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# 9 REASONS WHY PEOPLE BREAK THEIR MORTGAGE

CITY WIDE MORTGAGE SERVICES

60% of people break their mortgage before their mortgage term matures. Most homeowners are blissfully unaware that when you break your mortgage with your lender, you will incur penalties and those penalties can be painfully expensive. Many homeowners are so focused on rate that they are ignorant about the terms of their mortgage. Is it sensible to save \$15/month on a lower interest rate only to find out that two years down the road you need to break your mortgage and that “safe” 5-year fixed rate could cost you over \$20,000 in penalties? There are a variety of different mortgage choices available and by knowing my 9 reasons for a possible break in your mortgage might help you avoid them

## **1** Sale and Purchase of Home

If you may move within the next 5 years you must consider a portable mortgage. When you port a mortgage, you will need to requalify to ensure you can afford the “ported” mortgage based on your current income and any new current mortgage rules.

## **2** To take equity out

In the last 3 years many home owners (especially in Vancouver) have seen a huge increase in their home values. Some home owners will want to take out the available equity from their homes for investment purposes, such as buying a rental property, or making improvements to their home.

## **3** To pay off debt

Life happens, and you may have accumulated some debt. By rolling your debts into your mortgage, you can pay off the debts over a longer period of time at a much lower interest rate than credit cards. Now that you're no longer paying the high interest rates on credit cards, it provides the opportunity to get your finances in order.



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## **4** Cohabitation and marriage and children

You and your partner decide it's time to live together... you both have a home and can't afford to keep both homes, or you both have a no rental clause. The reality is that you have one home too many and may need to sell one of the homes. Or, you're bursting at the seams in your 1-bedroom condo with baby #2 on the way, what do you do now?

## **5** Relationship/marriage break up

43% of Canadian marriages are now expected to end in divorce. When a couple separates, typically the equity in the home will be split between both parties.

## **6** Health challenges & life circumstances

Major life events such as illness, unemployment, death of a partner (or someone on title), etc. may require the home to be refinanced or even sold.

## **7** Remove a person from Title

20% of parents help their children purchase a home. Once the kids are financially secure and can qualify on their own, many parents want to be removed from Title. Some lenders allow parents to be removed from Title with an administration fee & legal fees. Other lenders state changing the people on Title equates to breaking your mortgage, and therefore a penalty will incur.

## **8** To save money, with a lower interest rate

Mortgage interest rates may be lower now than when you originally got your mortgage.

## **9** Pay the mortgage off before maturity

Let's say you come into a large inheritance, or are looking to pay your mortgage off in full. After taking advantage of your pre-payment privileges, you will need to pay a penalty on the remaining balance. In this circumstance you want to make sure more money stays in your wallet and not the banks.

**MY GOAL IS TO MAKE SURE YOU'RE SAFE IN WHATEVER CIRCUMSTANCE LIFE THROWS  
YOUR WAY.**