JEN FUENTES

PERSONAL MORTGAGE CORPORATION

Mortgage Broker

A MORTGAGE READINESS GUIDE

The Pre-Divorce/Separation Homeownership Checklist

Get mortgage-ready before, during and after your separation, in the right order.

1 **Phase 1** Before the Separation Agreement

2 **Phase 2** During the Negotiations

3 **Phase 3** Closing on Your New Mortgage



Your Home. Your Future. Your Mortgage Partner.

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PHASE 1

Before the Separation Agreement

Goal: Know your starting point as a borrower.

KNOW YOUR CREDIT

- [ ] Have your mortgage broker pull your credit report
- [ ] Check for errors, old accounts and unfamiliar balances.
- [ ] List every debt, yours or joint: cards, loans, lines of credit.
- [ ] Keep every payment on time, stay under 75% of your max credit limits on credit cards & line of credits. Joint accounts hit both scores.
- [ ] Hold off on new credit and large purchases. This will affect your affordability and credit score

KNOW YOUR INCOME

- [ ] Gather 2 years of your T4 slips
- [ ] Gather recent pay stubs and an employment letter.
- [ ] Self-employed? Gather 2 years of T1 general tax returns and Notice of Assessments as well as your most recent set of business financial statements.
- [ ] Note income that may change: bonus, overtime, support.

KNOW YOUR CURRENT MORTGAGE

- [ ] Get your latest mortgage statement: balance, rate, term, renewal date, lender.
- [ ] Ask what the penalty would be to break it.
- [ ] Ask whether it is portable, if so - the terms around portability.
- [ ] Determine your home's approximate market value and the equity available.

KNOW YOUR DOWN PAYMENT

- [ ] List accounts in your own name: savings, TFSA, RRSP, investments.
- [ ] Open a bank account in your own name.
- [ ] Are gifted down payment funds available from immediate family?
- [ ] Could a parent provide an early inheritance for down payment?

GET PRE-QUALIFIED

- [ ] Find out what you qualify for on your income alone.
- [ ] Strategize with your mortgage broker on what could increase your qualifying numbers.
- [ ] Have your mortgage broker discuss closing costs with you, which are funds needed on top of down payment to purchase a new home.
- [ ] Do you have a co-signer available if needed? (such as a parent)

> **Jen's tip:** Knowing your borrowing power early gives you realistic numbers to use in separation negotiations.

PHASE 2

During the Negotiations

Goal: Make sure the mortgage side holds together while details are worked out.

CHECK AFFORDABILITY & OPTIONS

- [ ] Total the monthly cost of owning on one income: mortgage, property tax, insurance, utilities, property maintenance.
- [ ] Review your cash flow and budget with the new payment included.
- [ ] Compare staying in your current primary residence with other options such as:
  - [ ] being bought out of your equity and downsizing
  - [ ] selling the property and purchasing a new property with your net sale proceeds.

UNDERSTAND YOUR MORTGAGE OPTIONS

- [ ] Learn the difference: keep, refinance, or new mortgage.
- [ ] Ask the maximum refinance amount for your home's value.
- [ ] Compare your rate and penalty with today's rates.
- [ ] Ask whether insured or uninsured options apply.

WHAT LENDERS WILL ASK FOR

- [ ] A copy of the signed separation agreement or court order which includes:
  - [ ] lists assets and debts and the division of them
  - [ ] lists properties owned and spousal buyout terms
  - [ ] lists support payment terms
- [ ] Confirmation of your buyout or sale of property
- [ ] Ask your mortgage broker which documents to have ready.

KEEP YOUR FINANCES CLEAN

- [ ] Pay all joint debts on time until formally resolved.
- [ ] Avoid large unexplained deposits or withdrawals.
- [ ] Have your mortgage broker review your income documents to confirm they are satisfactory for your mortgage approval
- [ ] Avoid taking on new debt.

