

Make the Right Moves When it Comes to Your Mortgage

If you are thinking of buying a home, you are ahead of the game. Why? Because when it comes to purchasing a home you want to spend a lot of time in the thinking and planning stages.

Purchasing a home is one of the biggest investments you will ever make so you want to make sure you get the best value per dollar. Before you do anything, yes even before you start house shopping, you should get professional advice.

Think of your house as an investment. Normally you would consult a financial advisor before you invested in any financial product. The same goes for a house.

You may need advice on how to choose the right house, determining what you can afford, your payment and mortgage options, repayment periods, effects of weekly payments, alternatives available, etc.

So where should you start? With choosing the right home. At OMISTA we offer a mortgage booklet with checklists of things you should look for in a house, here are just three factors to consider:

1. Location. Do you want to live near work schools, shopping, family, friends or recreational facilities? What areas are appreciating in value and what areas are depreciating in value?
2. Price range. Meet with a lender to determine how much you can realistically afford. One of the most common pitfalls when it comes to purchasing a home is not realizing how much it is going to cost. Remember to factor in all these costs when determining what you can afford: inspection fees, appraisal fees, legal fees, survey certificates, tax adjustments, land transfer tax, mortgage insurance, home insurance, life insurance, mortgage application fees and moving costs.

Most lenders will do what is called a pre-approval so you will have a price range to work with when house shopping.

The general rule of thumb is to allow approximately 32% of your gross income (before deductions) to cover your monthly mortgage payment (including property taxes and heating costs) OR 40% of your gross monthly income to cover your monthly mortgage payments plus any other debt payments. To do some quick calculations such as "mortgage qualifier", "mortgage comparison", "mortgage payoff" visit www.lifeeventsp planner.cuis.com.

3. Value. Will the property be readily saleable if you are required to move? What is the appraisal value? Make sure you don't pay any more than what the property is worth. Is the property tax situation stable or are the tax increases likely to cause financial problems. What proportion of road, water and sewage services is prepaid? Is the house in good condition? I would advise you to get a house inspection done.

When you are shopping for a mortgage, interest rates are important, but so are your mortgage options. There are three main types of mortgages.

An open mortgage usually gives you the option of repaying any amount of the balance owing at any time without penalty.

Depending on the financial institution, closed mortgages usually do not allow you any extra payments or early repaying. However, at OMISTA Credit Union you can double your regular payments and prepay up to 25% of the balance of your mortgage each year.

Fixed mortgages allow you to repay portions of the mortgage amount through extra payments with an interest penalty.

Some financial institutions allow you to make weekly, biweekly or lump sum payments without penalty. This substantially reduces the cost and life of your mortgage. For example, let's say you had a \$100,000 mortgage at 7 % interest. If you paid \$700.42 monthly, you would pay \$8405.04 per year for 25 years. The total interest you would pay is \$110,126.00.

If you paid \$175.11 weekly, you would pay \$9105.72 per year for only 20.5 years and only \$86,667.26 in total interest. So you are saving 4.5 years of payments plus \$23,458.74 in interest.

Another option to consider is your pre-payment ability. Can you make extra payments or double your payments without penalty?

Here are some other questions to ask:

1. How much is the application fee and what does it include? Does the mortgage company require a survey certificate?
2. What terms are available?
3. Are you allowed to increase monthly payments if extra funds are available from time to time?
4. Can extra payments be made on the principal? When? How much? Is there a penalty?
5. When can the mortgage be renewed and is there a fee?
6. Are there penalties for paying out the mortgage early?
7. How quickly can a mortgage be approved?

By thinking ahead and asking the right questions you can be confident that when it is time to make your move, you will make the right one.