Mortgages module

Trainer's introduction

Many people are intimated when negotiating a mortgage. The sums are large, the commitments are long-term, and the language is based on unfamiliar legal terms. Yet, with a little knowledge and a few hours' work, borrowers may be able to save several thousand dollars over the course of a mortgage, or avoid complications that limit their financial choices for years.

This module helps participants understand how mortgages work and how to make sure their mortgage is working for them. It starts with the most basic question: how do the benefits of home ownership compare with those of renting? It then reviews the basic concepts and options of a typical mortgage, and shows how participants can use online calculators to understand their options. Mini-module 3 discusses how to negotiate for a mortgage to get the best value that meets a participant's needs. Mini-module 4 reviews the costs of taking on a mortgage and owning a home to help participants get a realistic idea of the total budget involved.

Learning objectives

After completing the module, learners will be able to:

- Define what mortgages are, how they work, and where to get them
- Describe the main features of common types of mortgages (e.g., fixed, variable, convertible or adjustable rate, open, closed) and explain when each might be an appropriate choice
- Identify the term and the amortization period in the description of a mortgage
- Explain what a mortgage down payment is and how it affects mortgage payments
- Estimate the total cost of a mortgage under varying interest rates, down payments and payment schedules, and choose the best option that meets their needs
- Use a general guideline to estimate the size of mortgage they can afford and how much a financial institution will lend them
- Use consumer tips to get the best deal on a mortgage
- Explain the liabilities, rights and responsibilities of a homeowner with a mortgage
- Explain what personal recourse means in a mortgage and how it can affect their future financial wellbeing
- Explain the role of mortgage brokers and their relationship to a home buyer
- Find mortgage brokers serving their area and choose a broker who will meet their needs

- Describe what mortgage insurance does and who provides it
- List the costs and benefits of mortgage insurance and explain when it is appropriate
- List the main fees that a homeowner typically pays in buying a home and taking on a mortgage (transfer, legal, etc.)
- List the ongoing costs of home ownership (maintenance, property taxes, utilities, etc.)
- Describe the process and potential costs of renewing or transferring a mortgage
- Describe what mortgage fraud is and how to avoid it

Materials/equipment required

- Copies of selected mini-module booklets for participants
- Copies of Activity Handout: Negotiation Role Play for participants (Mini-module 3)
- PowerPoint file: Mortgages
- PowerPoint projector and screen
- Internet connection (if using)

Time required

	To do all the activities in this module would require approximately:	To complete the module in one hour, focus on:
Introduction	• 10 minutes	• Activity 1
1: Owning your home	• 25 minutes	
2: Mortgage basics	• 75 minutes	• Activity 6 (Video: Mortgage basics) • Activity 8 (Mortgage Calculator Tool)
3: Negotiating your mortgage	• 75 minutes	• Activity 10 (Video: Getting the best mortgage deal)
4: Total costs	• 40 minutes	• Activity 13 (Costs of a home worksheet) • Slides 39, 40 • Activity 14 (Questions to ask about mortgages)
7: Action plan	• 5 minutes to get started	• Activity 16 (Action plan)

Suggested activities and PowerPoints

Use the slides together with the text in the online or printed modules. The text provides additional information, items that are not easily represented in a slide, worksheets and other references.

Select the slides you will need for your presentation. *You will not need all the slides if you don't plan to cover all the topics.*

Introduction

Customize the agenda as needed. Introduce the workshop topic and outline the contents.

Slide 1: Mortgages title page

Mortgages

Slide 2: Agenda

Agenda

Start time: ______

Break time: ______ (10 minutes)

End time: ______

Please set phones to silent ring and answer outside of the room.

Activity	**Icebreaker: Factors regarding buying a home**

Have participants complete the worksheet, Factors regarding buying a home, in the Owning your home booklet and review their answers with a partner.

Using the slide, Factors regarding buying a home, if necessary, review their responses by asking questions such as the following:

- What factors were the most positive as an owner? Which were the most positive as a renter?
- Do you think financial factors are as important, more important or less important to you, compared with the non-financial factors listed?
- How can you balance financial and non-financial factors when you think about buying a home?

- **Answer:** There's no simple answer. Everyone has to decide for him or herself which factors are most important, and how important each one is. It's important not to assume that one choice or another is the correct one.

Extend the discussion by asking questions such as the following:

- If there's one thing you want to learn in this session, what would it be?
- What's the most important thing to know about using mortgages to help manage your personal finances?
- If there's one thing you could already tell your best friend about using mortgages to manage your money, what would it be?

