Mortgage Explorer
Guide

SCU

Trail Guide

Mortgage Explorer Guide

As any experienced hiker will tell you, you don't set out on a multi-day trek without the correct gear. And even if you've splurged and bought a three-pound tent and state-of-the-art water filter, you still won't be able to finish the hike if you don't know how to properly use them.

The same goes for borrowing. You might have your end destination in mind, and even the right products to get there, but it's important to understand how best to use them to make informed decisions. Consider this guide your instruction manual to all the great gear in your mortgage backpack. It'll tell you how the tools work, when to use them, and how to use them most effectively.

This guide is intended to walk you through every stage of home ownership. Whether you're just starting your journey or you're familiar with a lot of the information, you can easily skip to the sections that are most relevant to you. And, if you still have questions or want some expert advice, we're here to help.

Call us at 1.800.728.6440 or book an appointment online at scu.mb.ca/booknow to discuss your next steps.

1.0 The ABCs of Mortgages

Buying a home is more than a financial transaction—it's an investment in your future.

A mortgage is a reality for many homeowners, especially when buying your first home. A mortgage is a type of loan that allows you to buy a home or borrow against the value of a home you already own.

Translating mortgage terms

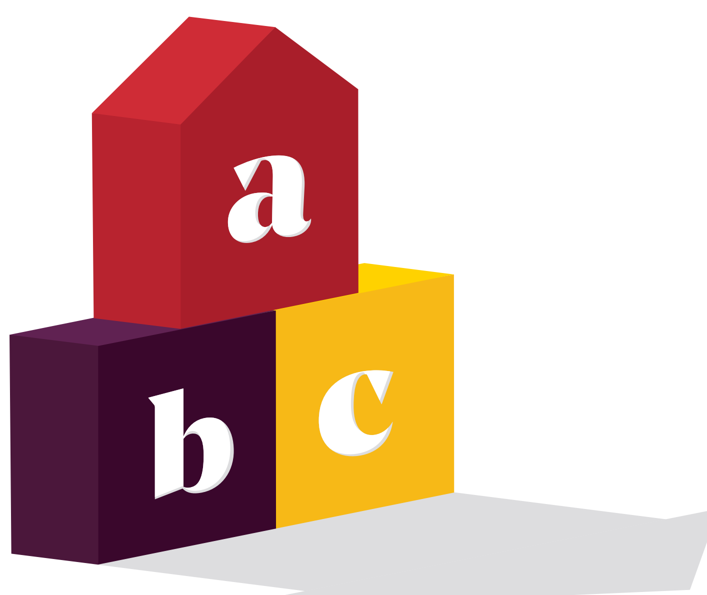
Before diving into the ins and outs of home ownership, there are a few terms you need to know in order to make the most of your mortgage at SCU. Keep in mind that some of these terms and conditions will vary depending on the financial institution.

1. **Amortization period:** This is the length of time it will take for you to pay off your mortgage. At SCU, the maximum amortization period is 30 years for most mortgages.*
2. **Mortgage interest rate:** There are two primary types of mortgage rates:
   - The first is a fixed rate, which offers a guaranteed rate of interest and set payment amounts for a specified period of time
   - The second type is a variable rate, which changes your interest rate over the term, meaning the amount you pay for principal and interest fluctuates.
3. **Mortgage term:** This is the length of time that you lock in your interest rate and mortgage type, and typically ranges from one to five years. You'll likely have several terms over the course of your mortgage amortization period.
4. **Down payment:** This is the amount of money you're putting toward the purchase of your home.
5. **Mortgage default insurance:** This is a type of insurance used when a buyer puts less than 20% down, and protects the financial institution should the borrower default.
6. **Mortgage principal:** Refers to your outstanding mortgage balance.
7. **Rate guarantee:** A guaranteed mortgage rate for a set period of time, giving you time to find the perfect home and protecting you if interest rates increase.
8. **Payment frequency:** This is how often you'll make your mortgage payments.
9. **Pre-payment privileges:** Allow you to pay an additional amount of 20% without incurring a penalty. Learn more about pre-payment penalties on page 16.
10. **Closing costs:** The extra administrative and legal fees above your down payment that you'll pay when buying a home. It's a good idea to budget an extra 2-3% of your purchase price to account for these expenses, including land transfer fees.
11. **Home equity:** The difference between what you owe on your mortgage, and the assessed value of your home. In a nutshell, it's the percentage of your home you own.
12. **Mortgage appraisal:** A professional assessment of a home's value. Mortgage appraisals are often required when you buy, sell, or refinance your home.
13. **Stress test:** A test banks are required under federal regulation to use to ensure you're able to make mortgage payments should your mortgage rate increase.

    Credit unions are regulated provincially and therefore not subject to stress tests on conventional purchases.

    SCU lending specialists are experts in the local housing market and applications are reviewed and decisions made locally and since applications are reviewed locally, you'll get answers you need fast.

**Posted mortgage rates apply to 25-year amortization period or less. See your lending specialist for rates on mortgages with alternative amortization periods.*



To rent or to buy?

RENTING MIGHT BE THE RIGHT OPTION IF YOU:

- ❏ Are living on your own for the first time and want to experience the responsibility of paying monthly bills and utilities before buying a home
- ❏ Don't have enough money saved for a down payment
- ❏ Are working to improve your credit score and pay down debt before buying a home
- ❏ Want less responsibility for home maintenance and outdoor upkeep
- ❏ Aren't able to comfortably afford the additional costs that come with home ownership
- ❏ Don't mind following your rental's rules
- ❏ Want the flexibility to move without paying a penalty when your lease ends

HOME OWNERSHIP MIGHT BE THE RIGHT OPTION IF YOU:

- ❏ Have enough money saved for a down payment (at least 5%)
- ❏ Have job security and are past the probation period
- ❏ Have savings to cover closing costs
- ❏ Are looking for a sense of stability and responsibility that often comes with home ownership
- ❏ Have done the math and it makes more sense to purchase over renting after factoring in payments, maintenance, taxes, and the missed opportunity costs of not purchasing a home
- ❏ Want to build equity that can be used for future purchases or renovations
- ❏ Have a stable income and can cover additional house costs
- ❏ Like to choose the look and feel of your home, and want the flexibility to make improvements to suit your preferences
- ❏ Plan to live in the same area for at least the next few years

Wondering if home ownership is financially beneficial for you? Compare your mortgage and rent payments using our online calculator: scu.mb.ca/mortgage-calculators

2.0 The home buyer's journey

The home buyer's journey

What exactly can you expect from the home buyer process? Here's a step-by-step guide to receiving your financing. While the process will differ slightly for specialized mortgages like self-builds, contract-builds, or rental properties, this will provide you with a good overview.

