

# FINANCING

YOUR *first* HOME

Maximizing your chances of mortgage approval



A step-by-step guide

So, you've decided it's time to own your own home. Awesome! Instead of paying someone else's mortgage with your rent money, you'll be building your net worth instead. However, buying a home isn't an easy process. The keys to responsible home buying are patience and preparation. If you are considering buying your own home, this guide will help you better understand the role that credit plays in the mortgage approval process, increasing your chances of receiving that all-important financing.

### Did you know...

A new mortgage stress test was introduced to Canada in 2018 that looks at your income and determines whether you could make monthly payments if the interest rate went up. For new home buyers, the rules mean you may not be able to borrow as much as before the federal guidelines came into effect.

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ready to apply

## **PATIENCE:**

Take your time before  
applying for a mortgage

## Step One: Ensure you can prove a steady income

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Mortgage lenders need to know you have a steady income. Be prepared to explain your work history if it's sporadic or very cash-based. It might be that you must wait another 6 months to prove a steady income.

**Tip:** As a general rule of thumb, your housing expenses shouldn't cost more than 33% of your income. If the potential mortgage payment you're facing is soaking up all your cash, maybe reconsider that home.

## Step Two: Know your current credit situation

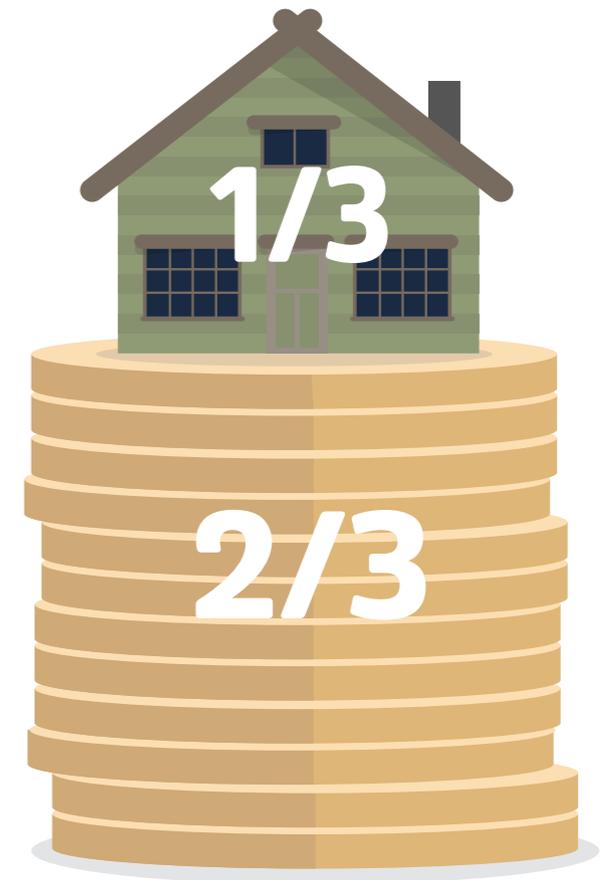
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Know and understand your credit score - all it takes are a few low points on your credit report to stop you from getting a mortgage. Check your score for free at [www.refreshfinancial.ca/find-credit-score](http://www.refreshfinancial.ca/find-credit-score) and see where you fall on the chart next page.

**Tip:** Aim for a score of 725 or higher - it's at this score that you unlock the lowest rates. If your score isn't quite there, be patient and build your credit for a few extra months as better credit will save you a ton in interest over the long run.



*You can quickly get your current credit score free of charge, from Refresh Financial. For a complete credit check, visit either the TransUnion or Equifax websites for one free credit check.*



### Testimonial

This business truly cares about its clients. The customer service is always quick to return calls or emails. If you are looking to rebuild your credit or start from scratch, Refresh can help you get where you need to be



- Phil J



You will have a very difficult time being approved for any kind of loan. Even if you do find a lender, your interest rates could be as high as 50%.



You're probably only eligible for secured products. If you do get approved, expect an interest rate as high as 30%.



You may be approved for credit, and you may be offered a decent interest rate - possibly below 20%. If you invest the time and effort into building your credit score now, you'll save a lot of money in the future.



You're almost certain to be approved for credit, and you can probably expect an interest rate of around 10%. If you want to unlock an even better interest rate, you can spend a short period of time improving your credit so you can get the best terms.