Conclude the activity by summarizing some things people already know. Explain that the session is going to build on what people know to help participants use mortgages more effectively.

Slide 3: Factors regarding buying a home

Non-financial factors regarding buying a home

Score each item as negative (–1), neutral (0) or positive (+1) for you as an owner or renter.

Factor	Owner (Score –1, 0 or +1)	Renter (Score –1, 0 or +1)
Long-term financial benefits	0	0
Short-term financial commitment	0	0
Flexibility in investing money	0	0
The best investment opportunity for my money	0	0
Feeling of security	0	0
Feeling of ownership	0	0
Feeling of attachment to community	0	0
Feeling of independence	0	0
Flexibility in moving easily	0	0
Freedom from maintenance	0	0
Total score	0	0

Calculate

Slide 4: Mortgages

This module covers:

- Why you should carefully think through the choice between renting and owning
- The basic types and terms of a mortgage agreement

- The costs of taking on a mortgage and of buying a home
- How to negotiate for the best mortgage deal and avoid problems

Mini-module 1: Owning your home

Slide 5: Title slide: Owning your home

Owning your home

Overview

Slide 6: Owning your home

This section covers:

- The relative costs of renting or buying your home
- The emotional and other non-financial factors that go into choosing whether to rent or buy

Slide 7: Financial costs and benefits of owning

Benefits

- Payments build equity
- No income taxes on sale of primary residence
- Interest charges can be locked until mortgage is renewed

Costs

- Requires down payment
- Interest costs on mortgage
- Sales and transfer charges, fees and commissions
- Property taxes
- Maintenance costs
- Possible loss of equity and other opportunities

Rent or Buy

Slide 8: The buy or rent calculator

GetSmarterAboutMoney.ca
LAuthorite.qc.ca

Activity Buy or rent
Click the image on the slide to demonstrate the Buy or rent tool if you have an Internet connection. (***NOTE:*** *This calculator requires several inputs and has many assumptions. Be sure to review it before demonstrating it.)* Explain that the Buy or rent tool helps Canadians compare the financial results of buying a home against the results of investing the same amount of money in other investments. Ask participants for selection data that they are interested in and then show the results. Point out the Results summary, and how the summary changes as you select different points along the graph. Have participants use the selector tool during the session or later to compare their own rent vs. buy options.

Slide 9: Reasons to rent or own

Owning gives:

- A feeling of security, pride of ownership and attachment
- The right to decorate and renovate
- Independence from landlord's choices

Renting gives:

- The ability to move easily
- Freedom from many of the responsibilities of ownership
- Flexibility in how you invest

Activity Factors regarding buying a home

If you skipped the Icebreaker activity on the Factors regarding buying a home, do the activity now.

Activity Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few participants to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

Slide 10: Summary of key messages

- The financial benefits of renting and owning depend on costs and alternatives
- Many non-financial factors are important, including:
  - Feelings about ownership
  - Feelings about responsibilities
  - Flexibility
- Your choice depends on how important each factor is to you

Mini-module 2: Mortgage basics

Slide 11: Title slide: Mortgage basics

Mortgage Basics

Overview

Slide 12: Mortgage basics

This section covers:

- Down payments
- The term and amortization period of a mortgage
- The differences between open and closed mortgages
- The differences between fixed and variable rates
- Where to get a mortgage
- How to calculate the costs of a mortgage

Slide 13: What is a mortgage?

- A type of loan often used to buy property
- Allows the lender to take possession if you don't repay the loan
- The borrower is the **mortgagor**
- The lender is the **mortgagee**
- The amount borrowed is the **principal**
- Payments cover **interest** plus part of the principal
- The **equity** is the part you own:
    - The difference between the property value and the principal owing

Slide 14: Down payment

- Money you pay up front toward the price of your home
- Minimum is 5%, but some lenders require more
- When the purchase price is above $500,000, the minimum down payment is 5% for the first $500,000 and 10% for the remaining portion.
- Higher down payment means less money to borrow
    - Less interest to pay
    - Less time needed to repay
    - May be able to avoid mortgage default insurance
- May be able to use RRSP for down payment

Slide 15: Pre-approval

- Mortgage lender agrees before you take out a mortgage:
  - Maximum amount of loan
  - Interest rate
  - Other terms
- Saves time when you make an offer
- Locks in an interest rate for a time
- Lets you know what you can borrow
- Mortgage lender gives final approval based on actual purchase

