

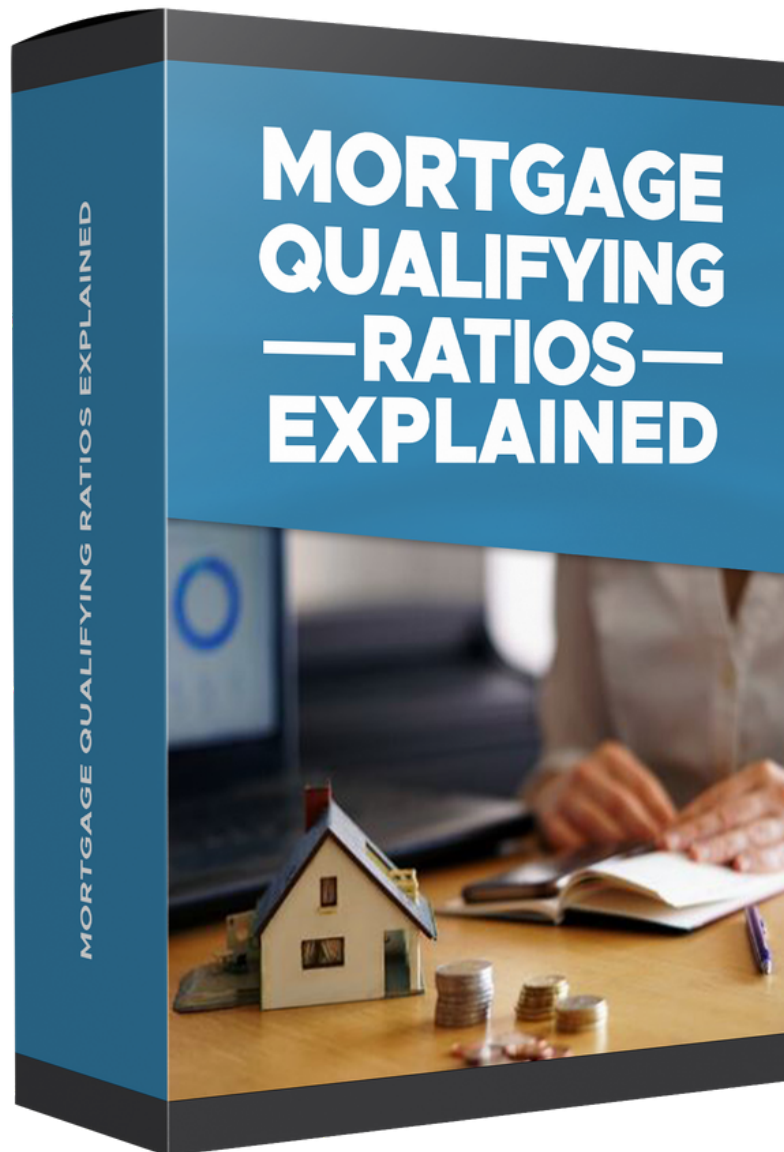
Homeowners! Your Bonus Material Is Below!

THE ULTIMATE HOME TRANSITION BLUEPRINT —CHECKLIST



The Ultimate Home Transition Blueprint—BONUS

MORTGAGE QUALIFYING RATIOS EXPLAINED!



MEET THE TEAM

YOUR HOME TRANSITION SPECIALIST

Chad Moore

Chad has been helping Calgary homeowners transition between homes since 2014. Chad will help you plan, execute and bring your Real Estate dreams to life.

Once your Mortgage is in place, Chad will help manage your Mortgage—seeking opportunities for you to save, where your bank will make less.

This Ultimate Home Transition Blueprint Checklist is designed to help you, before we are in touch working together!



CANADA MORTGAGE
D I R E C T

MESSAGE FROM CHAD MOORE

The vast majority of my clients want an answer to the question “how much can I afford to purchase?”

The Mortgage qualifying ratios answer this exact question!

