Consolidate other debt

Most unsecured debt is priced by your bank at a higher rate than your mortgage in order to compensate them for the higher risk of loss if you default. For many people it only makes sense to use available home equity to pay out this debt, as it typically reduces interest costs significantly.

If the total of the existing mortgage and the debt to be refinanced is less than 85% of the value of your home, and you qualify in terms of income and credit standing, refinancing your first mortgage should be a breeze. ?

Here is an example of how consolidating all of your debts into your mortgage can save your each month.

Minimum payments per month

Credit cards	2,800.00	140.00
Car loan	12,000.00	420.00
Line of Credit	5,000.00	150.00
Existing Mortgage	150,000.00	920.00
Total monthly payments		1,630.00

New Mortgage for $169,800.00 = $845 per month (based on a 30 year mortgage at 4.39% 5 year term)

Savings of approximately $785.00 per month!

Renovations & home improvements

If you want to spend a significant amount of money on improving your home, you may be able to take out a lot more equity than you realized! I can advise you through this process. Both insurers – Genworth Financial and CMHC, will insure new mortgages which are "topped up" for this purpose, and the total of your current mortgage and the new funds exceeds 80% of the current home value. Not all improvements are eligible, however. Pools and spas are typical "over-improvements" which may not qualify for a high-ratio equity take-out. Of course, if the total requirement is less than 80% of your home's current value, you should have little trouble getting the "top up" you need — regardless of the degree of luxury you plan to add.

Combining existing mortgages

Where the combined mortgages result in one "high ratio" mortgage:

If neither (or none) of the mortgages you're combining was ever insured, but combining them results in a high-ratio situation (over 80% financing), you'll be required to pay an insurance premium. You need to look closely at the total savings the combination will give you, in order to determine whether this is financially worthwhile. You may be able to combine your mortgages into one up to 85% of the value of the home. Please give me a call to discuss your options.

Where the combined mortgages result in a new "conventional" mortgage:

High ratio insurance is not required as the financing will be below 80% of the value of your home. As long as you qualify with your income and credit standing, I will help you achieve this quickly and conveniently.

In both cases there is one critical consideration which causes the failure of many such refinances. The new mortgage often requires a fraction of the cash flow previously needed to service the now consolidated debt. Many who go through this process not only absorb the cash flow savings into an improved lifestyle — they either re-incur debt that they paid out, or incur debt for which they now qualify — or both. It is important to approach such a consolidation/re-combination of obligations with the clear and focused goal of applying all savings toward paying down the mortgage. Otherwise, the new mortgage will be a burden, rather than a solution.

For more information contact the Lorena Grigore today by email or give us a call at (604) 722-9890.

Breaking a closed mortgage to transfer to a new lender

Many closed mortgages have the feature that allows the balance to be paid out with a penalty after a certain time has elapsed on the mortgage. Check the "prepayment" clause in your mortgage to determine your own situation, or better still, call your institution and ask them the cost of paying out in full. In some cases, it may still save you money in the long-run to pay the penalty and get into a lower rate, or lower payment situation.

Please feel free to contact me to work the numbers for you!