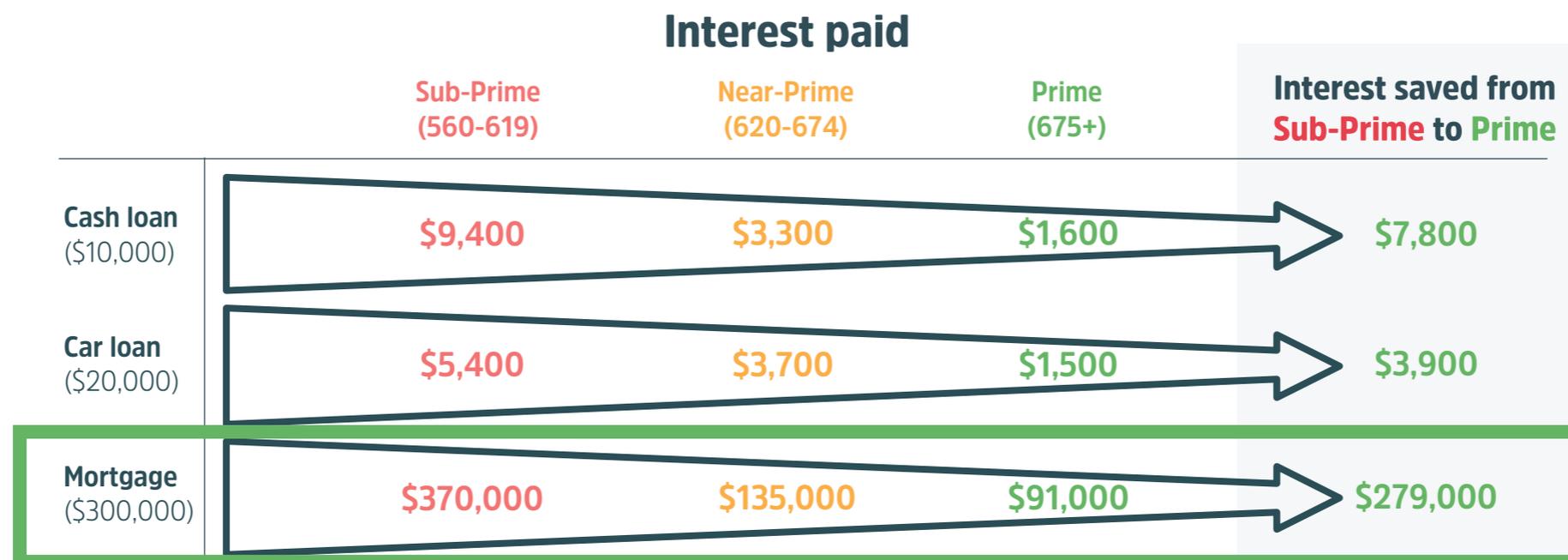
Congratulations! You have one of the best credit scores possible. You're guaranteed the lowest rates available on any credit product, and as long as you can afford the monthly payments, you'll be approved for almost any loan you want.

## Your credit report

*There several aspects to your credit report that could negatively impact your ability to qualify for a mortgage.*

- **If you've applied for a few credit products recently, your credit report and credit score is going to show that.** It looks like you're desperate to get your hands on some money which is a negative against you for any lenders.
- Your credit report should reflect **a good diversity of credit products with at least a year of payments in good standing.** If all you have is one credit card, lenders may wonder if will you be able to handle multiple credit products or is one your limit?
- There should be **no bankruptcies, consumer proposals or excessive derogatory items** (late payments, missed payments, or a payment that was not enough) on your credit report.

**Check out how much you could save on interest payments with a better credit score**



### Testimonial

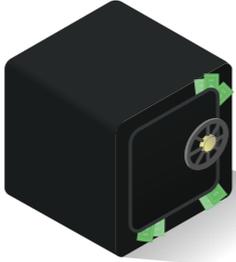
The financial service products are excellent for new immigrants, low-income earners and small business owners. Loans, savings and credit building all in one solution is a perfect fit to help with financial goals and stability.



- Soraya H

# Step Three: If your credit isn't great, build it.

There are a variety of credit products available to help you establish credit history in Canada. The right products used properly, can help build a solid credit history in 6-12 months (although lenders usually like to see 18-24 months of good credit history before approving a loan). **Three of the simplest ways to build credit are:**

**1.**   
**a Credit Builder Loan**

**2.**   
**a Secured Card**

**3.**   
**both!**

  
**Credit Builder Loan**

  
**Secured Card**

Lowest interest rate	✓	
Helps me save money?	✓	
No cash upfront?	✓	
A 'set it and forget it' solution	✓	
Approval with no credit check?	✓	✓ *
Build credit on daily purchases?		✓
Available at 	✓	✓
Report to both credit bureaus	✓	✓



There are two major differences between a credit builder loan and a secured credit card:

- A credit builder loan is a form of **installment credit** which means you borrow a certain amount of money, and you pay the whole amount back in equal installments.
- Credit cards (AKA. **Revolving Credit**) mean you have access to a set amount of credit, but how much you use, and therefore owe each month, changes.