01 **Save for your down payment**

1. **Save for your down payment:** The first step is to determine how much you will need to save. Review your budget and evaluate your income and expenses to determine how much house you can comfortably afford. We can work with you before you're even ready to buy to help you understand your budget, address any issues, and come up with a strategy to pay down debt.

HOT TIP

Visit **page 5** for tips on how to start saving for your down payment.

02 **Pre-approval**

2. **Get a pre-approval:** Your pre-approval meeting is a crucial step in the home-buying process. During this meeting, a lending specialist will help you find the right mortgage solution; pre-qualify you for a maximum mortgage amount; and offer you a guaranteed rate for a set period of time while you look for the perfect home and protect you if interest rates increase.

HOT TIP

Before coming to your pre-approval meeting, ask yourself, "How much can I comfortably afford while maintaining my lifestyle?" rather than asking your lending specialist about the maximum they're willing to lend.

03 **Find your home**

3. Find your home: Once you've had your pre-approval meeting and are ready to start house hunting, the next step is to determine what you're looking for in a home. This is a time to figure out what you need, and where you are willing to compromise. After all, if everything on your list is a need, you may only find homes at the top of your budget or higher.

HOT TIP

If you're buying your first home, keep in mind that as you grow financially, some of your wants will come in time — which is why you shouldn't expect them all right away.

4. Make an Offer to Purchase: An Offer to Purchase is a legally binding contract where you make the seller a formal offer to buy their home. In most cases, your realtor will prepare the Offer to Purchase, but in some instances, like a private sale with no realtor involved, it's recommended you work with your lawyer to create one.

HOT TIP

A pre-approval is not a guarantee your financing will be approved once you choose to put an offer on a home. When submitting an Offer to Purchase, it's a good idea to make your offer subject to approval of financing, even if you're pre-approved.

04 **Offer to purchase**

05 **Welcome home!**

5. Finalize your financing: We'll call you to finalize your terms before you move into your new home.

HOT TIP

When finalizing your financing, it's a great time to open separate savings accounts dedicated to home maintenance expenses and property taxes. Set up regular pre-authorized debits into those accounts so you can build your savings without even thinking about it.

Saving for your down payment

Coming up with a down payment can seem like a daunting task, but it doesn't have to be if you have a good game plan. Every small amount you save now will move you toward your goal. And while options for a lesser down payment may seem tempting (and even make sense), the size of down payment you can afford now can have a long-term impact on your finances, determining your monthly mortgage payments and your initial home equity.

1. Test-drive your budget

The first step in saving is to determine how much you will need. Review your budget, evaluate your income and expenses, and determine how much house you can afford. Try to deposit an amount similar to your mortgage payment into a High Interest Savings Account (HISA) savings account every month. Another idea is to deposit the cost of your property taxes, so you get comfortable adding that to your monthly costs.

2. Automate your savings

Commit to saving first by automating. It's easy to set up a pre-authorized debit from your chequing to a HISA. Or, consider moving money into a TFSA, which will give a higher rate of return on your investment, boost your savings, and shelter your savings from taxes.

3. Invest your extra income

As you work toward your saving goal, consider setting aside any "one-time" income that comes your way. Bonuses, tax refunds, gifts, and side-income earnings can substantially move you toward your goal.

4. Take advantage of first-time home buyers' programs

If you're a first-time home buyer, two accounts can help make your home purchase more affordable. The first is your RRSP. Through the Home Buyers' Plan (HBP), you can withdraw up to $60,000 to top off your savings and increase your down payment. This will reduce your monthly payment and give you room in your budget to pay back your RRSP over time. Keep in mind you will have to pay back the funds within 15 years.

Another option is the First Home Savings Account (FHSA), a registered savings account that allows you to save up to $8,000 annually ($40,000 lifetime) to use toward the purchase of your first home. Contributions made to the FHSA are tax-deductible and withdrawals used to purchase your first home, including the investment income, are non-taxable. Unlike with the HBP, you do not have to pay back the funds.

Learn more about the FHSA at **scu.mb.ca/fhsa**

5. Set goal milestones

Remember to celebrate! Saving toward a long-term goal like a house can be challenging. Finding important milestones to celebrate can keep you on track.

Factors affecting your mortgage eligibility

1. **Income:** Income plays a significant role in determining how much you can borrow, as your lending specialist will look at the percentage of your gross income you plan to spend on housing costs, including your mortgage and property taxes. This total is called your **Gross Debt Service Ratio** (GDSR). Ideally, you want your GDSR to stay below 32% — that way, you won't extend yourself too much.

HOT TIP

If you're considering buying a condo, keep in mind you'll also be paying an additional monthly maintenance fee to cover upkeep and replacement of common areas, including the condo's amenities. These fees are required, whether you use the common spaces or not.

2. **Employment status:** Your lending specialist needs to know how long you've been employed at your current job, as well as the stability of your income. This is because they want to make sure you have a consistent income to make regular mortgage payments. If you are self-employed or your job is seasonal, they'll need to know your financial plan to ensure you can make your mortgage payments.

3. **Assets:** Your lending specialist will ensure you have the funds to cover all the costs associated with buying a home, including your down payment, closing costs, and legal fees.

4. **Down payment:** The size of your down payment will affect whether you require mortgage default insurance, which requires additional approvals.