PLAN YOUR TIMELINE

- [ ] Ask your mortgage broker how long your pre-approval is valid for
- [ ] Ask the timeline until you have your equity if you are selling
- [ ] Make sure your realtor knows and agrees with you not to write an offer on a new property until your separation agreement is finalized

Jen's tip: If selling your primary residence, do not list it for sale until your separation agreement is signed by both parties. You cannot qualify for a new mortgage unless you have the separation agreement to provide to the lender.

PHASE 3

Closing on Your New Mortgage

Goal: Get to the finish line smoothly.

PREPARE YOUR APPLICATION

- [ ] Your mortgage application should already be in with your mortgage broker at this point in time
- [ ] Submit all requested documents by your mortgage broker to your secure borrower document portal
- [ ] Be sure to update your mortgage broker on any financial changes
- [ ] Discuss with your realtor how you will move forward. Are you purchasing? If so, they need to know your ceiling purchase price that your mortgage broker advised of.

CHOOSE THE RIGHT MORTGAGE

- [ ] With your mortgage broker, compare lenders on penalties, prepayment options and flexibility, not just rate.
- [ ] Keep in mind your new budget after the separation
- [ ] Consider using a lender that allows the broker to obtain answers on your behalf in the future on topics such as renewal rate options, penalties, portability, etc.
- [ ] Review fixed versus variable with your broker.
- [ ] Talk to your mortgage broker about mortgage insurance for your protection.

MEET THE LENDER'S CONDITIONS

- [ ] Once your new mortgage is approved, whether it be to refinance for a buyout or a purchase transaction, your mortgage broker will satisfy the conditions of the approval with you.
- [ ] Your mortgage broker will order the appraisal if required by the lender
- [ ] Any debt payouts required for the mortgage approval may be done during the refinance or from sale proceeds if the marital home is being sold.
- [ ] Arrange your property insurance
- [ ] Select a real estate lawyer or notary to work with to finalize your purchase
- [ ] Your mortgage broker will communicate with your chosen lawyer/notary with mortgage instructions and to confirm everything is processing smoothly until your completion date.

AFTER CLOSING

- [ ] Confirm the new bank account for your mortgage payment withdrawal has the funds available for each payment
- [ ] If refinancing: update utilities, property tax and insurance to solely your name.
- [ ] Your mortgage broker will calendar your mortgage renewal date, do not "auto-renew" with your current bank. Always shop your rate options and re-strategize which product is best for you for the next term.
- [ ] Keep your credit in good standing: balances under 75% of the max limit and on-time payments.
- [ ] Confirm you know how your property taxes are being paid - monthly as an auto-debt? Or did you choose to pay annually to the municipality?

Jen's tip: Start gathering your application documents in Phase 1. A complete file is the fastest and least stressful way to a mortgage approval.

AVOID THESE

Top 5 mortgage mistakes

1. **Waiting to check your borrowing power.** Know your number before you plan around it.
2. **Jumping ahead and writing an offer on a new property before your separation agreement is agreed upon and signed.**
3. **Ignoring the mortgage penalty.** Breaking a mortgage early can be costly. Know the details!
4. **Letting credit slip.** Missed payments on joint accounts affect your mortgage approval.
5. **Waiting too long to ask for help.** The best time to talk to a broker is early.

YOUR NEXT STEP

Book a free, confidential Mortgage Readiness Call

Every situation is different, and so is every mortgage. This checklist helps you prepare for your new beginning. A customized plan and support from start to finish!

- [ ] Find out what you qualify for on your own
- [ ] Learn how lenders treat your income, support and debts
- [ ] Compare mortgage bank and product options
- [ ] Have support and guidance from your first call to closing from a mortgage broker

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Mortgage education only, not legal, tax or financial advice. Rates, rules and lender policies change often. Speak with a qualified lawyer about legal questions and a mortgage professional about your borrowing options.

Jen Fuentes Personal Mortgage Corporation.

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