\* No credit check applies only to Refresh Financial's secured card



## The 'Do both' scenarios

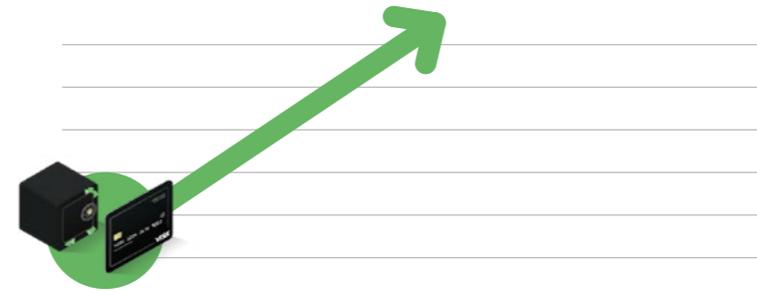
Looking to fast-track your credit building goals? By getting the credit builder loan **and** the secured card, you are giving yourself the best chance to get ahead.



### Option 1

**Take a credit builder loan now, and get the secured card later.**

- ✓ You will eventually have two trade lines, which shows other lenders that you can manage both.
- ✓ No need to come up with a deposit! You can use the savings you build with the loan as a deposit on your card!

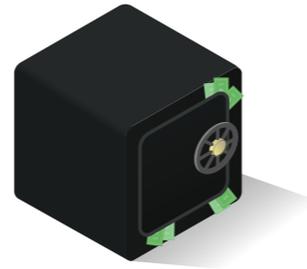


### Option 2

**Take both a credit builder loan, and the secured card now.**

- ✓ Two trade lines right away means you're doing everything you can to build your credit.
- ✓ Combines the best of both products – you get spending flexibility while saving money.

# Benefits of a Credit Builder Loan



## Building your credit score is easier than you think.

A Credit Builder Loan will cost a lot less than you expect and could very well save you money in the long run. Discover the benefits, perks and outcomes you'll experience with a Refresh Financial Credit Builder Loan.

### 1 Success team

Our Success team will work with you to build a plan to help you reach your financial goals.



### 2 Set it and forget it!

A Credit Builder Loan is designed to be very simple. With online sign up and automatic payments, you don't even need to leave the comfort of your own home to build your score!



### 3 Boost your credit score

A Credit Builder Loan payment reports to the credit bureau, positively impacting your credit score with every payment made.



### 4 Build savings

A Credit Builder Loan is designed to help save money and build credit at the same time. At the end of the program, not only will you have an improved credit score, but you'll have a nice nest egg of cash too!



### 5 Better credit = lower interest

"I love paying high interest rates" said no one, ever. As your credit score improves, you'll gain access to better interest rates, which over time, can save you a lot of money.



### 6 Say goodbye to "No"

With a good credit score, lenders will take notice. They'll even start seeking you out! No more nerve wracking credit checks!



## The Refresh Financial Secured Card\*

**The Refresh Financial Secured Card has some of the lowest fees and interest on the market and will give your credit building a boost!**



<b>Annual fee</b>	\$12.95/year
<b>Monthly fee</b>	\$3/month
<b>Interest rate</b>	17.99%
<b>Approval without credit check?</b>	✓
<b>\$100 referral program<sup>1</sup></b>	✓
<b>Report to both credit bureaus</b>	✓

<sup>1</sup>\$100 for every person that signs up for a Credit Builder Loan.

### Testimonial

I just want to say thank you for your amazing program. After 10 months with Refresh, my credit score jumped from 414 to 715 and I got approved for a \$2,500 credit card from my bank. Refresh is amazing!



- Andrew

**59% of Canadian don't know what their credit score is and 38% of Canadians don't even know how to check their credit score.**



\*This card is owned and issued by Digital Commerce Bank pursuant to license by Visa International. Use of the card is governed by the agreement under which it is issued. The Visa Brand is a registered trademark of Visa International. All credit and approvals are provided by Refresh Card Solutions Inc. Digital Commerce Bank provides no credit or loans. All funding and lending for this program is provided by Refresh Card Solutions Inc.

## Step Four: Save as much of a down payment as possible

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Save for the maximum down payment possible for your situation. Weigh up whether it's better to buy with a 5% down payment or wait, and save 10%-20%, but take the risk that house prices will increase relatively more.

**Tip:** Make sure you are informed about the fees you'll encounter when buying a home (CMHC mortgage = default insurance, appraisal costs, purchase tax, closing costs, insurance etc.) and can afford them without risking your financial stability. If any major repairs would put you in the red, save an emergency fund on top of your down payment before buying your first home.

### Did you know...

You might be asked to prove where your down payment came from. Lenders want to ensure that you're not borrowing your down payment. If you receive it as a gift from friends or family, they will need to sign a gift letter, stating it does not need to be repaid.