The truth is, these qualifying ratios below will uncover your maximum home OR maximum Mortgage affordability—*that does not mean these qualifying ratios alone equal your Mortgage approval.*

I believe the content below is valuable, but please remember, workable qualifying ratios alone does not equal your Mortgage approval.

The other three bonus e-books found within the Ultimate Home Transition Blueprint Checklist will help you round out your Mortgage approval.

I hope you find this helpful. I look forward to connecting with you soon!

Chad Moore



***“My Outcome Is
Determined By My
Set Up”.***

***Let’s Get You
Set Up!***

THE ULTIMATE HOME TRANSITION BLUEPRINT —BONUS MATERIAL!

Mortgage Qualifying Ratios Explained—How Much Can You Afford To Purchase?

Hey homeowners! As part of the Ultimate Home Transition Blueprint—Checklist document I created for you; I'm also giving you this additional bonus content!

Why?

Because I thought this information was important enough on it's own to be a stand-alone document. Also, if I included all this information in the original checklist, that document would have been even longer. I think chunking down information like this is better for the reader.

Often in my meetings with clients we discuss your Mortgage approval. And I reference your approval like a big puzzle we are putting together. The Mortgage qualifying ratios are a piece of that puzzle.

Other pieces of the Mortgage approval puzzle are covered in the Ultimate Home Transition Blueprint, and additional bonus downloads (income, credit, down payment etc)!

The material below is helpful in understanding your Mortgage affordability. I want to note that calculating the top half of the formula below is rather simple. Calculating the bottom half of the formula—income—is not nearly as routine.

If you're reading this bonus material, as part of planning your home sale and purchase—I recommend we personally connect right away.

You're here, online, and reading this material, which tells me you're serious about planning your smooth home transition. And I think that makes us a great fit to begin planning your next Mortgage approval! If you're 6, 12 or even 18 months from your planned home transition date—let's connect!

I look forward to hearing from you, by email or phone call!



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MORTGAGE QUALIFYING RATIOS

BONUS: MORTGAGE QUALIFYING EXPLAINED

Here is THE formula lenders use to calculate your Mortgage affordability. When you understand how much you are eligible to borrow AND you know your down payment amount, you can determine your home purchase price.

There are two Mortgage qualifying ratios.

1. Gross Debt Servicing.
2. Total Debt Servicing.

Gross Debt Servicing Formula:

Here are the terms of the GDS formula first:

P = Principal portion of your Mortgage payment.

I = Interest portion of your Mortgage payment.

T = Tax of your new home.

H = Heating cost of your new home.

C = ½ any condo or homeowner association fees (if applicable).

Gross Income = Your BEFORE tax earnings.

$$\text{GDS} = \frac{\text{P+I+T+H+1/2 Condo}}{\text{Gross Income}}$$

This formula creates what is called the “gross debt service ratio”. Also referred to as GDS or GDSR.

When I input my numbers into this formula, I am left with a ratio. This ratio tells the lenders how much of my BEFORE tax income is going towards paying for my basic home living expenses.

To feel comfortable lending hundreds of thousands of dollars, the maximum this ratio is allowed to be is 0.39 or 39%.

Said another way ...up to 39% of your gross income is eligible to go towards your Mortgage payment, tax, heat and ½ condo fees (if applicable) with a reasonable chance of Mortgage approval.

Total Debt Servicing Formula:

Another ratio the lenders look at when qualifying me for a Mortgage is the “total debt-servicing ratio”.

This is the EXACT same ratio as the GDS but also calculates how much other debt I have.

Other debt means any outstanding revolving or fixed payment debt I have.

BONUS: MORTGAGE QUALIFYING EXPLAINED

A revolving debt instrument functions like this: when I pay down the balance of my debt I am able to re-borrow the money again. For example, my credit cards or lines of credit are revolving debt.

When qualifying for a Mortgage the lenders use 3% of any outstanding revolving debt balance as a monthly liability on my Mortgage application.

