

Blog #1 November 16, 2011

## [Making your mortgage easy from conception to completion and beyond.](#)



[For this, my first blog, I wanted to discuss what I find almost every client asks: what are the lenders looking for in each document that they ask for...and why so much paper?!](#)

[Well, the lenders are looking for](#) some sort of assurance that the money that they lend you will be paid back, with interest, and if for some reason you are not able to live up to your end of the deal, that the security, your house, will be able to be sold so they can recover their investment. Simple as that.

Let's start with you:

The most common documents that you, as a borrower are asked for is confirmation or proof of your cash flow (how you make your money and therefore, how you are going to pay them) This is done through a number of documents: First, your **tax returns (T1)** this is the form that you or your accountant fills out and submits to Canada Revenue Agency (CRA). If you paid an accountant to do your taxes, most lenders will be happy. If you do your own taxes, expect more paper to be required. Why? The lender does not know you and it's safer to assume that an unrelated third party will be "unbiased." (Ok, you know I mean "honest") If you did do your own taxes, you will have to submit your **T4s** from your company as well. In the case of self employed people, accountant prepared tax returns will be needed.

How many years worth? Minimum 2, sometimes 3 (depends on the lender)

What does the lender see in my tax returns? The lender sees what you **have** made in the last couple of years. (note I said **have**/past tense) This gives them an indication of what your yearly income might be in the future...maybe....and how it was made (employment, investments, rental income etc). Pretty good picture, but they are not sure of you yet.

The next documents that they need show that right now, you still have an income. (an ability to pay them, now) This information is derived by producing a **current paystub** (recent within 30 days) and a **job letter** from your company. And yes, they will still phone your company to confirm, probably look up a web site or phone listing as well to make sure the company is legit. Remember, they don't know you. If you receive income from other sources, like investments in stocks or rental income, they will ask for confirmation of that. (Bank statements showing deposits or statements from your mutual fund co., stock brokerage etc)

The final document, in regards to you personally, is your **Notice of Assessment**. This is the document that CRA sends back to you to let you know they reviewed what you sent them and they either agree, or not. In any case, it will state your income at the top and what you owe at the bottom. The lender wants to see that you owe **NOTHING**. No exceptions. Why? The only entity that can make a claim to your house **before** the lender (if you can't pay) is the CRA. The lenders don't want that kind of competition on their security. Would you? If you owe something, pay it off and provide a receipt, asap.

For most people, this is enough paper. (more paper would be required if there is a funky way that you make your money- but that is a topic for a future blog...funky incomes)

So, I'm going to leave it at that today and I'll cover the property paper on my next blog. Now really, you know that more paper would be required....good part is the realtor and lawyers have to provide most of it...



Until next time.....I hope you enjoyed this fireside chat.