Amortization, term and interest

Slide 16: Mortgage term

- The length of time that the mortgage agreement is in effect
- Mortgage may be renewed when term expires
- Can give stability if terms are pre-set
- Limits ability to look for lower rates
- May be high costs to end term early

Slide 17: Amortization period

- The length of time it will take to fully pay off the mortgage loan
- Longer amortization increases amount of interest paid, but reduces monthly payments
- Longest term permitted is 25 years
- E.g.:

Example

The monthly payments on Andrew's and Marc's $150,000 mortgage would be $894 with a 25-year amortization. The total interest paid over the life of the mortgage would be $118,163. With a 20-year period, their payments would be increased to $1,006, but because they will pay interest for five fewer years, they would pay a total of $91,449 in interest—almost $27,000 less interest in total.

Mortgage information	25-year amortization	20-year amortization
Mortgage amount	$150,000	$150,000
Amortization period	25 years	20 years
Interest rate	5.25%	5.25%
Monthly payment	$894	$1,006
Total interest paid	$118,163	$91,449

Slide 18: Types of mortgages

Open mortgage

- Can pay off or make prepayments any time
- Usually only for a year or less

Closed mortgage

- Limited or no rights to make prepayments
- Usually charges apply to pay mortgage early

Slide 19: Interest rates

Fixed interest rate

- Interest rate is set for entire term
- Payments are fixed
- Secure and predictable

Variable interest rate

- Rate can change during the term
- Adjusted to follow market interest rate

Slide 20: Variable interest payments

With variable interest rate, payments may be:

- **Fixed Payments**
  - Interest rate may change
  - Payments stay the same
  - Amount paid on principal varies
- **Variable Payments**
  - Interest rate may change
  - Payments change if interest changes
  - Amount paid on principal is fixed
- **Convertible** from variable to fixed
- **Combination**

Activity What's the word?

Review the mortgage terms using the What's the word? quiz to ask participants Jeopardy-style questions (e.g., given the clue "The amount of the loan," participants ask "What is the principal?").

Alternatively, have participants work in pairs to fill in the quiz in the Mortgage Basics booklet. Use the following slide to review the correct answers.

Prompt discussion by asking questions such as the following:

- Are many of the terms new to you?
- Are any of the terms hard to understand?
- Can you use the terms to better understand offers from financial institutions?

Slide 21: What's the Word? Answers

1. Mortgage	k) A type of loan that allows the lender to take possession of secured property if you don't repay the loan on time
2. Equity	d) The current market value of a home or property minus the amount remaining on the mortgage
3. Principal	a) The amount of the loan
4. Interest	l) The amount you pay a lender for the use of the lender's money
5. Down payment	f) The amount of money you deposit when you first buy your home
6. Amortization	b) The period of time it will take to pay off a mortgage in full
7. Term	m) The time your mortgage agreement will be in effect
8. Open mortgage	g) A mortgage that you can prepay at any time during the term, without charge
9. Closed mortgage	n) A mortgage that you cannot prepay or change before the end of the term
10. Variable interest rate mortgage	i) A mortgage with an interest rate that can change during the term
11. Fixed interest rate mortgage	e) A mortgage with an interest rate that does not change during the term
12. Variable payments	h) Payments that may change as interest rates change
13. Fixed payments	c) Payments that do not change even if the mortgage interest rate changes
14. Convertible mortgage	j) A mortgage with a variable interest rate that you can change to a fixed interest rate

Activity	Video: Mortgage basics

Introduce the video and give participants a copy of the video response sheet. Have them answer the questions on the sheet as they view the video and when it ends.

Following the video, ask some participants to share their comments with a neighbour or with the group.

Extend the discussion by asking questions such as the following:

- Are any of the terms hard to understand?
- Can you use the terms to better understand offers from financial institutions?

Video response sheet

Name: ________________________________ Date: ________________________________

Name of Video: ____

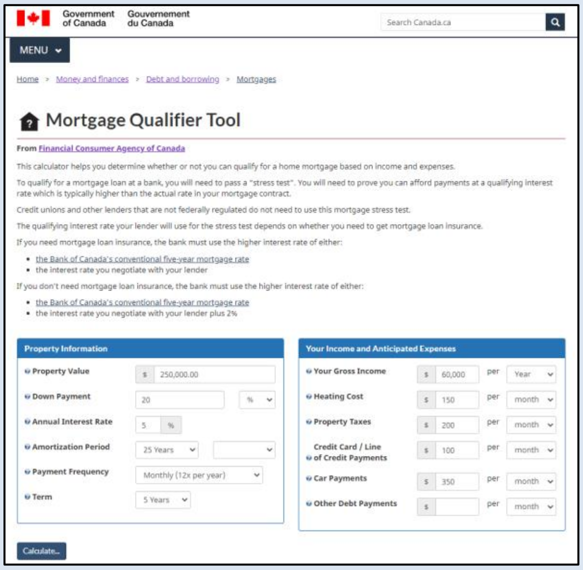
What points in the video do you agree with?	What points in the video do you disagree with?

