

# Mortgage Optimization Strategy For:

# Merry Christmas

November 22, 2013

Let's begin... "Getting a low rate mortgage is only the first step... the advice that comes with the low rate is far more valuable!"

You've taken the first step towards obtaining your next Mortgage valued at:

\$500,000.00

I think purchasing a home and obtaining a mortgage can be a happy and exciting time ...and I think that happens when we allow an experienced industry professional to help us during that process.

I understand nobody really wants a mortgage. I would like you to allow me to help you accomplish what I think you REALLY want, to successfully purchase your next home by obtaining the BEST mortgage for you, a mortgage that is designed to enhance and protect your overall financial wellness!

*Merry, I have  
designed this report just for you!*

I am laser focused on the responsibility I have in helping you make a strategic and intelligent decision about the best mortgage strategy for you. I am certain we are both aware this decision is one you'll have to live with for a very long time.

A question that often comes up I think is "how do I know I'm making the best decision for myself/my family, under such a time crunch, and with so much information thrown at me?"

I think you will agree with me that making the best decision, in any scenario, is to have access to the best information available, making time to analyze different options and be advised by someone who has been where you are with a proven track record of successfully helping others.

Please keep reading to learn more about how I can help you.

Sincerely

Bill Babcock  
Mortgage Repayment Strategies

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## Selecting the Right Mortgage Planner

Merry, if you were investing the same amount of money you are considering borrowing right now, how would you choose your financial advisor?

For me, and an increasingly greater number of Canadians, making a decision to choose a Financial Advisor is not about the price of the investment product or stocks on that day.

If I was considering the prospects of investing my own money into the financial markets I would choose my financial advisor based on his/her ability to build a customized investment strategy to grow my assets over time, that suits my personal financial beliefs, and finally on my confidence that he/she could pull off the recommended plan for me. In the mortgage business today, what I notice is people are blindly making a decision of who gets the privilege of managing their mortgage, based solely on the mortgage rate on that day, for a product that may not even be the best fit for them. I encourage you to ask yourself this question throughout your mortgage-shopping journey...

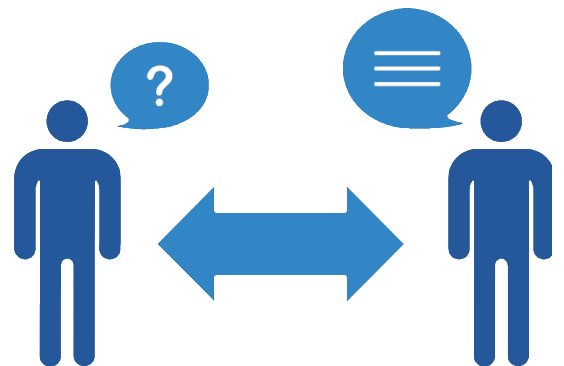
*“Other than Mortgage Rate, what factors will I be considering when choosing who gets the privilege of managing my Mortgage?”*

Merry, I think that “Shopping Around” for a mortgage is a good thing to do. If you do shop around I would like to HELP YOU do so more intelligently by giving you a process to help screen your next potential bank or mortgage company. I think simply asking around for the “best interest rate” isn’t good enough anymore.

Be Smart...

Ask Questions...

Get The Answers!



Make sure you are working with an experienced Mortgage Professional. The largest financial transaction of your life is far too important to place into the hands of someone who is not capable of advising you properly and troubleshooting the issues that may arise along the way. But how can you tell?

By asking the four simple questions I have provided for you on the next page, you will be able to determine the experience and capability of the mortgage professional you are talking to. I believe that every mortgage professional, whether they work at a bank or independently, absolutely must be able to answer them correctly.

If they do not know the answers...RUN...DON'T WALK...to a lender that does!

*Find the questions on the next page!* ↻

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## Four “Must Ask” Questions For Your Lender!

### 1. What are mortgage interest rates based on?

The only correct answer is the Bank of Canada rate for variable mortgages and Mortgage Backed Securities, specialized mortgage bonds, or Government of Canada Long Bonds for fixed rates. A professional mortgage originator ought to at least know the basics of how your interest rate is determined. Do not work with a lender who has their eyes on the wrong indicators, or worse yet, has no idea what the indicators even are.

