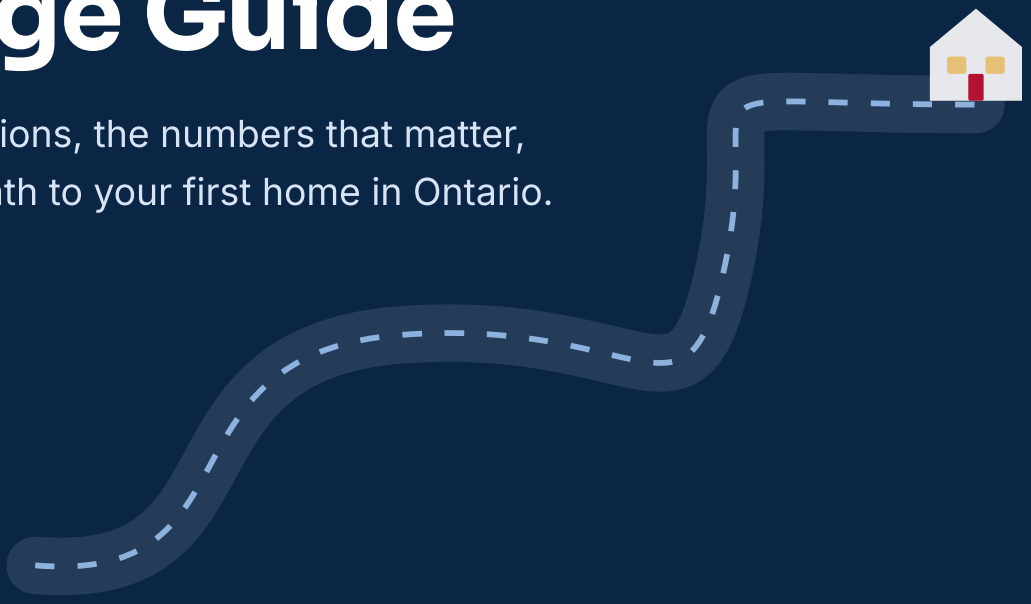
Ed Finances

FREE GUIDE

The First-Time Buyer's Mortgage Guide

Plain-language definitions, the numbers that matter, and a step-by-step path to your first home in Ontario.



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PART 1

The words you'll hear, explained plainly

Start here, and the rest of the process gets much easier.

THE LOAN

Mortgage	A loan to buy or refinance a property, secured by that property. You repay it over time with interest. If it isn't repaid as agreed, the lender can take steps to recover it from the property.
Principal	The amount you borrow. Each payment reduces it a little.
Interest	What the lender charges for lending you the money, calculated on the balance you still owe.
Amortization	How long it would take to pay the mortgage off completely, for example 25 years.
Term	How long your current rate and contract apply, for example 5 years. At the end you renew, often at a different rate.

GETTING APPROVED

Down payment	The part of the price you pay yourself. The minimum is 5% of the first $500,000 and 10% of the portion up to $1.5 million; homes of $1.5 million or more need 20%.
Default insurance	Required when you put down less than 20%. It protects the lender, not you, and the premium is usually added to the mortgage.
Pre-approval	An early estimate of what you may qualify for, sometimes with a rate hold. It is not a guarantee of final approval.
Stress test	You must qualify at the higher of 5.25% or your contract rate plus 2%. It limits how much you can borrow, not the rate you pay.

HOW IT'S REGISTERED

Standard charge	The registration on your title that secures the mortgage itself. Usually simpler to move to another lender at renewal.
Collateral charge	A registration that can secure your mortgage plus other borrowing with the same lender, often up to more than your mortgage. Useful if you'll borrow again; switching lenders can cost more.
HELOC	A home equity line of credit: a revolving loan secured by your home, generally limited to 65% of its value.

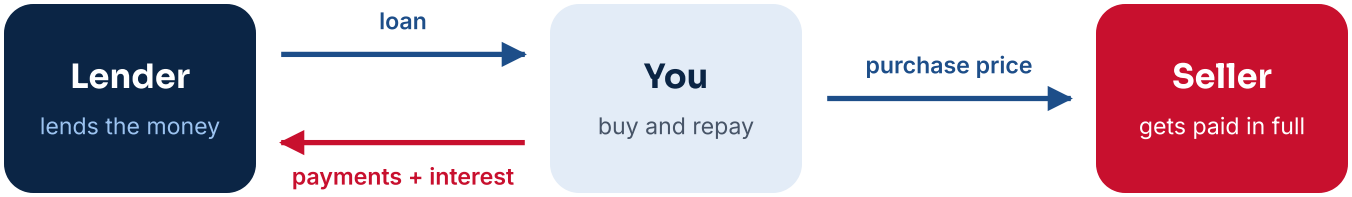
COSTS AND FLEXIBILITY

Prepayment privileges	Extra payments your lender allows each year without a penalty, such as a lump sum or a payment increase.
Prepayment penalty	The cost of breaking your mortgage early: often three months' interest, or an interest rate differential (IRD) on many fixed rates, which can be much higher.
Closing costs	Costs paid on closing day besides the down payment: land transfer tax, legal fees, adjustments, inspections and more.
Cash flow	What comes in each month minus everything that goes out. The best predictor of whether a mortgage will feel comfortable.