What points in the video do you need more information about?

If you had to summarize the video for a friend, what would you say were the most important points?

Slide 22: The Mortgage Qualifier Tool

Click here to view tool online



Activity   The Mortgage Qualifier Tool

Click the image on the slide to demonstrate the Mortgage Qualifier Tool if you have an Internet connection. *(**NOTE:** This calculator requires several inputs and has many assumptions. Be sure to review it before demonstrating it.)*

Explain that the Mortgage Qualifier Tool helps Canadians find out what a financial institution is likely to approve with the data supplied. However, it does *not* tell them what they could afford.

Ask participants for input data that they are interested in and then show the results.

Point out the Summary Report, and the cautions at the end of the report.

Prompt discussion by asking questions such as the following:

- Why would it be very risky to borrow up to the limit you are qualified for?
    - **Answer:** It leaves little flexibility in case your finances change, so it's essential to make sure your mortgage payments fit your budget.
- How does this information relate to your family budget?
    - **Answer:** Your budget helps you find out what mortgage payments you can make together with your other financial commitments. The Qualifier tells you the maximum a financial institution is likely to lend.

Have participants use the selector tool during the session or later to compare their own mortgage options.

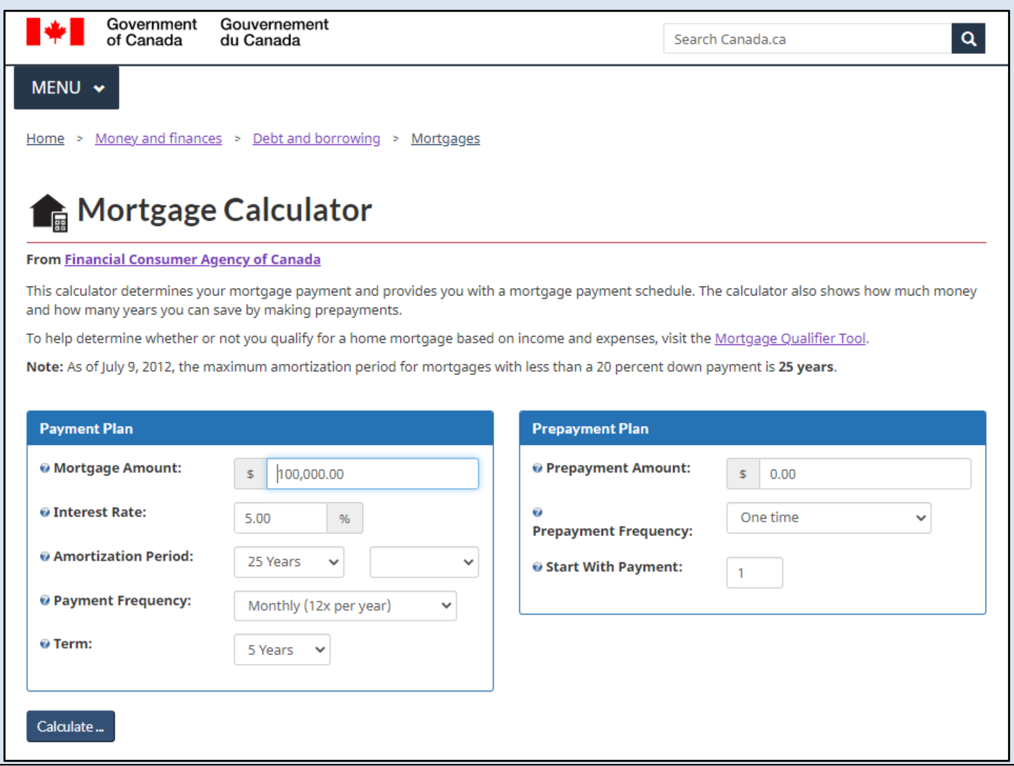
Slide 23: Payment Options

Main payment schedule options

Payment frequency	Description	Payments	Total cost
Monthly	One payment per month for a total of 12 in a year.	$581.50	$174,481.50
Semi-monthly (twice a month)	Two payments per month for a total of 24 in a year. • With this option, the total amount you pay over the year is the same as with the monthly payment (monthly payment ÷ 2), but half of the payment is applied sooner.	$290.65 twice per month	$174,390.66
Biweekly (every two weeks)	A payment every two weeks. • Since there are 52 weeks in a year, the total number of payments over the year is 26 (52 ÷ 2). • This option keeps the total payment over the year the same as with the monthly payment (monthly payment x 12 months ÷ 26).	$268.28 every two weeks	$174,383.67
Accelerated biweekly	A payment of half the monthly payment every two weeks. • Since there are 52 weeks in a year, you will make 26 payments a year (52 ÷ 2). • With this payment frequency, you will make the equivalent of one extra monthly payment per year. • You will pay off your mortgage faster and save in interest charges.	$290.80 every two weeks	$162,394.64
Weekly	One payment per week for a total of 52 in a year. • The total annual payment remains the same as with the monthly payment (monthly payment x 12 months ÷ 52).	$134.11 every week	$174,341.73
Accelerated weekly	A payment of one quarter of the monthly payment every week. • With this payment frequency, you will make the equivalent of one extra monthly payment per year. • You will pay off your mortgage faster and save in interest charges.	$145.40 every week	$162,257.04

Slide 24: The Mortgage Calculator Tool

Click here to view tool online



Activity The Mortgage Calculator Tool