5. **Total Debt Service Ratio (TDSR):** This is the percentage of your gross income spent paying down debt. For most homeowners, you shouldn't exceed more than 40% of your income. However, you may want to aim for a lower percentage so you're able to put money into savings at the same time.

6. **Credit score:** Having "good" credit — which is determined by what's known as your "credit score" — will increase your lender's confidence in your ability to handle your new mortgage. The higher your score, the more responsible you've shown yourself to be with credit. This credit score includes your history with credit cards, loans (personal, vehicle, student, etc.), mortgages, lines of credit, and store accounts.

HOT TIP

To learn more about how credit works, and ways to improve your credit score, read our credit advice articles on Insights & Advice online.

7. **Location:** The location and neighbourhood you plan to live in will affect your pre-approval. This is partly because your lending specialist wants to ensure the value of your property is worth what you're paying, and also to ensure you can comfortably afford the property taxes each year.

8. **Mortgage type:** Are you buying a primary residence, vacation home, or rental property? Your mortgage type and down payment may differ based on whether it's a primary, vacation, or rental property. Always consult a lending specialist to find the right mortgage for your needs.

Calculating your GDSR and TDSR

Calculating Gross Debt Service Ratio (GDSR)		Calculating Total Debt Service Ratio (TDSR)	
Mortgage payment	$900	Housing costs	$1,250
Property taxes	+ $150	Loan payment	+ 300
Utilities	+ $200	Credit card payment	+ $100
Gross monthly income	$4,200	Gross monthly income	$4,200
GDSR	**29.76%**	**TDSR**	**39.28%**

Determine how much house you can comfortably afford, estimate your mortgage payments, and more at scu.mb.ca/mortgage-calculators

Seven ways to improve your mortgage eligibility

1. **Build good credit habits:** Show you can be responsible with credit by keeping your credit card balance to a maximum of 60% of your approved limit, limiting your number of credit cards and credit applications, and paying off your debts on a consistent schedule.

2. **Get pre-approved:** Before you start house shopping, ask your lending specialist what they need before they can give you an approval. This will help you address any barriers to approval before you put in an offer.

3. **Earn a stable income:** Show you're able to maintain a stable income by maintaining a steady source of employment. If you're self-employed, lenders will look at a two-year average from your notice of assessment (with some exceptions, depending on your individual situation).

4. **Work to pay down debt:** Take inventory of all of your debts, including credit cards, loans, in-store financing, and CRA payments, then work to lower your debt ratio.

5. **Have your paperwork ready:** It might seem simple, but incorrect or missing information is a common reason why your application might not go through quickly. Review our pre-approval checklist on **page 9** for all the necessary documents.

6. **Do your homework:** Research the housing market and have a good idea of how much you need to borrow to meet your housing needs; considering what you can afford while maintaining your current lifestyle.

7. **Consult with a specialist:** Understanding all of the options available to you, and deciding which choice is best for your unique situation can be challenging. In working with a lending specialist, you can receive sound advice and guidance every step of the way. A lending specialist can offer sound advice and walk you through each step of the process.

What about a co-signer?

If you don't qualify for a mortgage on your own, there's a potential for you to have someone — typically an immediate family member — co-sign on your mortgage. Essentially, this means that if you're not able to make your mortgage payments, the co-signer agrees to pay on your behalf. This mitigates risk for the financial institution, making it easier for you to qualify for a mortgage.

CONSIDERATIONS FOR CO-SIGNERS

- **Ensure you are financially able to co-sign:** You should only consider co-signing on a mortgage if you're confident in the borrower's ability to make their mortgage payments on their own. However, if the unexpected happens, are you able to make the extra mortgage payments? Test drive your budget to see how this would affect your own finances.
- **Know the borrower's financial situation:** Find out why the borrower needs a co-signer in the first place. For example, if their credit score is poor because of a history of unpaid bills, it may be better for them to build good financial habits before they get a mortgage.
- **Evaluate the impact on your own borrowing power:** Co-signing will affect your ability to receive future financing, since that mortgage is added to your Total Debt Service Ratio (see **page 6** for review). In addition, if the borrower is late on their mortgage payments, it can negatively impact your own credit score.
- **Be realistic about the timeframe:** When you co-sign a mortgage, you will remain responsible until the lending specialist decides the risk is diminished. That means you may remain a co-signer past the first few years, depending on the situation.
- **Help the borrower look for alternative options:** If possible, point to other options to help the borrower increase their chances of being approved for a mortgage, or offer to give them financial assistance in saving for a down payment. For tips on how to improve mortgage eligibility, visit **page 7**.
- **Get a second opinion:** If you're not sure if co-signing is the right choice for you, ask your lending specialist to walk you through the risks and benefits before you decide.

You can reach out to us at any time by visiting scu.mb.ca/booknow

GET READY FOR YOUR

mortgage pre-approval meeting

Your pre-approval meeting is a great opportunity to ask us questions and explore your mortgage options. During this meeting, we'll work together to:

- Help you find the right mortgage solution
- Pre-qualify you for a maximum mortgage amount
- Offer you a guaranteed rate for a set period of time, giving you time to find the perfect home and protecting you from rate increases

Here is what you'll need to bring to your meeting

ONE PIECE OF LEGAL, GOVERNMENT-ISSUED PHOTO ID

- [ ] Passport
- [ ] Permanent Resident Card
- [ ] Citizenship Card *(only cards issued prior to 2012 are accepted)*
- [ ] Provincial or Territorial Identity Card *(e.g., Manitoba Enhanced Identification Card)*
- [ ] Secure Certificate of Indian Status
- [ ] Foreign Passport
- [ ] Foreign Driver's License

PROOF OF INCOME *Two supporting income documents, such as:*

- [ ] 2 Recent pay stubs
- [ ] Bank statements showing direct deposits OR payroll direct deposit to your SCU account
- [ ] Most recent T4
- [ ] TI General *(personal tax return)*
- [ ] Current employment letter

If you are self-employed, you'll need to bring 2 years of Personal Income Tax Returns and Financial Statements.

