

Tricks to Getting the Bank to Say ‘Yes’

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What this is:

- ▶ An opportunity to learn exactly what's necessary to reach an approval
- ▶ How to prepare your finances to present your best face forward
- ▶ A look at some of the major changes currently taking place in the banking industry that may impact you

What this is not:

- ▶ A field guide to lying, cheating or manipulation
- ▶ A roadmap to mortgage fraud

Risks: Think Like a Lender

- ▶ The New Normal: Changing Risk Tolerance in the Banking Industry
- ▶ Unlocking the Secrets of Your Credit Report
- ▶ How the Bank Looks at Your Income
- ▶ Rental Properties
- ▶ Down Payment & Savings
- ▶ A Happy Banker Makes for a Happy Customer
- ▶ Questions and Answers

The New Normal: Changing Risk Tolerance in the Banking Industry

- ▶ The current recession is dramatically shifting the lending environment
- ▶ Every lender is handling these changes differently
- ▶ Connect with your mortgage professional early; a good lender will help you strategize to increase your chances of success
- ▶ All rates are good right now, focus more on achieving an approval than achieving the lowest rate possible
- ▶ Get to know stacking risk factors, and do what you can to avoid them

Unlocking the Secrets of Your Credit Report

- ▶ Go to Equifax.ca & Transunion.ca and pull a copy of your report
- ▶ Is your credit score below 680? What can you do to fix it?
- ▶ Take a look at your revolving credit: this can be a game changer
 - ▶ Unsecured revolving debt now gets calculated using a 3% minimum payment
 - ▶ Secured revolving credit now gets amortized over 25 years
 - ▶ What is your total revolving credit utilization?
- ▶ Credit balances generally report at month-end
- ▶ Even if you pay off a credit card each month, the balance will still report

Unlocking the Secrets of Your Credit Report

- ▶ Banks are stress-testing every applicant's ability to pay in a worst-case scenario
 - ▶ Based on your savings, how many months could you last if you lost your job tomorrow?
 - ▶ Would you be able to continue to afford your debt if you no longer had overtime/shift differential/bonus?
 - ▶ If you're self-employed, are you in an industry that could be impacted by an extended recession?
 - ▶ Is there proof that when the going gets tough, you stop making payments?
- ▶ Work with your lender to restructure debt **before** you make an offer

How the Bank Looks at Your Income

- ▶ Not all income is looked at the same way
 - ▶ Overtime, shift differential, bonus, vacation: no longer guarantees
 - ▶ Prepare for banks to only partially include anything outside of standard base income, or not at all
 - ▶ Self-employed individuals may need to provide up-to-date financials (even year-to-date) to prove continued viability
 - ▶ If your income is trending downwards year-over-year, prepare for lenders to use the lesser of the two years, not the average

How the Bank Looks at Your Income

- ▶ Not all industries are looked at the same way
 - ▶ Construction, Oil & Gas, Services, etc. - in the case of an extended recession, will your industry be impacted?
 - ▶ Some sub-categories are still booming, make sure your lender knows this (and your paystubs reflect it!)
- ▶ Do your taxes
 - ▶ Gross and net earnings are not the same, the bank wants to see what you take home after write-offs
 - ▶ Ensure your taxes are paid and up-to-date!
 - ▶ While no one likes to pay taxes, if you're self-employed, consider increasing your take-home pay if you intend to buy a new home this year

Rental Properties

- ▶ Come prepared, come organized
 - ▶ Lease agreements, mortgage statements, property tax statements, confirmation of condo fees are always required. Keep them organized by house and bring them to your first meeting
 - ▶ Bring your **full** T1 General and corresponding Notice of Assessment
- ▶ Vacancy hurts
 - ▶ The banks do not always look favourably on month-to-month. Is it time to lock in your tenants into a fixed-term lease (at least 6 months or longer)?
 - ▶ Lenders may choose not to include rental income if a property is currently vacant, even if it has a solid rental history

Rental Properties

- ▶ Don't assume the rules that applied in 2015 still apply today
 - ▶ Some banks require that all existing properties debt service prior to buying any new
 - ▶ Some banks are only using a 50% rental offset
 - ▶ Some banks want you to debt-service for a new purchase without including any new rental income
 - ▶ Talk to your lender!

Down Payment & Savings

- ▶ There are two options for down payment confirmation:
 - ▶ 90-day history of savings
 - ▶ A gift from a relative (parents, grandparents, siblings)
- ▶ Partially borrowed down payment is still possible, but is becoming less common
- ▶ B Lenders are more flexible with joint venture partners, but often expect a higher down payment than the big banks
- ▶ Some lenders may be open to allowing joint venture partners based on existing relationship and assets
- ▶ Bring confirmation of your assets, even if not required for down payment confirmation - confirmed assets add strength to an application (assets on deposit with the lending institution are even better)

A Happy Banker Makes for a Happy Customer

- ▶ Junk in gets junk out
- ▶ Be honest. Your lender wants you to be successful with your application and will work closely with you to structure something that works
- ▶ Only work with the best. A new or part-time lender may not fully understand the changing mortgage landscape and can provide bad information
- ▶ Plan ahead, or plan to act quickly when your lender asks for something.

Questions?



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