### 2. How will rising interest rates in the coming years effect me if I take a fixed rate product?

Most lenders will mistakenly answer that if your rates are locked in then rising rates in the future will not affect you. This is an incredibly dangerous thought process. What will happen to your payments at renewal if rates rise from their current emergency low levels to a more normal level, 2% or more higher than today? This is called **your payment shock** and it is incredibly risky to your long-term financial health. Working with a lender who pro-actively manages your mortgage and notifies you when rates rise with a suggestion on how to minimize payment shock, is not only smart; it will knock years off your mortgage. Let me show you how.

### 3. What strategy are you recommending and why?

The key here is the word “**strategy**”. If a lender cannot clearly articulate the strategy behind their recommendations to you then they are simply quoting a rate. **Anyone can do that!** On your largest investment make sure you are dealing with someone who has a solid financial plan that is considering your **overall financial wellness**.

### 4. What commitment are you giving me to personally manage my mortgage over the long term?

This is the most critical question of all. Many lenders, especially bank personnel, have no desire or ability to proactively manage your mortgage personally over the long haul. How can you take advantage of changing markets in the future to optimize your mortgage if no one is watching the markets and advising you when to optimize? Who will ensure you don’t miss an opportunity to renegotiate your mortgage? If you are considering a variable rate mortgage why would you choose a lender who is not committed to keeping an eye on it? Anyone can sell you a mortgage but only truly committed mortgage professionals can manage your mortgage over the long term.

Ask for documentation summarizing their plan for your mortgage, make sure they include projections for the different options they are recommending to you. Ensure that they include their lowest rates that they have available for you, and let them know that you are not interested in a negotiation; tell them you just want their best deal!

*“You never have to negotiate with me; I always bring my best possible rate to you the first time.”*

More than likely this is one of the largest and most important financial transactions you will ever make. You might do this only four or five times in your life...but I do this every single day. It is your home, and your future. It’s my profession and my passion. I’m ready to work for your best interest!

*I believe it’s all about the person sitting across the table from you,  
not the bank you choose!*

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## Questions To Tickle Your Mind

I'd like to ask you a few questions now. I'll ask you these questions again when we speak because I am interested in your answers. I think the answers you provide will help me create a tangible and customizable mortgage strategy for you.

**Question One:** When setting out to purchase a home, and get a mortgage, what are you most concerned about?

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**Question Two:** When you think about choosing a mortgage strategy what is your biggest dilemma?

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**Question Three:** If the interest rate was the same, what factors will you be considering to choose who will get the privilege to manage your mortgage?

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**Question Four:** Where do you think fixed interest rates will be in 5 years? 10 years?

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**Question Five:** What questions do you have that you have yet to have answered?

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*“Considering these simple questions prior to our meeting will allow us to maximize our time together and give you the confidence in knowing your mortgage will suit your needs, not the bank’s!”*

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# Mortgage Strategies That Save You REAL Money

The Inflation Hedge Mortgage Strategy has become the cornerstone of my business – and for good reason. I have found that people shopping for a mortgage are often unaware of some real risks that are there due to our uncertain global economy. I intend to thoroughly educate you about different mortgage strategies and relevant information to protect against these risks.

Below is an example of today’s “no strategy, set it and forget it” five year mortgage that most other mortgage professionals and bankers give, compared to my option using the Inflation Hedge Mortgage Strategy. I have used some rough numbers I captured from you in our first conversation. When we meet for the strategy session I will go into even more detail to explain the wisdom of my structured mortgage plan vs. no plan or strategy from others.

