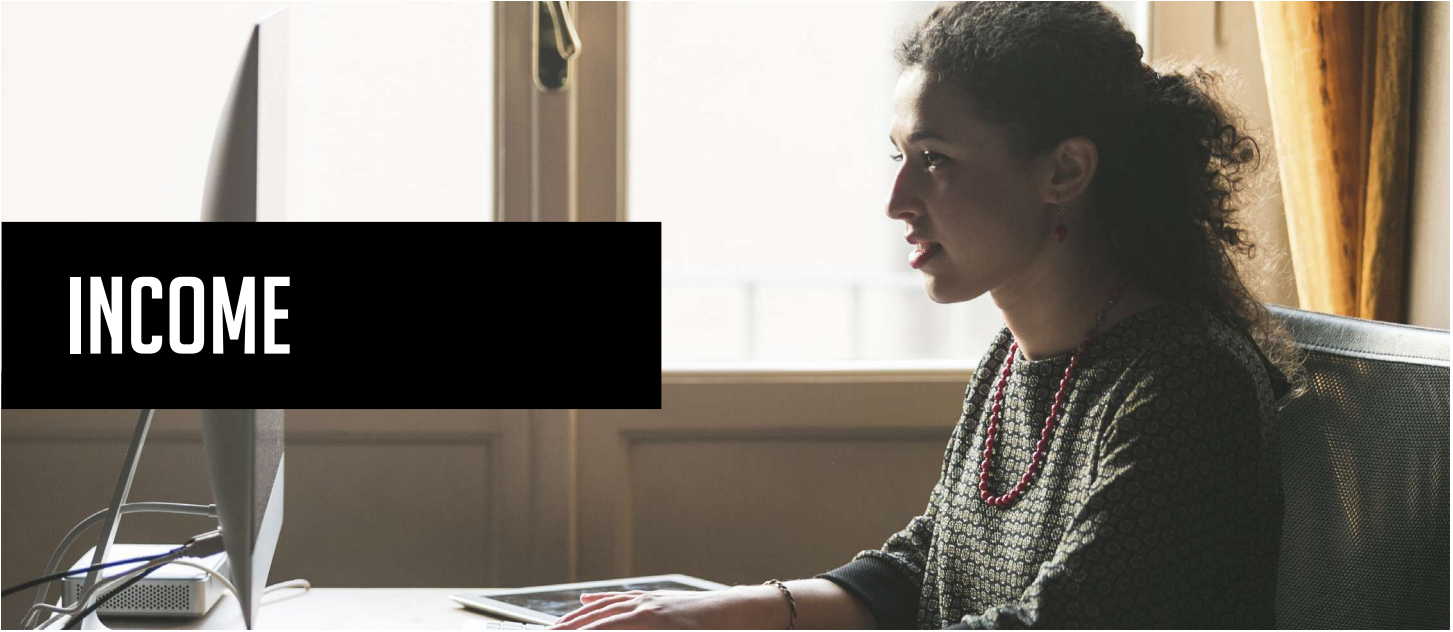
Qualification Guidelines

This section will give you an idea of what to expect based on traditional mortgage qualification guidelines. Remember that these are just guidelines and everyone's situation is unique. To pre-qualify or get pre-approved for a mortgage, there are three essential components: your income, your equity and your down payment amount.

As a mortgage professional I'm here to help you reach your home ownership goals. If you have any questions about this section, please reach out to me and I'd be happy to help.



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INCOME

What is classified as income for qualifying purposes? Some forms of income that represent revenue to your household may not count as income for qualification purposes. Here are some of the many sources of income and some of the guidelines for using them to qualify for a mortgage. The important thing when it comes to income is to demonstrate consistency and sustainability.

Employment income

If you are an employee of a company or corporation, the basic guideline for income eligibility is that you have been employed for one year with the same employer or at least one year in the same line of work with no probationary period on the new employment.

Self-employment

If you are self-employed, you can still qualify, but most lenders will require a track record of consistent income. The standard is a two year average of your net taxable income.

Seasonal income

Seasonal income is acceptable, but you will likely be required to demonstrate sustainability by providing a two or three year track record. Usually, an average of income over these years will be used for qualifying purposes.

Overtime

If you want to use overtime for your qualifying income, most lenders will want to see a consistent history; typically, a two or three year track record of your overtime income.

Pension income

Guaranteed pension incomes are usually acceptable sources of income.

Child tax credit

The child tax credit may be considered by some lenders. Ask me for more information if this is income you would like to have considered with your mortgage application.

Foreign Buyer Ban

In 2022, the federal government passed the Prohibition on the Purchase of Residential Property by Non-Canadians Act to ban foreign investors from buying residential property in Canada and to ensure the housing market remains available to Canadians. The ban on foreign ownership of Canadian housing will be extended to January 1, 2027.



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DOWN PAYMENT

Down payment

A down payment is the amount you can immediately contribute towards the cost of your home purchase. Since the majority of people do not have enough savings to purchase a home outright, the gap between your down payment and the purchase price of your home is made up with a mortgage loan.

Down Payment + Mortgage Loan
= purchase price of your new home

If you have a down payment of 20%, you would be borrowing 80% of the home's value.

The minimum down payment to buy a home in Canada is 5% of the purchase price. For example, to buy a home that costs \$250,000, you will need a minimum of \$12,500 as your down payment.

If you have under 20% down payment, you will need Mortgage Default Insurance.

If you have over 20% down payment, you qualify for a conventional mortgage which generally does not require Mortgage Default Insurance.

Mortgage Default Insurance

Mortgage Default Insurance (sometimes called Mortgage Loan Insurance) protects the mortgage lender in case you are not able to make your mortgage payments.

Your mortgage costs will be slightly higher if you need to get Mortgage Default Insurance. The premiums you pay for your Mortgage Default Insurance are typically combined and rolled into your mortgage payments.

Mortgage Default Insurance is only available for high-ratio mortgages if the purchase price of the home is less than \$1.5 million.

DOWN PAYMENT RULES FOR HOMES OVER \$500,000

Down payment requirements for homes over \$500,000

For homes over \$500,000, you are required to have 10% down payment for the portion of the purchase price that is over \$500,000. You only need 5% down payment for portion up to \$500,000.



Example:
Down payment required to purchase a \$700,000 home

5% on \$500,000 = \$25,000

+

10% on \$200,000 = \$20,000

Down payment required = \$45,000

Down payment requirements for homes over \$1,500,000

For homes over \$1,500,000, you must have a down payment of at least 20% or \$300,000. These properties are not eligible for Mortgage Default Insurance because the down payment required is at least 20%.

Money saving tip

Save as much as you can for your down payment. A larger down payment means you need a smaller mortgage, which will save you thousands of dollars in interest charges.