Click the image on the slide to demonstrate the Mortgage Calculator if you have an Internet connection. *(**NOTE:** This calculator requires several inputs and has many assumptions. Be sure to review it before demonstrating it.)* Explain that the Mortgage Calculator helps Canadians find out what the payments would be with different mortgage options. Demonstrate the effect of changing the amortization period and payment frequency. Ask participants for input data that they are interested in and then show the results. Point out the Summary Report and advise participants that there are many additional costs involved in buying and owning a home, so they have to be considered as well in an overall budget. Prompt discussion by asking questions such as the following: • How could you use the information in the calculator?   ○ **Answer:** You can find out the financial possibilities and how they change before talking to a mortgage specialist, and plan the best way to arrange your payments and other mortgage options. Have participants use the calculator tool during the session or later to compare their own mortgage options.

Activity Summary of key messages
Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session. Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide). Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

Slide 25: Summary of key messages

- In a mortgage, you can choose:
  - The amount of the down payment you can pay
  - The amortization period that will best fit your monthly budget
  - An open or closed term mortgage
  - A fixed or variable interest rate
  - Fixed or variable payments
  - A monthly, weekly, biweekly or accelerated payment schedule
- The key factor in choosing a mortgage is what you can afford in your monthly budget
- A mortgage calculator will help you compare the costs of different mortgage options

Mini-module 3: Negotiating your mortgage

Slide 26: Title slide: Negotiating your mortgage

Negotiating your mortgage

Overview

Slide 27: Negotiating your mortgage

This section covers:

- How can you get the best deal when you negotiate your loan
- Your rights and responsibilities when you have a mortgage
- What happens when your mortgage term is up and you want to renew
- Alternative ways to use your home equity
- How to be alert for mortgage frauds

Slide 28: Where to get a mortgage

- Financial institutions
    - Banks
    - Trust companies
    - Caisses populaires
    - Credit unions
- Certain life insurance companies
- Finance companies
- Mortgage brokers
- The seller of the home
- Mortgage, down payment or guarantee from family and friends

Slide 29: Mortgage brokers

- Have knowledge and skills to negotiate mortgages
- Represent a variety of lenders
    - May represent only a few lenders
- Paid a fee by the lender
- Regulated by province or territory
- Interview and check references before selecting a broker

Negotiating a mortgage

Activity	Video: Negotiating your mortgage

Introduce the video and give participants a copy of the video response sheet. Have them answer the questions on the sheet as they view the video and when it ends.
Following the video, ask some participants to share their comments with a neighbour or with the group.
Extend the discussion by asking questions such as the following:
• What terms are important to negotiate?
  ○ **Answer:** Interest because it affects cost, but other terms such as fees and prepayment options can also be important to you.
• How can you get the best negotiating position?
  ○ **Answer:** Research by interviewing several local lenders to find out what terms are available. And be prepared to show that you have a good credit rating.	

Video response sheet Name: ___________________________________ Date: ___________________________________ Name of video: ____	
What points in the video do you agree with?	What points in the video do you disagree with?
What points in the video do you need more information about?	
If you had to summarize the video for a friend, what would you say were the most important points?	