	5 Year Mortgage (No Strategy)	5 Year Mortgage (with My Inflation Hedge Mortgage Strategy)
Balance	\$500,000.00	\$500,000.00
Payment	\$2,262.97	\$2,224.47
Rate	3.59%	3.45%
Amortization	30 Years	28 Years
Renewal Balance	\$448,972.42	\$430,882.27
Projected Rate at Renewal	5.59%	5.59%

*This represents what most banks will offer you for your mortgage, Some banks will try to tell you that they can offer you a managed mortgage, but remember when you're interviewing them to ask them "how they do it?"*

*The Inflation Hedge Mortgage Strategy was built to help you protect your mortgage from the risk of rising interest rates and by utilizing the strategy you will pay off your mortgage years faster!*

## Potential Results available with my Inflation Hedge Mortgage Strategy

Eliminated Mortgage Payments	Mortgage Balance Reduction	Amortization Reduction
\$66,337.44	\$18,090.15	2 Years

*What's even better than these results? The feeling of safety and security you get from knowing you mortgage is actively managed!*

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## What Are The Experts Saying?

When it comes to agreeing on major issues of the economy, and the current global recovery, experts seem to have difficulty coming to a unified position. However, they seem to find a consensus on mortgage rates and when they review the current data that is available they make some pretty strong comments. Jim Flaherty, Canada's Finance Minister said, "Rates have no place to go but up", Garry Marr financial writer for the Financial Post said the same thing, and "The writing is on the wall for rates to rise". Mark Carney, Governor of the Bank of Canada stated, "**In light of the reduced slack in the economy and firmer underlying inflation, some modest withdrawal of the present considerable monetary policy stimulus may become appropriate.**" Translation: he wants to raise rates as soon as he can. These statements are clear indicators that the window of opportunity to lock in rates is diminishing and some believe that we may never see rates this low again.



**“What if your mortgage rate went up by 2 points?” – Garry Marr, Financial Post**  
**“Interest rate jump poses threat to many B.C. homeowners”- Tracy Sherlock, Vancouver Sun**

With so much uncertainty and debate I have been recommending that my clients consider looking at locking in their mortgages for as long as possible, and instead of trying to predict (guess) what's going to happen in the future you will be able to relax and take comfort in knowing your mortgage payment won't change for a long time. With mortgage rates really have no place to go but up, considering taking advantage of the lowest rates in history, and locking in your mortgage for 10 years is prudent and worth time to learn about it.

Determining if it is in your best interest to choose to protect your mortgage with a 10 year fixed term, is a matter of both personal preference and potential financial savings. Once we have finalized your pre-approval, I will run an exact comparison between the five-year fixed-rate and the 10 year fixed-rate to show you both the impact of rising rates on your current mortgage situation, and the potential savings you can achieve with the 10 year fixed-rate. But for now here is a quick summary of the most important reasons for considering a longer-term mortgage:

**Payment certainty** - Only a 10 year rate gives you the certainty of knowing that your mortgage payment will not need to change for the next 10 years, giving you the ability to live your life without the concerns of rising interest rates and, increasing monthly payments. This payment certainty also gives you the ability to prepare yourself for future payment shock without needing to make huge changes to budget.

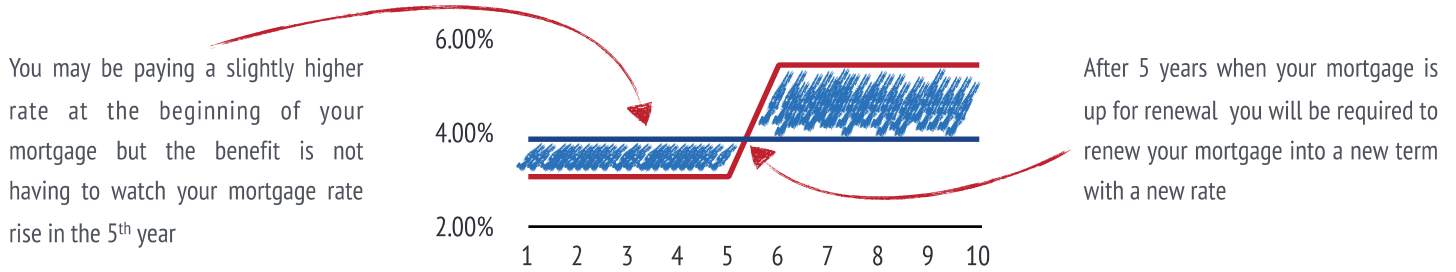
**Safest mortgage** - With the uncertainty of what is to come in the financial markets, the 10 year rate gives you the opportunity to skip these turbulent times, and ride through any future rough times without the worry of renewing your mortgage rate in the middle of a 'worse time'. Plus, with the features that are built into your 10-year mortgage, you will see how you are even more protected. Some of the best features of the 10 Year mortgage are:

Reduced Pre-Payment Penalties    Your Mortgage can be transferred to a new home    Your rate stays the same for 10 years

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**Lowest cost of borrowing** - Before you select your final mortgage I will show you how over the next 10 years, I anticipate that the 10 year rate will have the lowest average interest cost, and if set up properly, will allow you to pay off your mortgage years sooner. This is a result of losing the emergency rates that the government is currently providing, and rates returning back to normal. These normalized rates will not be able to keep up with the current 10 year fixed-rate that is available in the market today. This is the classic story of the tortoise and the hare, as a result we will see the tortoise (the 10 year fixed-rate) win the race over long-term.



**Potential Savings available with the Inflation Hedge Mortgage Strategy combined with a 10 Year Fixed Rate**

	5 Year Mortgage (No Strategy)	10 Year Mortgage (with My Inflation Hedge Mortgage Strategy)
Balance	\$500,000.00	\$500,000.00
Payment	\$2,262.97	\$2,460.33
Rate	3.59%	4.29%
Amortization	30 Years	27 Years
Balance After 10 Years	\$400,961.83	\$364,981.24
Projected Rate after 5 Years	5.59%	4.29%

*This is the same basic mortgage example, provided by your typical bank.*

*Since rates are at all time record lows, it is a sound financial wellness strategy to consider choosing a longer term.*

Eliminated Mortgage Payments **\$78,552.81**  
 Mortgage Balance Reduction **\$35,980.59**  
 Amortization Reduction **3 Years**

*In order for your 5 Year mortgage to keep up with a 10 Year mortgage utilizing the Inflation Hedge Mortgage Strategy you would need to get a new rate of 4.04% at maturity of your standard five year term!*

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## How To Put The Final Touch On Your New Home

Unless you're building a custom home, with complete creative control, there's always going to be "something" that could use an update, re-do or complete overhaul.

It may be an update to the bathroom, front entrance, or kitchen – whatever the renovation, I'm betting it'll be on your mind after you take possession. And I know there's always a good intention to save money for that big "to do list" when you move in. But I think life gets in the way and sometimes that "to do list" ends up lost in the shuffle.

If saving money becomes tight – there's always the option of a mortgage re-finance in the future. And I can obviously help you with that – but that can be expensive, time consuming and sometimes not even possible.

CMHC (Canada's Mortgage Insurance Company) has made numerous changes to mortgage rules making it much more difficult for homeowners to refinance their mortgages. You'll need at least 20% equity to qualify for a re-finance in the future. So if you're down payment is less than 20% to begin with today, it could be sometime before you'll be able to access the equity in your home.

I will show you a way to finance the renovations you want on your home today, for pennies on the dollar, when we meet for our Strategy Session?

### Here's a Quick Snapshot Of What The Purchase Plus Improvement Mortgage Is And How It Benefits You:

When you're qualified for your next home purchase, we'll determine the cost of the potential renovations you'd like to make.

Next, I'll add these costs to your initial mortgage amount. So now you'll be able to borrow the amount to purchase your home **PLUS** the cost of your home renovations, which of course means you get the home you want, in the area you want, with all the fine tuning adjustments you want all included in your monthly payment.

With Purchase Plus Improvements the banks allow you to use the future value of your home once the renovations are complete, immediately!

There is no need to carry both mortgage debt and create new debt because of renovations that need to be completed on your new home, purchase plus improvements allows you to create 1 more mortgage to cover both the purchase and the renovations.

I'll explain this program in detail when we meet for our next "Strategy Session" and remember, I'm here to help you – no matter what – during your next home purchase.

Now when you're shopping for a home in your price range – let your imagination run wild! Don't let an out of date bathroom, unfinished basement or "rustic" kitchen discourage you. You're now free to focus on what really matters to you like: area of the city, schools you want your children to go to, or distance to work or other amenities.

*Let Your Imagination Uncover The "Hidden Gems" You'll Be Looking At That Nobody Else Will See!*

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