PART 2

How a mortgage actually works

Three parties, one property, and money moving in two directions.



The lender pays the seller on your behalf, you own the home, and the lender registers a **charge** on your title as security until the loan is repaid. Each payment covers that period's interest first; the rest reduces your principal, so early payments are mostly interest and later payments mostly principal.

Standard charge or collateral charge?

Standard charge

- Secures the mortgage amount itself.
- Often simpler and cheaper to switch lenders at renewal.
- Borrowing more later may need new legal work.

Collateral charge

- Can secure your mortgage and other borrowing, such as a line of credit.
- Can make borrowing again with the same lender easier.
- Switching lenders can cost more; future credit is never guaranteed.

The right choice depends on your plans. If you value switching freely at renewal, a standard charge may suit you. If you expect to renovate or borrow against your equity, a collateral structure may be worth it. Either way, you should understand it before you sign.

PART 3

Why cash flow comes before the purchase

A lender approves a maximum. Your budget decides what's comfortable. They're rarely the same number.

Before you shop, map your monthly cash flow: what you take home, what you already owe and what owning will really cost. It shows the price range that still lets you save and handle a surprise repair.

Illustrative household, monthly	Amount
Take-home pay (after tax)	$9,400
Car loan and credit cards	−$650
Mortgage payment ($520,000 at 4.50%, 25 years)	−$2,878
Property tax, insurance, utilities	−$900
Maintenance reserve	−$250
Groceries, transport, childcare, everything else	−$3,300
Total going out	**−$7,978**
Left for savings and emergencies	**$1,422**

Try the "maximum" instead. If this household borrowed the most a lender might approve, the leftover could shrink close to zero. A comfortable plan usually keeps room for savings and an emergency fund after every bill is paid.

How lenders measure it: GDS and TDS

Gross debt service (GDS) compares housing costs (mortgage payment, property tax, heating, half of condo fees) with gross income; **total debt service (TDS)** adds your other debts. For insured mortgages the limits are generally 39% and 44%: maximums, not targets.

Plan the money you need on closing day

- [ ] Down payment
- [ ] Ontario land transfer tax (first-time buyers may get a refund)
- [ ] Toronto municipal land transfer tax, if buying in Toronto
- [ ] Legal fees and title insurance
- [ ] Home inspection and appraisal
- [ ] Property tax and utility adjustments
- [ ] Moving costs
- [ ] An emergency reserve after closing

Figures are illustrative only. Your numbers, lender limits and taxes will differ; confirm current land transfer tax refunds and programs such as the First Home Savings Account and the RRSP Home Buyers' Plan before relying on them.

PART 4

Your path, step by step

1. **Talk it through.** Your goals, timeline and the payment that feels comfortable.
2. **Map your cash flow.** Income, debts, savings and the full cost of owning.
3. **Get pre-approved.** Know your range before you make an offer.
4. **Compare the whole mortgage.** Rate, prepayment privileges, penalties, portability and charge type.
5. **Make your offer.** With financing and inspection conditions where appropriate.
6. **Final approval.** The lender verifies you, your documents and the property.
7. **Review the commitment, then close.** Your lawyer handles the funds and the title.
8. **Stay in touch.** A check-in after closing, periodic reviews and renewal planning.

Documents to start gathering

- [ ] Government photo ID
- [ ] Recent pay stubs and an employment letter
- [ ] T4s or Notices of Assessment (two years)
- [ ] Two years of tax returns if self-employed
- [ ] 90 days of statements for your down payment
- [ ] Gift letter, if family is helping
- [ ] Statements for loans and credit cards
- [ ] Agreement of purchase and sale, once you have one

Questions to ask before you sign

- [ ] What are my prepayment privileges?
- [ ] How is the penalty calculated if I break early?
- [ ] Is the mortgage portable if I move?
- [ ] Is it a standard or collateral charge?
- [ ] What fees apply, and when?
- [ ] How long is the rate held?

Ready when you are.

Start with a conversation about your plans. I reply within one business day.

Book a consultation at edfinances.com/book | edi@mcinvest.ca

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