LIST OF ASSETS

- [ ] Proof of down payment *(3 months statements of bank account or gift letter)*
- [ ] Vehicles *(year, make, model)*
- [ ] Recreational vehicles
- [ ] Investments/Pension
- [ ] RRSP/TFSA/FHSA
- [ ] Owned property
- [ ] Other real estate holdings

LIST OF LIABILITIES

- [ ] Existing mortgages
- [ ] Balance of mortgage and monthly payment
- [ ] Property tax amount
- [ ] Credit card balances
- [ ] Car loans
- [ ] Lines of credit
- [ ] Cosigned or guaranteed loans
- [ ] Student loans
- [ ] Child support payments
- [ ] Spousal support payments

3.0 Choosing the mortgage that's right for you

Custom mortgages designed for you

Congratulations! Now that you've decided to buy your first home, move, build new, or renovate, it's time to explore your mortgage options and make it happen. It all starts with a mortgage from SCU—made to fit your needs and lifestyle today, and in the future.

Every homeowner is unique, and your mortgage should be, too. A great place to begin is by making a list of your financial goals and ranking them by importance. Instead of trying to fit into a mortgage, let your needs and goals guide your decision. Whether you're looking for competitive rates, seeking flexible repayment options, leveraging your home equity, or are new to Canada, we have a custom mortgage designed for you.

The Classic
Conventional Mortgage

You're dreaming of backyard BBQs and planting a vegetable garden and are ready to take the plunge into the housing market and purchase your first home. All you need now is a competitive, flexible, and custom mortgage that fits your needs and lifestyle — today and in the future. It's a big step but you're ready to take it and SCU is here to help with a tried-and-true classic mortgage.

- Receive a rate guarantee shielding you from rate increases following your pre-approval meeting
- Up to 30 years to repay your mortgage**
- Minimum 20% down
- Pre-payment privileges allow you to pay up to an additional 20% on your principal annually

***Conditions may apply*

The Toolbelt
Self-Build Mortgage

You're handy with a hammer, wear a well-stocked toolbelt, and have the vision and the skill to build your new dream home on land you own. All you need now is a customized mortgage that's as capable as you. If you have your down payment and are ready to roll up your sleeves and be your own contractor, then the self-build mortgage may be a perfect fit for you. Additional benefits include:

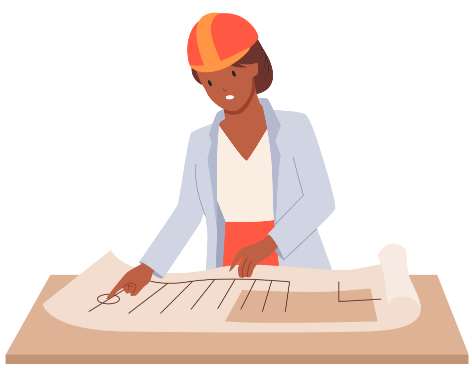
- Leverage your sweat equity to ensure you have sufficient funds to complete your build should you need to hire subcontractors
- Choose up to a 30-year amortization period,** with a 20% down payment
- If selling a home while building, SCU allows a one-time lump sum above the 20% maximum.
- Your financing budget includes a 10% contingency to manage overages
- An 18-month interest-only period to protect your cash flow while you build
- You only begin paying principal and interest on your mortgage once you move in

The Kickstarter
High-Ratio Mortgage

You've been saving for a down payment and now need a little boost to make your home ownership dream a reality. That's where SCU can help. Our mortgages are made for real life, so they're built around your needs, budget, and goals. The High-Ratio mortgage is a great way to get into your home sooner, often at a lower interest rate, but requires the addition of mortgage default insurance in exchange for a smaller down payment. Sometimes, all we need is a little kickstart to help us reach the next step on our home buying journey.

- Enter the housing market sooner without waiting until you've saved 20%
- Maximum 30-year amortization, with a minimum 5% down on mortgages with CMHC/Sagen mortgage default insurance.
- Mortgage default insurance rolled into your payment
- Rate guarantee shields you from interest rate increases after your pre-approval meeting

The Planner
Contract-Build Mortgage



You've always wanted a custom-built home to suit your taste, needs, and lifestyle, and now you're ready to hire a contractor and take the plunge. Building a custom home is exciting, but it can be financially complicated. That's where SCU can help. Contract-build mortgages offer a variety of options tailored to suit the building process. Other benefits to consider include:

- Your funding is provided in stages throughout the build
- During construction, your mortgage is set up as interest-only and you only pay interest on the amount of money that has been advanced
- You pay principal and interest payments only once you take possession
- Up to 30-year amortization available**
- If selling a home while building, SCU allows a one-time lump sum payment above the 20% allowed during the first year your build is complete.

***Conditions may apply*

The Renovator
Renovation Mortgage

Your dreams are filled with visions of tile samples, shiny new appliances, and the beautiful soaker tub you spotted. If you've been dreaming about a major renovation to increase the value of your home, add your personal touch, or modernize your home for increased functionality and efficiency, this may be the mortgage for you. Other benefits to consider:

- Tap into your home's equity and leverage its current value or its value when the renovation is complete
- A rate guarantee shields you from interest rate increases after your pre-approval meeting
- Spread the cost of your renovations over the life of your mortgage
- If the renovation cost is relatively small, a loan or line of credit may better fit your needs

The Trailblazer
Vacation Mortgage

For many Manitobans, it's a rite of passage to dream of owning a vacation property like a cottage. When you're ready to realize your dreams, you'll need a creative mortgage solution, the land, and a great partner. SCU has built relationships with a network of professionals who can help you through the process. From legal advice to cottage approvals, these partnerships provide extra support and peace of mind. Some of the other benefits include:

- Designed specifically to meet the requirements of purchasing or building on owned or leased land
- Finance up to 80% of your purchase
- The option to select up to a 30-year amortization** on the property
- Eligible for the Cottage Equity Link Line (ELL), which can be used for more minor renovations, the purchase of recreational vehicles, and other uses

***Conditions may apply*

The Dreamer
New-to-Canada Mortgage

You made the move to Canada, and now you're ready to take the next step on your journey by purchasing a home. The New-to-Canada mortgage is designed to make home-buying easier for newcomers. For those who qualify, the benefits of this mortgage include:

- Income verification is not required
- Up to 25-year amortization on a down payment of 25% or greater
- Requires a 25% down payment for homes valued at less than $1,000,000, or 35% for homes valued over $1,000,000
- The option to pay your mortgage off early by making an additional principal-only payment of up to 20% of your original mortgage amount annually

There are other mortgages available that may fit your needs including Multi-purpose, SCU Advantage, or Rental Property options.

