At some point during the purchasing process your mortgage broker will need to complete a mortgage application on your behalf. The following information will be needed for each applicant and any guarantors.

- Full name and date of birth,
- Address and postal code, how long you have lived there,
- Previous address and how long you lived there,
- Social Insurance Number,
- Number of dependents,
- Home and work phone number,
- Name and address of employer,
- How long you have worked there and your present position,
- Your gross annual income, (see below for self-employed)
- Your previous employment details,
- Your current assets and liabilities,
- How much you have for your down payment.
- All monthly payments.

GROSS MONTHLY INCOME

Gross annual income is the total income that you are paid by a company before any deductions are subtracted. Divide by 12 for gross monthly income. For employment verification your mortgage broker will usually request that you obtain an employment letter from your payroll department confirming your information. A few lenders will allow you to prove income by showing two years of income tax returns and some current pay stubs.

The letter should be on company letterhead and include:

- Your current gross or base income
- The date your employment started with that company
- Your current position or job title
- Your status - full-time (no extra info needed), contract, regular part-time, or casual.

If you are on contract, then the letter must also state:

- the details of your contract (a copy may be required).

If you are paid regular part-time or casual, then the letter must also state:

- The dollars per hour that you are paid,
- The number of hours per pay period that you work,
- That the number of hours per pay period (or annually if seasonal) are consistent.

OR

- provide two years of tax returns
- confirmation of gross income year-to-date.

If you received a bonus last year, then you can only use that bonus if you can show that you have received a similar amount for the past few years. Overtime income is treated the same way. There are other types of income that can be used:

- pension income,
- social security income,
- investment income,
- dividend income,
- income from annuities,
- child tax credits,
- child support income,
- alimony income,
- rental income (including illegal basement apts. in some cases!).

SELF EMPLOYED INCOME / COMMISSION INCOME

When income can change from year to year, the mortgage lenders require different information. Most require either two or three years of tax returns. Most will accept a tax return prepared by an accountant. If you prepare your own tax return they will also want to see the 'notice of assessment' sent to you by the Government. The lender will then take your average NET income. Some lenders will permit you to 'add back' some deductions to your net income. An office expense write off in your current residence is such an example.

other types of income that can be used:

- pension income,
- social security income,
- investment income,
- dividend income,
- income from annuities
- child tax credits,
- child support income,
- alimony income,
- rental income (including illegal basement apts., in some cases!).

For example if you received a bonus last year, then you can only use that bonus if you can show that you receive a similar amount every year.
The total income is then used to calculate the 32% TDS and 40% GDS.

ASSETS

Assets include:

- Canada Savings Bonds,
- cash in bank accounts,
- cash surrender value of a life insurance policy,
- GIC's (guaranteed investment certificates),
- mutual funds,

- RRSP's (registered retirement savings plans),
- stocks,
- superannuation from your employer,
- vehicles,
- other real estate property already owned.

LIABILITIES

These are your outstanding debts including:

- credit card balances,
- credit lines,
- loans,
- other mortgages.

Your mortgage broker will need to know your current balances, your current payments and the dollar limit of credit cards and credit lines.

NET WORTH

The total value of all your assets, minus the total of all your debts equals your net worth. If your debts are more than the total of your assets, you are said to have 'a negative net worth'.

DOWNPAYMENT

The amount of money that you are paying towards the purchase of your home is called the downpayment. This is also known as the 'equity' that you will have in the property. You should have a good idea of how much you have before talking to your mortgage broker. You will have to show lenders proof of your downpayment - for example: if it is in a savings or investment account, or an RRSP, most lenders will require proof that you have had the funds for three months.

If the down payment is a gift from a family member, you will eventually have to get them to sign a letter saying that the money is a gift and not to be repaid. You will also need to show proof that they have the funds and the funds must be transferred into your account prior to closing date. One way to avoid all of this is to receive the gift, and deposit the funds into your account at least 3 months prior to you even looking for a mortgage or house.

Normally the minimum downpayment allowed is 5% of the accepted purchase price (or appraised value, whichever is lower). However, the less money that you need to borrow, the less you will have to repay! If you have less than 20% as a downpayment then you have a High Ratio Mortgage and if you have more than 20% as a downpayment then you have a Conventional Mortgage.

TOTAL MONTHLY PAYMENTS

These include payments on your credit cards, credit lines, loans and other mortgages. However, it also includes other payments that you must make each month - such as child support, spousal payments and lease payments for a vehicle. Also included are any loans or mortgages that you have guaranteed for other people. Other 'normal' payments such as Income tax, phone bills, hydro bills, vehicle or house insurance etc. are not included as they fall into the 60% of your gross income.