

Ontario Lending Solutions – Alternative Lending Specialists

Welcome to Ontario Lending Solutions guide to Alternative Lending. Many of us automatically approach our bank or credit union when looking for advise on financing a mortgage. However, there are many alternative mortgage financing companies that offer superior mortgage products for applicants with diverse profiles. Recently, the main stream media like CTV, the Financial post and the Globe and Mail have reported that, “Alternative mortgage lending in Canada is skyrocketing to record highs as banks and credit unions tighten their regulations”

The federal regulators have tightened all our banks policies on how they qualify applicants for a mortgage, it has become much more difficult in 2018 to get a mortgage at one of our big banks. As you journey through life and plan to achieve your short and long term real estate goals, it is wise to keep up with all your specific financing options outside of your existing financial institution. Furthermore, as life has its ups and downs, career moves or various employment situations that can affect your financial well being, having this alternative mortgage financing knowledge will help you break through mortgage qualification barriers! This eBook gives you helpful information, so you can quickly and effectively act on opportunities to accomplish your real – estate goals! Learn how Ontario Lending Solutions can deliver options to you and your family regarding purchasing, refinancing, equity take - outs, or debt consolidation, investment properties or simply a vacation home.

As Canada continues to be ranked as one of the best places in the world to live in and Ontario continues to be the destination of most of immigration, investors will continue to choose Canada and Ontario as the top destination to invest in real-estate markets. Real estate is such an influential investment for many Canadians and investors from around the world, so it's extremely important for you to be aware of all the mortgage financing options available to you.

The importance of education of the real-life skills in Canada seemed never to be a priority that was taught to us as young adults at high school. The process of how to prepare oneself to qualify for a mortgage, obtain a mortgage and purchase a property never seemed important enough to teach. For millions OF Canadians, this plays an intricate part of contributing to our economy and is measured by many as a step that must be achieved to be known as successful, productive Canadian citizen. In high school there was more emphasis from teachers on learning

how to dissect frogs and solve calculus problems than about how to prepare oneself to be a productive tax paying citizen, where you work in a chosen profession and realize per that profession, how to achieve your goals of getting approved for a mortgage, purchase real estate, and make other smart investment decisions to build a strong foundation to reach your dreams! This lack of education was the case when I was in high school, fast forward to 2018, I have mortgage clients who have who have gone to high school and college and tell me the same story, “these valuable fundamental financial skills are still not being taught in our schools “

It would be fine if the information on how to prepare oneself and the confidence to get a mortgage was common sense, but it isn't. At least the basics should be taught in school. The problem is, if the fundamentals are not stressed during the teenage years, it is more common for individuals to shy away from becoming a home owner through their twenties and even thirties. Often in their thirties or forties, the realization of missed opportunities to obtain net worth sparks people to eagerly apply themselves to fast track their personal real estate dreams.

There are however, the few individuals that are blessed because older siblings, mentors or parents have armed them with the tools to reach their goals of owning and financially sustaining a home without any set backs or lack of knowledge of the processes. As our Country's economy through the 21st century endures the challenges to stay competitive on a world scale we will continue to see non-traditional employment on the rise, thus making it more challenging for those segments of the work force to realize what it takes to get approved for a great mortgage.

So as new and stricter mortgage regulations are coming into effect on an ongoing basis, the importance of mortgage education is here to stay and should not be over looked. At Ontario Lending Solutions we feel it is extremely important for all Canadians to be aware of the numerous mortgage-financing options available to them from purchasing their first property, to buying an investment property, or into retirement when they may wish to access built-in equity to supplement their income.

Don't depend on your government to take care of you and don't pick your financial influences based on persuasion. Do your home work and decide for yourself the appropriate team that you wish to work with. Buying or refinancing a property can be an emotional experience since for most home owners it's the biggest purchase in one's lifetime. Getting that accepted offer on a property is exciting, but to get rejected for financing from your own bank can leave you feeling helpless. Learn how we at Ontario Lending Solutions can offer mortgage financing for all types of credit, employment, income, life situations and immigration status.

Why Alternative Mortgage Financing is Skyrocketing

There are a few main reasons why alternative mortgage financing is an expanding market in the Canadian mortgage industry. Banking representatives state that borrower rejection rate from large banks and traditional monoline mortgage lenders has gone up as much as 20 per cent after Canada's banking regulator imposed a new stress test for home buyers who don't need mortgage insurance.

As a result, alternative lenders are seeing an uptick in business as brokers increasingly direct home buyers toward borrowing options that are beyond the reach of the Office of the Superintendent of Financial Institutions' newly enacted tighter lending requirements.

Clients who don't meet the bar are turning to private lenders, mortgage investment corporations (MICs) and credit unions, which are provincially regulated and not required to implement the stress test.

Nearly 1 in 5 borrowers would fail new mortgage stress test rules, rejected loan applications to traditional lenders have risen by 20 per cent since Jan.1, when OSFI mandated a new stress test for uninsured borrowers, or those who have more than a 20 per cent down payment.

Private lender Fisgard Asset Management Corporation in Victoria is seeing an influx of borrowers and "better quality business" said Hali Noble, its senior vice president of residential mortgage investments and broker relations.

"A lot of these people should be bankable," said Noble. "But they're not."

5 things to watch in Canada's housing market this year

The guidelines, known as B20, are aimed at curbing risky lending amid rising household indebtedness and high home prices in some markets.