For example, if my total credit card debt were \$2,500 I would use 3% of that balance as a monthly liability in the TDS ratio. This payment would be \$75/month as a liability on my Mortgage application ($\$2,500 * 0.03 = \75).

Installment loan debt is a set/fixed repayment schedule. When the balance of my installment loan debt is repaid, I do not automatically re-borrow that money.

For any installment loan debt, the monthly principle and interest payment is used as a liability for Mortgage qualifying.

For example, if I have a car loan payment or student loan payment, both of which are fixed payment, I use that actual payment as a liability in Mortgage qualifying.

Therefore, the TDS formula looks like this:

$$\text{TDS} = \frac{\text{P+I+T+H+1/2 C+ Other Debt}}{\text{Gross Income}}$$

When I crunch the numbers from this formula I am given a ratio. The maximum ratio I am allowed to have is 0.44 or 44%.

Said another way, a maximum of 44% of my gross income (before tax) is eligible to pay for my basic home and Mortgage expenses AND service all of my other debt.

You might notice these qualifying ratios DO NOT factor in other monthly expenses I typically incur in my life: gas to fuel my vehicle, cell phone, internet etc.

I also think it is important for clients to understand the lifestyle they want to maintain as a homeowner (eating out, vacations, saving for retirement and or home improvements etc).

The list of additional expenses associated with home ownership is extensive (relative to renting). These expenses might be home repair, appliance replacements or responding to uninsurable damage.

BONUS: MORTGAGE QUALIFYING EXPLAINED

I help all of my clients understand the reality of homeownership by helping them understand their current lifestyle and what might need to change (if anything) as a new homeowner.

I think understanding these qualifying ratios is important because it helps you understand the rules of the “game” we are paying together. Imagine playing soccer, baseball or football without understanding the rules.

Mortgage lenders lay out the framework or “ballpark” that Mortgage qualifying is built around. If my affordability is higher than I am comfortable purchasing, then lowering my purchase price and qualifying ratios is a good thing.

If I find my affordability is lower than what I expected, now I can plan and make different decisions to help increase my affordability (plan for more income, increase down payment, decrease my search price, or pay down debt etc). When I am aware, I can make changes to produce an outcome I prefer.

In conclusion...

I hope the understanding of the Mortgage qualifying ratios helps you make sense of your home affordability.

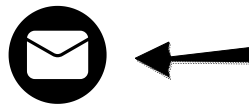
In the Ultimate Home Transition Blueprint—Checklist I make reference to other bonus material related to income, down payment and credit.

Please continue reading through the checklist, and other bonus material I created for you.

I think you’re rather serious about planning your smooth home transition, which is why I think we are a good match to work together.

I do not see the downside of connecting very early in your home sale-purchase planning. Reach out via email or phone call!

Talk soon,
Chad Moore



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WHAT TO DO NEXT?

The key is planning your home transition well in advance. Why? Because there are going to be opportunities to improve your file, assist in decision making, and reduce regret. This is a big move for your family. A bit of time invested up front to plan your transition will save you stress, time and energy.



No. 01 – Let's Connect!

Reach out via email, phone or get your Mortgage application started.



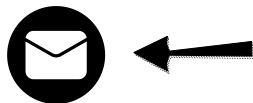
No. 02 – Let's Make A Plan!

The sooner we plan your home transition, the better. I don't see a downside to how early we start planning.



No. 03 – Execute The Plan!

The home transition plan we create for you will be unique and customized! I'll make this clear so you know exactly what to do next.



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QUALIFICATIONS

The Ultimate Home Transition Blueprint and bonus material is focused on helping plan your home transition—but that's not all I can help you with! Below is a list of other areas you might have a need for that I am professionally qualified to assist you with (no particular order):

- Mortgage renewal & refinancing.
- Rental or second home purchases.
- Debt consolidation, credit repair, HELOC's.
- First time home purchases.
- Alternative lending solutions.
- Divorce/separation financing.

Thank you again for reading this content. I look forward to speaking with you soon!



Contact

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