Compare the features and benefits of SCU mortgages on the quick guide below. Your lending specialist can help guide you to the right mortgage for your needs.

Still unsure which mortgage or rate is right for you?

We're here to help.

Visit scu.mb.ca/booknow to contact a lending specialist who can help you explore your options.

A quick guide to mortgages at SCU

Need a recap? Here's a side-by-side comparison of the mortgages available at SCU.

Type of Mortgage	Key benefit	Features	Available rates	Pre-payment privilege?
Conventional	Buy your first home or find a new home to meet your needs	· Maximum 30-year amortization period,** with a minimum 20% down payment · Rate guarantee shields you from interest rate increases after your pre-approval meeting	· Fixed rate · Variable rate open · Variable rate closed · Variable rate capped	Yes
High-Ratio	Buy your first home sooner with a lower down payment.	· Maximum 25-year amortization period, with a minimum 5% down payment · Rate guarantee shields you from interest rate increases after your pre-approval meeting	· Fixed rate · Variable rate open · Variable rate closed · Variable rate capped	Yes
Self-build	Receive specialized financing as you put in the hard work of building your own home	· Maximum 30-year amortization period,** with a minimum 20% down payment · 18-month interest-only period while you build · Principal and interest payments only required once you move in · Leverage your sweat equity in case you need to hire sub-contractors	· Fixed rate · Variable rate closed · Variable rate capped	Yes, plus an additional one-time pre-payment to take advantage of excess mortgage proceeds from the sale of your current home
Contract-build	Offers custom options to finance the different stages of the building process	· Maximum 30-year amortization period,** with a minimum 20% down payment · 18-month interest-only period while you build · Principal and interest payments only required once you move in · Only pay interest on the amount of money that's been advanced	· Fixed rate · Variable rate closed · Variable rate capped	Yes, plus an additional one-time pre-payment to take advantage of excess mortgage proceeds from the sale of your current home
Renovation	Re-imagine your living space and increase the value of your home	· Borrow against your home equity, even before the renovation is complete · Spread out the cost of your renovation over the life of your mortgage · Complete the renovations yourself, hire a contractor, or use a combination of the two	· Fixed rate · Variable rate open · Variable rate closed · Variable rate capped	Yes
Vacation property	Make your dream of owning a vacation property or cottage a reality	· Maximum 30-year amortization period,** with a minimum 20% down payment · 5% down payment on insured mortgages, with a maximum 25-year amortization · Can purchase on owned or leased land	· Fixed rate · Variable rate open · Variable rate closed · Variable rate capped	Yes
New-to-Canada	Simplify the purchase of your first home in Canada	· Income verification not required · Minimum 25% down payment for home values less than $1,000,000, or 35% for homes valued over $1,000,000	· Fixed rate · Variable rate closed · Variable rate capped	Yes
Multi-purpose	Leverage your property as collateral for your borrowing needs	· You must have a minimum of 20% in home equity · Lower administration fees · Eliminate wait time for property registration · Secure current and future credit needs · Access all available equity in your home	· Fixed rate · Variable rate open · Variable rate closed · Variable rate capped	Yes
Rental property	Finance properties as a source of extra income	· Finance up to six rental units or $1.25 million as a personal member† · Maximum 30-year amortization period,** with a minimum 20% down payment · Pre-approval can be based on projected rental income · Leverage existing properties to help finance your next purchase	· Fixed rate · Variable rate open · Variable rate closed · Variable rate capped	Yes

***Conditions may apply*

†When total financing at SCU exceeds $1.25 million or six doors, or when rental income comprises most of your total income, you'll be assigned a business account manager. They will be a local decision maker who lives in your community and understands the Manitoba real estate market.

Mortgage rate options

FIXED-RATE MORTGAGES

Offers a guaranteed rate of interest and set payment amount for a specified period. A fixed rate could be your best bet if you're risk-averse, as you can take comfort in knowing exactly how much equity you'll build by the end of your term.

The pros

- You're protected from rising rates throughout the term length
- You know how much equity you'll build throughout the term

The cons

- If rates decrease, you won't take advantage of lower rates
- Higher penalties for breaking your mortgage, refinancing, or making payments above what your financial institution allows

VARIABLE-RATE OPEN MORTGAGES

Offers the most flexible repayment options. You'll make a set payment each month, but the amount you pay toward principal and interest fluctuates as rates change. This option is the clear winner for those who want to pay off their mortgage in less than five years or who want the flexibility to make lump-sum payments greater than the pre-payment allowance.

The pros

- Can be repaid at any time without penalty
- Take advantage of decreasing rates
- Switch to a fixed rate at any time

The cons

- Variable open is typically the highest interest rate a financial institution will offer
- The amount you put toward your principal fluctuates, so it may take you longer to pay off your mortgage
- In a high-interest rate environment, having a set payment means there's a risk of hitting your trigger rate (learn more about this on **page 18**)

VARIABLE-RATE CLOSED MORTGAGES

Offers a set payment each month, but the amount you pay toward principal and interest fluctuates as rates change. At SCU, variable-rate closed mortgages are available in 5-year terms.

The pros

- Could be your best bet in a declining interest rate market because you'll build more equity as rates decrease
- Offers a lower rate than variable-rate open mortgages

The cons

- As rates increase, more of your payment goes toward interest, meaning it can take longer to pay off your mortgage
- If you choose to switch to a fixed rate, your fixed term will include the time you have left on your variable term (e.g. if you switch after a year, you can only switch to a four or five-year fixed term)
- In a high-interest rate environment, having a set payment means there's a risk of hitting your trigger rate (learn more about this on **page 18**)

VARIABLE-RATE CAPPED MORTGAGES

Offers the flexibility of a variable-rate closed mortgage but capped at 1% above the Variable Rate Closed Mortgage at the time of signing. In other words, once the rate reaches that cap, your mortgage will lock in at a fixed rate. This is an option to consider in rising interest markets, as it offers a protective ceiling while still providing some of the benefits of a variable mortgage.