### Testimonial

I was looking for a credit card and my financial adviser said I could increase my credit score a lot faster by going with Refresh. I agreed, and it has proven to be a good way to increase my credit score.



- Allan G



## 10 easy ways to start saving for a down payment:



1

**Pay off your high-interest debts** as fast as you can: The more you pay off these debts, the more you save on interest.



2

**Make a reasonable budget.** Identify areas where you spend too much and lower your budget in these categories.



3

**Set up automatic transfers** on payday to your savings account. Once you get used to it, you won't even think about this money anymore.



4

**Find an income booster** such as a second part-time job or offer a service around town. e.g. Tutoring, odd jobs or child care.



5

**Move to a more modest rental.** Or get a roommate and cut your rent in half. Move in with your parents if you have to!



6

**Downsize your car** to one that's more fuel efficient and lower in insurance.



7

**Sell big-ticket items.** The best way to decide what you can and cannot part with, is to ask yourself, "Does owning a home mean more to me than this thing?"



8

**Put away every windfall, bonus, or other unexpected money.** Don't look at this money as a reason to spend.



9

**Save your money in a TFSA or RSP.** The Canadian government allows you to withdraw up to \$25,000 per year from your RSP to put towards your first home!



10

**Ask for a raise.** If successful, take the additional money each month and put it into your savings account.

## **PREPARATION:**

Ensure you're ready to apply  
for your mortgage

*With a steady income, your credit built, and a down payment saved, most of the hard work has been done! The next two steps will ensure you're fully prepared, and when it comes to your mortgage application, you'll only hear 'approved'!*

## **Step One:** Know your debt-to-income (DTI) ratio

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Your debt-to-income ratio is the amount in debt payments you must make each month versus the amount of money you make. For example, if your monthly income is \$3000, and your minimum payments on your debts are \$1500 every month, you have a debt-to-income ratio of 50%.

### **What is a good DTI ratio?**

- **36% or less – Good**
- **37% - 42% - Manageable.** This is where a mortgage lender will look for your DTI to be at.
- **43% - 49% - Cause for concern**
- **50% or higher - Dangerous.** If your debt to income is on the high side, pay down a little of your debt before you apply for a mortgage.

## **Step Two:** Reduce your credit usage percentage

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Credit usage percentage is the total amount of credit you have to your name versus how much of it you have used. For example, if you have a credit card with a \$10,000 limit and a \$7,500 balance, you have 75% credit usage.

**Tip:** For the best rates, bring your credit usage below 30%. If you're already paying down your debt to decrease your DTI, your credit usage percentage should naturally decrease too, as long as you don't go closing any credit accounts during this critical stage!

### **Did you know...**

Closing credit accounts can increase your credit usage percentage without you spending a penny! For example, if you have 2 credit cards, each with a \$5,000 limit, and you have a balance of \$2,500 on one, your credit usage percentage is 25%. If you close the account that is not in use, your credit usage percentage instantly shoots up to 50%!

# Some final tips when applying for a mortgage:

- **Take advantage of first-time home buyer tax credits and other incentives.** There are several first-time home buyer programs offered by different provinces. Make sure you have investigated any tax credits or incentives in your area.
- **Shop around and compare mortgage rates.** Many people simply go to their bank to get a mortgage. The truth is, there is a whole world of mortgage brokers out there that often have competitive interest rates. The more places you look, the more likely it is you'll find a great deal.
- **Read the fine print.** Some lenders have significantly lower closing fees than all the others. Evaluating the total cost of each lender and weighing the pros and cons before you choose your mortgage provider is going to ensure you're spending the least amount of your hard-earned money as possible.



# Start building your credit in 4 easy steps (It just takes 10 minutes)



**1. APPLY ONLINE** at [refreshfinancial.ca](https://refreshfinancial.ca) or call 1 800 746 4840 to speak to a Relationship Manager today



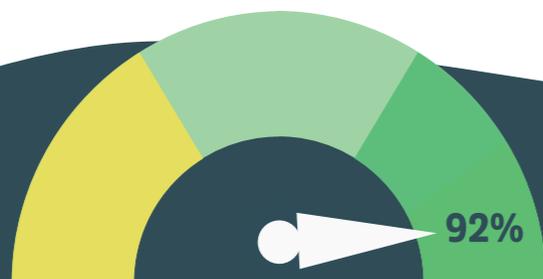
**2. SIGN** and submit your loan agreement, verify your ID, and confirm your banking details, all online!



**3. START MAKING PAYMENTS**



**4. WATCH YOUR CREDIT AND YOUR SAVINGS SOAR!**



92% of Refresh clients agree that the Refresh loan is a great program that has helped build their credit.

Since 2013, Refresh has helped over



Canadians build or rebuild their credit score with our suite of credit-building solutions.