Activity	Negotiation role play

Divide participants into pairs, and give them copies of the Activity handout. Review the instructions and have the pairs carry out the role plays. After each scenario, ask pairs to tell the group what worked best and what did not.

Ask a pair to act out Scenario 3 for the class to observe. Ask the class to offer constructive suggestions on how the borrower could negotiate more successfully.

Alternative: Take the role of the lender, and act out all the scenarios with volunteer participants. Or invite a mortgage lender to help facilitate the discussion.

Extend the discussion by asking questions such as the following:

- How could the borrower have negotiated more successfully?
- What makes a negotiation most successful?
  - **Answer:** Good preparation, knowledge, self-confidence.
- How can you use what you learned in the role plays to improve your own negotiating?

Activity handout: Negotiation role play

Form pairs and choose a role as lender or borrower. (Later you will reverse roles.)

Review Scenario 1, and then act out a meeting between the lender and the borrower. Focus on making a good business case to support the mortgage, and then on how to make the application appear as positive as possible. Each wants to make the best mortgage deal he or she can in a reasonable and business-like way. You can negotiate for the best interest rate, payment schedule or any other terms you would like.

When your instructor tells you to, stop and discuss what aspects of the mortgage discussion created a positive impact for the borrower. What would add to the business case or the way it was presented?

Reverse roles and repeat the process using Scenario 2.

Scenario 3 will be used to act a role play for the whole class.

Scenario 1
The borrower would like to borrow $150,000 to buy a home priced at $180,000; the borrower has $30,000 saved for a down payment. The borrower knows that the credit union, where she/he has had a daily banking account for 15 years, will offer a five-year loan at a rate

of 4.5%. The lender advertises a three-year loan at 3.5% for qualifying customers who do all their banking at the same institution.

Scenario 2
The borrower and his/her partner want to buy a condominium for $205,000. They have saved $20,000 for a down payment. The lender is the first they have approached, but they have seen rates advertised between 4% and 7% for a two-year closed mortgage. They think they can budget up to $1,100 a month for payments (at 5%, monthly payments will be about $1,075). The lender advertises a two-year variable mortgage at 4.9%, but charges 5.5% for a two-year fixed mortgage.

Scenario 3
The borrower is looking for mortgage pre-approval to buy a house in the range of $240,000 to $275,000. The borrower has $25,000 saved, and has an income of $60,000 a year. With this income, the borrower will not approve a mortgage of more than $220,000 at an interest rate of 5%. The borrower would like to increase the pre-approved amount to $250,000. Other institutions have offered to pre-approve up to $250,000 at a rate of 3.9%, but only for a variable two-year term.

Slide 30: Mortgage rights and responsibilities

Your rights

- Lender must give clear information about terms such as interest and penalties
- Borrower can go to a new lender when term ends
- Lender can not force borrower to buy other products
    - But may offer better terms for a package deal
- Lender must have a process for complaints

Your responsibilities

- Understand terms of the mortgage
- Make payments in full and on time
- Make full repayment
    - You are responsible even if property value drops

Tip:

If necessary, assign participants to read the following topics in the Negotiating Your Mortgage booklet.

Slide 31: Mortgage renewal

If you owe money when the term ends, you can:

- Pay the balance owing or renew
- Choose terms that fit your needs
- Compare terms from different lenders
- Research costs of a new mortgage
- Negotiate for the best terms

Slide 32: Renegotiating a mortgage

- If you want to change the agreement before the term ends:
  - May be prohibited
  - May be prepayment fees to end early or pay extra
- Compare the fees with the benefits of renegotiating
  - Ask lender to provide details
  - Search for online renegotiation calculator

Slide 33: Borrowing on home equity

If you have equity in your home:

- You can use the equity as security for a loan
- Interest may be higher (or lower) than mortgage interest
- May be extra fees and costs
- Carefully consider costs and alternatives, including:
  - Refinance mortgage for a larger amount
  - Second mortgage
  - Home equity line of credit (HELOC)
  - Reverse mortgage
  - Borrow back any prepayments

Slide 34: Mortgage fraud

- Usually based on identity theft or misrepresentation
  - Protect personal documents
  - Get professional advice when signing property documents
  - Check your credit report regularly
    - Equifax (www.equifax.ca)
    - TransUnion (www.tuc.ca).

- Consider benefits and costs of title insurance
- If you suspect fraud, contact your lender and the police

Activity	Summary of key messages
Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session. Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide). Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.	