The pros

- Enjoy the potential cost savings of a variable-rate mortgage
- Have peace of mind knowing you're protected from rising rates

The cons

- Only valuable when a sufficient difference exists between fixed and variable rates

Unpacking mortgage default insurance

If you're making a down payment under 20% of your home's cost, you will likely be required to have mortgage default insurance, though some exception apply. Here's a quick overview of how it works.

WHAT IS MORTGAGE DEFAULT INSURANCE?

This is a type of insurance that protects the financial institution in case a borrower defaults (is unable to make payments) on their mortgage. At SCU, we offer mortgage default insurance through two partners: **Canada Mortgage and Housing Corporation (CMHC)**, a federally-owned housing agency, and **Sagen**, a private mortgage insurance provider.

WHO PAYS THE INSURANCE PREMIUM?

As the borrower, you are required to pay the insurance premium, which is added to your mortgage principal and paid over your amortization period.

WHAT ARE THE BENEFITS OF MORTGAGE DEFAULT INSURANCE?

The main benefit of default insurance is it helps you get into your house sooner. Saving for a larger down payment can be difficult, especially for first-time homeowners who don't have home equity they can leverage. Another benefit is you aren't required to have a mortgage appraisal, since the insurers will complete a separate home evaluation. This means you may have a quicker turnaround time when getting approved for your mortgage.

WHAT ARE THE DOWNSIDES OF MORTGAGE DEFAULT INSURANCE?

Since you are required to pay the insurance premium, insured mortgages are more costly. Your lending specialist can walk you through how much your premium would cost, depending on the size of your down payment (a minimum of 5% with a high-ratio mortgage).

IS THIS THE SAME AS BORROWER'S MORTGAGE INSURANCE?

No, this is a separate insurance from borrower's mortgage insurance, which helps cover your mortgage payments should the unexpected happen (such as critical illness or involuntary loss of employment).

ARE SPECIALTY MORTGAGES INSURABLE?

While some of our specialty mortgages have the option of mortgage default insurance, it depends on the individual situation. It's also worth noting that if you're considering getting a second mortgage (as in the case of a rental or vacation property mortgage), you're typically only able to have one mortgage insured. Your best bet is to talk to a lending specialist if you're considering this option.

Did you know?

AT SCU, HOME BUYERS CAN PURCHASE A HOME WITH AS LITTLE AS 5% DOWN!

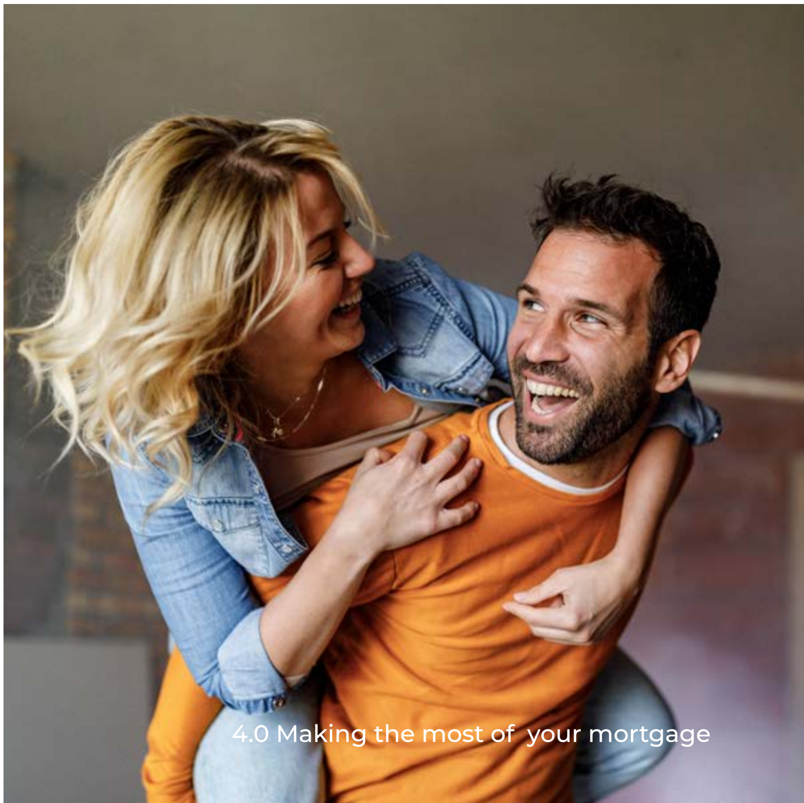
Ask our lending specialists how a custom mortgage from SCU can be tailored to meet your needs and lifestyle.

