

Top 10 Mistakes to Avoid When Getting a Mortgage

1. **Not Understanding Penalties for Breaking Your Mortgage**

Many borrowers overlook the hefty penalties that can arise if you break your mortgage early. Penalties can vary significantly between fixed and variable rate mortgages, so it's important to ask how they are calculated before signing.

2. **Rushing into a Mortgage with Poor Credit**

If your credit score is less than ideal, you might not qualify for the best rates. Instead of rushing, take time to improve your credit score by paying down debts and correcting errors on your credit report before applying.

3. **Ignoring Prepayment Privileges**

Some mortgages allow you to make lump sum payments or increase your monthly payments without penalties, which can save you thousands in interest. Failing to explore these options could limit your financial flexibility.

4. **Refinancing Without a Clear Financial Plan**

Refinancing can free up cash, but if you don't address underlying spending habits or have a plan for the extra funds, you risk falling deeper into debt. Work with a mortgage agent to create a realistic budget before refinancing.

5. **Focusing Only on Interest Rates**

While rates are important, other factors like amortization periods, portability, and prepayment options can make a significant difference in your overall costs. Don't choose a mortgage based solely on the lowest advertised rate.

6. **Overextending Your Budget**

Just because you're approved for a high mortgage amount doesn't mean you should borrow to the max. Factor in other costs like property taxes, utilities, maintenance, and lifestyle expenses to ensure your mortgage is affordable.

7. **Underestimating the Impact of Rate Increases**

If you choose a variable rate mortgage, it's important to understand how rising interest

rates could affect your monthly payments and overall affordability. Ensure you have room in your budget to handle potential increases.

8. **Choosing the Wrong Type of Mortgage**

Fixed and variable rate mortgages each have pros and cons. For example, fixed rates offer stability but higher penalties for breaking, while variable rates may save you money in the long run but fluctuate with market conditions. Pick the type that matches your risk tolerance and financial goals.

9. **Failing to Shop Around or Work with a Mortgage Agent**

Many people go straight to their bank without exploring other options. A mortgage agent has access to multiple lenders and can help you find the best deal for your unique situation, saving you time and money.

10. **Not Budgeting for Closing Costs**

Closing costs can add up to 1.5-4% of your home's purchase price. These include legal fees, land transfer taxes, home inspections, and title insurance. Failing to budget for these costs could leave you scrambling at the last minute.

Note:

I prepared this list to help you avoid a costly mistake.

When it comes to important financial decisions such as mortgages, it's extremely important that you fully understand the pro's and con's of what you are committing to. If you would like to talk to me about your unique situation to determine whether it's the right time for you to get a mortgage, transfer a mortgage or consolidate some debt, don't hesitate to reach out to me.

-Phil

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