Slide 35: Summary of key messages

- Many sources of mortgage financing
- Negotiate for the best deal
- Consider using a mortgage broker
- Be aware of your rights and responsibilities
- Consider the costs and benefits of home equity financing
- Be alert to the possibility of fraud

Mini-module 4: Total costs

Slide 36: Title slide: Total costs

Total costs

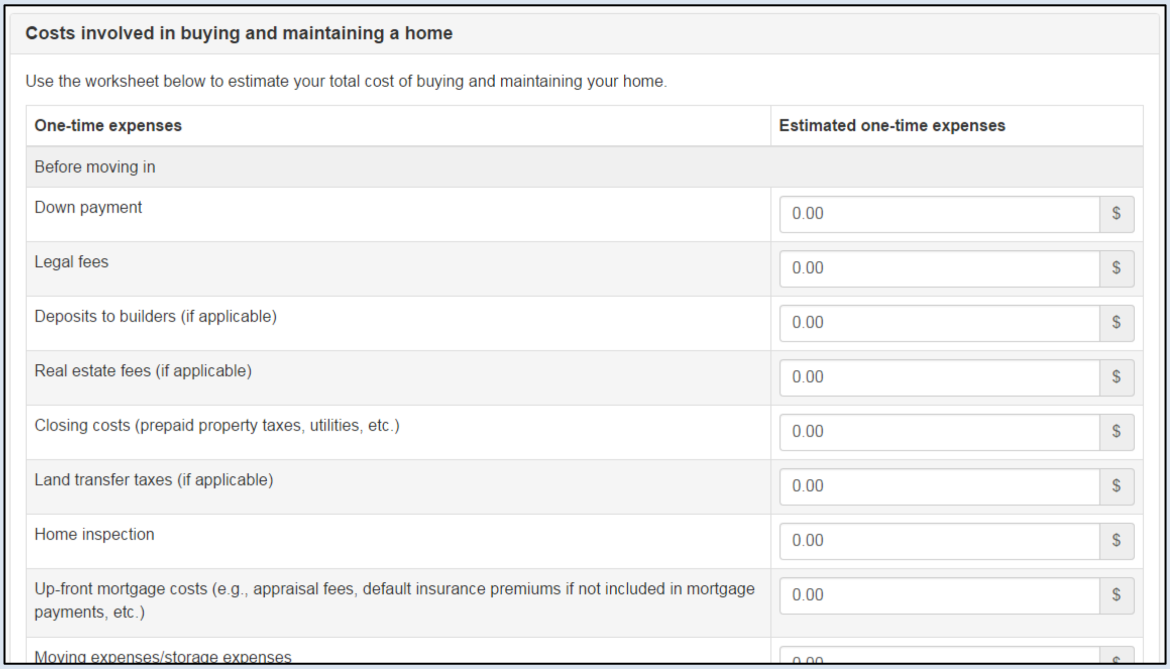
Overview

Slide 37: Total costs

This section covers:

- The costs of buying and maintaining a home
- Mortgage insurance
- Questions to ask about mortgages

Slide 38: The cost of a home



Costs involved in buying and maintaining a home

Use the worksheet below to estimate your total cost of buying and maintaining your home.

One-time expenses	Estimated one-time expenses
Before moving in	
Down payment	0.00 $
Legal fees	0.00 $
Deposits to builders (if applicable)	0.00 $
Real estate fees (if applicable)	0.00 $
Closing costs (prepaid property taxes, utilities, etc.)	0.00 $
Land transfer taxes (if applicable)	0.00 $
Home inspection	0.00 $
Up-front mortgage costs (e.g., appraisal fees, default insurance premiums if not included in mortgage payments, etc.)	0.00 $
Moving expenses/storage expenses	0.00 $

Activity — The costs of a home worksheet

Click the image on the slide to demonstrate the Costs of a home worksheet if you have an Internet connection. *(**NOTE:** This calculator requires several inputs and has many assumptions. Be sure to review it before demonstrating it.)*

Explain that the Costs of a Home Worksheet helps Canadians estimate the total costs of buying and maintaining a home. It includes items that are often overlooked and helps people plan accurately when budgeting for a new home. A similar version is in the Total Costs booklet.

Ask participants for typical cost data to input and then show the results.

Point out the link to the FCAC budget worksheet, or refer to the Income, Expenses and Budget module in the Financial Toolkit. Explain that the costs of a home have to be part of a total household budget.

Prompt discussion by asking questions such as the following:

- What items could you forget to plan for without the worksheet?
- How does this information help you plan a new home budget?
    - **Answer:** It includes one-time expenses and ongoing costs that you have to be able to cover from the income in your budget. You can use it together with a detailed family budget.