4.0 Making the most of your mortgage

10 ways to make the most of your mortgage

1. **Consider a shorter amortization period:** A longer amortization period may appear more affordable in the short term, but a shorter amortization period means you will pay off your mortgage faster and save. The longer time you have to pay your mortgage off, the more interest you will pay over that time.
2. **Increase your down payment:** The minimum amount you need for your down payment depends on your home's purchase price. Typically, any down payment under 20% of the purchase price requires mortgage default insurance though some exceptions do exist. Remember, the larger your downpayment, the less principal you have to pay off , and as a result, the less interest you'll pay over the life of your mortgage.
3. **Keep your credit score in good shape:** Maintain a high credit score, pay bills on time, keep credit card balances low, and avoid applying for new credit. The better your credit score, the more likely you'll receive a mortgage. Often, your credit rating is one of the first things a lender will check when you apply for a mortgage. Bad credit can signal to a lender that you may struggle to pay your mortgage.
4. **Get pre-approved:** Get pre-approved so you can understand your budget and lock in an interest rate for a set period of time, protecting you from rate increases while you find the perfect home. Plus, should the rate go down during this period, you can benefit by securing a lower rate.
5. **Choose the right mortgage type:** Evaluate different types of mortgages including fixed, and variable rate options to determine which best suits your financial situation and risk tolerance.
6. **Increase the frequency of your payments:** The more frequent your payments, the more you will reduce your mortgage principal, which means you'll pay less interest overall. SCU offers monthly, semi-monthly, bi-weekly, weekly, or through accelerated payments. See for yourself by visiting scu.mb.ca/mortgage-calculators to calculate the cost difference between payment schedules.
7. **Make extra payments:** Take advantage of pre-payment privileges and make lump-sum payments from one-time gifts, tax refunds, bonuses, etc. This can significantly reduce your mortgage principal, so you'll pay less interest over the life of the mortgage and own your home sooner.
8. **Increase your home equity:** Your home equity will grow over time as you pay down your mortgage principal and if the value of your property rises. You can actively increase your home equity by putting as large a down payment as possible, making additional payments, and completing home renovations that add value to your home.
9. **Review your mortgage periodically:** Review the terms of your mortgage and see if refinancing can save money on interest and reduce your payments.
10. **Consult a mortgage professional:** Work with a lending specialist who can help you navigate the mortgage journey, providing expert advice tailored to your specific needs.

The following comparison charts demonstrate how your mortgage and interest are affected by the amount of your downpayment, amortization period, and payment schedule. The first illustrates the affects with a 10% downpayment, followed but the same comparison, but with 20% down.



How your down payment and amortization period affect your mortgage.

EXAMPLE 1: $350,000 home purchase with a 10% down payment over either a 20- or 25-year amortization period and varying payment frequency.

Purchase price	**$350,000**	**$350,000**	**$350,000**	**$350,000**	**$350,000**	**$350,000**
Down Payment (10%)	$35,000	$35,000	$35,000	$35,000	$35,000	$35,000
Mortgage insurance %	3.1%	3.1%	3.1%	3.1%	3.1%	3.1%
Total amount financed	$315,000	$315,000	$315,000	$315,000	$315,000	$315,000
Amortization	20 years	25 years	20 years	25 years	20 years	25 years
Interest rate	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %	6.5 %
Payment frequency	Monthly	Monthly	Bi-weekly	Bi-weekly	Accelerated Bi-weekly	Accelerated Bi-weekly
Mortgage default insurance	yes	yes	yes	yes	yes	yes
Mortgage payment amount	$2,404.89	$2,175.35	$1,108.35	$1,002.57	$1,202.45	$1,087.68
Total number of payments	240	300	520	650	520	650
Total mortgage	$577,171.76	$652,697.38	$576,346.76	$651,667.91	$534,941.70	$577,171.76
Total interest paid	$252,406.76	$327,842.38	$251,581.76	$326,902.91	$210,176.70	$391,992
Amount of insurance paid	9,765.00	9,765.00	9,765.00	9,765.00	9,765.00	9,765.00

EXAMPLE 2: $350,000 home purchase with a 20% down payment over either a 20- or 25-year amortization period and varying payment frequency.

Purchase price	**$350,000**	**$350,000**	**$350,000**	**$350,000**	**$350,000**	**$350,000**
Down Payment (20%)	$70,000	$70,000	$70,000	$70,000	$70,000	$70,000
Mortgage insurance %	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total amount financed	$280,000	$280,000	$280,000	$280,000	$280,000	$280,000
Amortization	20 years	25 years	20 years	25 years	20 years	25 years
Interest rate	6.5%	6.5%	6.5%	6.5%	6.5%	6.5%
Payment frequency	Monthly	Monthly	Bi-weekly	Bi-weekly	Accelerated Bi-weekly	Accelerated Bi-weekly
Mortgage default insurance	Not required	Not required	Not required	Not required	Not required	Not required
Mortgage payment amount	$2,073.40	$1,875.51	$955.58	$864.38	$1,036.70	$937.76
Total number of payments	240	300	520	650	520	650
Total paid mortgage:	$497,616.60	$562,650.56	$496,902.72	$561,840.89	$461,208.68	$506,905.84
Total interest paid	$217,616.60	$282,650.56	$216,902.72	$281,840.89	$181,208.68	$226,905.84
Amount of insurance paid	n/a	n/a	n/a	n/a	n/a	n/a

Considerations for choosing your mortgage

How inflation can impact the term you choose

To start, it's important to establish that inflation itself isn't a bad thing. Stable inflation is good for the economy, since rising prices encourage people to buy products now, rather than waiting until later. Ideally, central banks prefer to keep inflation close to 2%. This keeps the economy stable without eroding your purchasing power too dramatically.

However, inflation hurts the economy when it gets too high. In times of high inflation, the Bank of Canada will raise interest rates to slow inflation down, which translates into higher mortgage rates. Variable rates, which are determined by the Bank of Canada's prime rate, are directly affected by high inflation (although fixed rates will also likely go up).

What does this mean for you? When rates are rising dramatically, you may choose a fixed mortgage rate for the stability it brings, especially if fixed rates are lower than variable. Conversely, in times of lowering inflation, a variable rate may be more beneficial, as you can take advantage of reduced rates. Keep in mind that other factors, like your personal financial goals, will also play into your decision. That's why it's best to talk to your lending specialist about which solution is best for you and your goals.

Fixed mortgage rates: Which term should you choose?

If you've decided that a fixed mortgage rate best meets your financial goals, the next question you may be asking is, "Which term length should I choose?" Here are a few factors for you to consider:

1. **Rate projections:** While it's impossible to know how rates will change in the future, if rates are projected to decrease, it may be beneficial to choose a shorter term in hopes of locking in at a lower rate later.
2. **Rate differences between terms:** A shorter term typically has a higher interest rate than a longer term, which can also impact your decision. For example, if a 1-year term is 1% higher than a 5-year term, rates would have to significantly decrease in that year to be cost-effective for you. You also have to consider your own budget, as a higher interest rate means a larger monthly payment.
3. **Your personal goals**: There are other considerations for choosing a term length that go beyond rate. For example, if you are planning a move within the next few years, you may want to choose a term length that coincides with your expected move date.