In order to get a loan from a federally regulated lender, home buyers must prove that they can service their uninsured mortgage at a qualifying rate of the greater of the contractual mortgage rate plus two percentage point or the five-year benchmark rate published by the Bank of Canada. An existing stress test already requires those with insured mortgages to qualify at the Bank of Canada benchmark five-year mortgage rule.

New mortgage rules will require financial stress test for uninsured borrowers starting in 2018

"Our mandate is focused on the safety and soundness of the federally regulated institutions... It isn't something that we favour but it isn't something that we have an authority to prevent."

Since the revised mortgage guidelines came into force, both the Bank of Canada of rate and benchmark rate has risen, dealing a "double extra whammy" to borrowers.

These new rules have pushed many self – employed and investment property investors into more effective alternative mortgage financing options. At Ontario Lending Solutions we work with a large variety of specialty lenders, these quality lenders offer a wide array of mortgage products suited for every mortgage hunters needs and circumstances. Many of these institutions are seeing a steady increase of mortgage applicants over the last 12 months. Consumers are beginning to realize there's a lot more to a more mortgage than just the best 5-year interest rate.

Ottawa's tougher lending regime has created an opening in the mortgage market for other lenders. Credit unions, for example, aren't bound by federal rules because they are provincially regulated.

"B" Lending

This type of lending is usually short term 1 or 2 years depending on what the goal and circumstances of our client we try to place the mortgage with a "B" lender for the shortest term possible which will allow us sufficient time to then transfer this mortgage to one of our "A" lenders. At Ontario Lending Solutions we will structure a plan to move you from B lender to A lender in the shortest time possible. The typical reason why mortgage applicants have to go this route for their mortgage financing can be due to a lack of credit, lack of good credit, income may not be easily verifiable, new self employed, immigration status, and collections or CRA liabilities. Qualification for this type of financing relies heavily on the property quality, location

and down payment. On “B” lending there are a few key things that a lender will review to feel comfortable funding a mortgage. An independent appraisal is mandatory with most lenders since a mortgage approval is strongly based on the current market value of the building and land. The lender wants to know that if property had to be sold how fast could it be sold? and is there a demand for this location?

At Ontario Lending Solutions we work closely with you on structuring your “exit strategy” the better this plan when presented to an alternative lender the better the chance of getting the approval we seek.

In Business for Self:

To become a successful self-employed professional, it takes many years of dedication both mentally and financially to acquire the accreditation and to establish a business. Although rewarding, by the time you get to this point many others your age has been established in their respective careers for quite a few years and could be into their second property purchase already. As this world becomes more and more technologically advanced, the percentage of the workforce in Canada that is business-for-self grows every year. The benefits of not having a boss, controlling your own hours/vacation and being able to decrease your income tax payable every year, seem to outweigh the negatives. The down side is that since the economic downturn in 2008, and the tightening of the mortgage lending rules, being self-employed is one of the more difficult professions to help with financing. The regulators require traditional mortgage lenders to verify that all self-employed mortgage applicants have good credit history and are stable in their career for at least 2 or 3 years by way of tax returns to verify the income as stated on their mortgage application. The good news is that Ontario Lending Solutions has strong relationships with many lenders who have specialty mortgage programs that have the flexibility to qualify self employed applicants based on reasonable credit, confirmation of gross income via business banking statements and verification of business via licencing or financial statements.

Private Financing – Short term fix for Long Term Gain.

These types of mortgages have extremely flexible mortgage qualifications and therefore are best suited for mortgage applicants that do not meet the lending guidelines of “A – Lenders: nor “B-Lenders”. Most often, this lending is usually a temporary strategy to get an applicant over a hurdle when either purchasing or refinancing a property. Many of our private lenders can literally fund a mortgage overnight! Getting private financing should be only part of a mortgage applicants strategy. A plan to pay out this financing is strongly advised since the interest rate on this type of mortgage is always higher than a traditional mortgage. With the many changes to mortgage underwriting Private Lenders reputations have become very respected in the consumers eyes and in the lending community over the last few years.

The set up and structure of a private mortgage is totally different from all other institutional lenders, the mortgage can be 1st 2nd or 3rd, the maximum loan to value LTV can be up to 90% but typically 85% on a purchase and up to 80% loan – to -value on a refinance of a single-family home in a major metropolitan area – urban. LTV will be less for townhomes, condos, and rural properties. The interest rate is based on lenders risk and is guided by the property, the quality of credit and the ability to service the mortgage, terms can range from open to 1 or 2 years again we are not looking at this financing as long term but prefer short a year at the most then to move our client to a better source of funds ... lower rate!! Payments can be interest only and many times we structure the loan by pre-paying all or a portion of the interest to keep the monthly payments very low or non-existent.

Conclusion

Ontario Lending Solutions works for the best interest of our clients, our task / goal is to place your mortgage with the best lender that fits your profile, i.e. income, down payment, credit quality and so on. At Ontario Lending Solutions we have long standing relationships with the best traditional and Alternative Lenders within Canada. At Ontario Lending Solutions we strive to keep up with the on-going changes in our industry that allows us the opportunity to better consult and advise our clients. At Ontario Lending Solutions your mortgage funding is simply the first step our objective is to work with you on all your financing needs to the renewal, refinance or purchase of an investment property we aim to be advisors you can trust and count on with over 40 years of banking history we bring to the table very few other brokers can match feel free to contact with any questions you may have of if you wish to have a Free Consultation regarding your specific financial needs we would be honoured to assist and help.

All the best for the staff at Ontario Lending Solutions.