Have participants use the budget worksheet during the session or later to compare their own mortgage options.

Protecting your mortgage

Slide 39: Mortgage default insurance

- Pays the lender if you default on mortgage
- Required if down payment is less than 20%
- May be a lump sum or included in mortgage
- Adds from 0.5% to 3% to cost of loan

Slide 40: Other mortgage insurance

- Mortgage life insurance
  - Pays lender if you die
- Mortgage disability insurance
  - Pays lender if you become disabled
- Term life insurance
  - Pays your beneficiary if you die
  - You set the term and who receives payment
  - Payout is not tied to mortgage

Activity Questions to ask about mortgages

Refer participants to the Questions to ask about mortgages worksheet in the Total costs booklet. Explain that the worksheet helps them make sure they have the information they need before they take out a mortgage.

Have participants who are considering a mortgage, or who think they may in the future, fill in the worksheet with as much information as they can.

Prompt discussion by asking questions such as the following:

- What items do you need to get more information on?
- How does it help to compare the responses from different lenders?
  - **Answer:** The worksheet helps make sure you have all the information you need from different lenders, and in a similar format so you can compare it.

Have participants use the budget worksheet during the session or later to compare their own mortgage options.

Activity	Summary of key messages

Have participants in pairs or small groups discuss and write down the three or four most important things they learned during the session.

Ask a few to compare their lists with the Summary of key messages (in the text or PowerPoint slide).

Clarify any misunderstandings and point out how the messages build on the topics participants identified in the first activity.

Slide 41: Summary of key messages

- Plan for all the costs of a new home or mortgage
- Consider what insurance, if any, you will need
- Ask questions so you can compare different lenders

Mortgages Action plan

Activity	Mortgages Action plan

Have participants review the Mortgages Action plan. Refer to the slides as necessary.

Have participants check off any action that they may need to take. Ask participants to decide when and how they will take the action they need.

Ask if any participants are willing to share their plans for action.

Extend discussion with questions such as the following:

- What's the first step you need to do to better manage your mortgage (or mortgage application)?
- What items on the checklist need the most work?
- What makes some items on the checklist harder to do than others?
- What other types of problems with mortgages do you need more information about?

Slide 42: Mortgages Action plan: Before you make an offer

	See section	I'm OK	Needs work
Before you make an offer:			
I've saved the largest amount I can for my down payment and first year costs.	Planning your purchase		
I've worked out a budget—including my expected mortgage payments, moving and household costs—and I'm comfortable with the results.	Planning your purchase		
I've used the Mortgage Qualifier Tool to find out the maximum I could borrow on a mortgage.	Mortgage costs		
I've checked my credit rating to fix any errors and raise my score if possible.	Credit and Debt		
I've talked to a variety of financial institutions or mortgage brokers to find the best rates and terms for a mortgage loan.	Getting the best deal		
I've got a loan pre-approved at the financial institution I prefer.	Where to get a mortgage		

Slide 43: Mortgages Action plan: For a new mortgage

For a new mortgage:			
I've checked that the mortgage rate and terms are the best I can get.	Getting the best deal	○	○
I've decided whether I want an open or closed term mortgage.	Types of mortgages	○	○
I've decided whether I want fixed or variable interest rates and payments.	Interest rates	○	○
I've decided whether I want monthly, weekly, biweekly or accelerated payments.	Payment options	○	○
I know when I can make prepayments without a prepayment charge (if any).	Renewal	○	○
I know what the costs will be to renegotiate the mortgage.	Renegotiation	○	○
I've decided whether I want mortgage insurance, and which type is best for me.	Protecting your mortgage	○	○

Slide 44: Mortgages Action Plan: For a mortgage renewal

For a mortgage renewal:			
I've used my prepayment rights to minimize the amount of the loan before renegotiating an existing mortgage.	Renewal	○	○
I've talked to a variety of financial institutions or mortgage brokers to find the best rates and terms for a mortgage loan.	Getting the best deal	○	○
I've researched renewal terms in advance and I'm satisfied that the mortgage rate and terms are the best I can get.	Getting the best deal	○	○
I've decided whether I want an open or closed term mortgage.	Types of mortgages	○	○
I've decided whether I want fixed or variable interest rates and payments.	Interest rates	○	○
I've decided whether I want monthly, weekly or accelerated payments.	Payment options	○	○
I know when I can make prepayments without a prepayment charge (if any).	Renewal	○	○
I know what the costs will be to renegotiate the mortgage.	Renegotiation	○	○