HOT TIP

If you're looking to renegotiate your mortgage contract in the future, you may be eligible for our blend and extend option, which allows you to combine your existing mortgage rate with current rates to create a new, blended rate while also extending your mortgage term.

Understanding trigger rates

When choosing a rate type in a high-interest market, it's important to be aware of a risk factor known as a trigger rate.

You'll recall that with variable mortgage rates, you have a set payment, but the amount paid toward principal and interest fluctuates as rates change (see **page 14** to review variable rates). If the interest rate rises to a certain point, called the trigger rate, your payment no longer covers the interest you've accrued. That means you're not paying off any of your mortgage principal — in fact, since the payment is no longer covering your interest, you're adding to it. This becomes especially problematic once the balance you owe on your mortgage becomes higher than when your contract started (referred to as the trigger point).

Once you hit your trigger point, you have a few options: One is to raise your monthly payment to compensate for the increased rate. A second option would be to make a one-time payment to reduce your mortgage balance (however, unless rates go down, you'll run into the same issue in the future). At SCU, you also have the option to switch to a fixed-rate mortgage, guaranteeing a set amount of your payment is going to your principal. If none of those options are possible for you, you may want to talk to your lending specialist about refinancing your home to extend your amortization period.

If you're considering a variable mortgage rate, but are concerned about trigger rates, the best course of action is to talk to a lending specialist. They can walk you through all the considerations and answer any questions you may have. You can book an appointment at scu.mb.ca/booknow.

5.0 Tying it all together

QUICK RECAP

When it comes to home ownership, there are a lot of terms and concepts for you to know. It's completely understandable if you need to revisit some of the previous sections as you continue your home-buying journey. For now, here are a few key takeaways from this guide for you to remember:

1. **Set good habits before you shop:** Your home-buying journey begins long before your offer to purchase. Start by educating yourself on how to make the most of your mortgage, establishing good borrowing habits, building your savings, and making sure your budget can handle the extra costs that come with a house.
2. **Explore your options:** Once you're ready to begin looking for a home, make sure to book a pre-approval meeting with a lending specialist. They'll discuss your financial situation with you and help you choose the mortgage type, payment schedule, and down payment amount that works best for your needs. Then, when you find your dream home, you'll have peace of mind knowing you've already put in the hard work and aren't scrambling to make last-minute financial decisions.
3. **Continue to re-evaluate your financial goals:** A mortgage is a big investment, and it's good to check in on your finances from time to time. A few questions to ask yourself:
   - Were your projected home expenses accurate, or does your budget need to be adjusted?
   - If you have a variable mortgage rate, how much is going to your mortgage principal?
   - Should you be considering extra mortgage payments?
   - Are you able to set money aside in your savings each month?

If you're ever unsure of the answer to any of these questions, it's a good idea to reach out to a lending specialist who can help you stay on track.

FINAL CONSIDERATIONS FOR MORTGAGE BORROWERS

As we conclude this guide, we'll leave you with three final tips:

Continue your education

When it comes to your finances, education is key to informed decision-making. While this guide is a great first step, there are many other mortgage topics you can research. The financial landscape is continually changing, and it's important to receive trusted advice from experts in the industry. We've created a resource list at the end of this guide to help you get started.

Review your insurance needs

While no one can foresee the future, you want to ensure that you are well-prepared in case of the unexpected. There are two types of insurance for you to consider: The first is home insurance, which protects you from a variety of circumstances including theft, accidental damage to another property, and other unforeseen events. The second is mortgage insurance, which can help you with mortgage payments in case of disability, involuntary loss of employment, critical illness, or death. It's a good idea to talk to a specialist who can advise you on your insurance needs.

Talk to a lending specialist if you run into financial difficulty

A mortgage is a long-term commitment, and it's impossible to predict what challenges life will throw your way. If you're experiencing financial difficulty, don't wait — reach out to a lending specialist who can work with you to explore your options. They aren't just available to help you buy a home, they're also a great support to help you navigate challenging times and stay on track with your financial goals.

Take the next step

Congratulations, fellow explorer! You've made it to the end of the guide. Now that you've reached this checkpoint, it's the perfect time to look at your financial goals and determine your next steps. Call us at 1.800.728.6440 or book an appointment at scu.mb.ca/booknow to talk to a lending specialist who can help you explore the possibilities.

FURTHER RESOURCES

Looking for more mortgage information? Here are a few recommended SCU resources to help you continue to educate yourself.

Insights & Advice web page: The Insights & Advice section of our website includes plenty of articles about mortgages, as well as a variety of other subjects to help you save and spend wisely. You can continue to educate yourself by visiting scu.mb.ca/mortgage-articles.

Insights & Advice member news: We publish our Insights & Advice member news twice a year, which includes updates on what's happening at SCU, as well as guidance on a variety of products and services, including mortgages. Visit scu.mb.ca/about/newsletter to download the latest editions.

Mortgage and borrowing glossary: Need a refresher on any of the mortgage terms used in this guide and elsewhere? Explore our mortgage and borrowing glossary at scu.mb.ca/glossary/mortgage-and-borrowing-glossary.

Mortgage brochures: For more in-depth information about our specialty mortgages, ask us for our brochures.

Mortgage calculators: Try out our mortgage calculators at scu.mb.ca/mortgage-calculators to determine your payment schedule, see how much house you can afford, and estimate your mortgage payments.

Get in touch!

Call, click or drop by.
We are here to help

BRANCH LOCATIONS

333 Main St
Steinbach, MB R5G 1B1
P: 204.326.3495

2100 McGillivray Blvd
Winnipeg, MB R3Y 1X2
P: 204.222.2100

1575 Lagimodiere Blvd
Winnipeg, MB R3W 0B9
P: 204.661.1575

Call us toll free at **1.800.728.6440**
Book an appointment online at
scu.mb.ca/booknow

Visit us online at **scu.mb.ca**