



## Three Steps to a Residential Mortgage

A Bridge Capital White Paper

Residential Mortgages. Let us do the work.

Three Steps to a Residential Mortgage

## Why Bridge Capital?

### → We know the market

Bridge Capital has been helping people get residential mortgages since 2001. We know the banks and lenders that want your business and what they require to ensure your mortgage application is approved and funded.

### → Access to hundreds of banks

We have access to hundreds of banks and lenders ensuring you have all the options available to you in the marketplace.

### → We manage everything

Residential mortgages require a lot of work and coordination between you, the bank, lawyers, realtors, insurance providers, appraisers and other professionals that are all involved in with your mortgage. We manage this on your behalf so you don't have to.

### → No cost to you

We get paid by the bank once your mortgage is complete.

**What's next?** Step 1: Pre-Approval on page 3

## Step 1: Pre-Approval – Can I get approved?

### → What is it?

During the Pre-Approval step you will need to check your credit as well as determine how much you can afford by calculating your Gross Debt Service ratio and Total Debt Service ratio. Your credit score and ratio calculations determine which bank or lender will be able to help you and what mortgage products they offer. After you know your credit, calculations and the group of banks or lenders available we then work to determine what information you are missing and what will be needed to get you the residential mortgage approval you want. We want to make sure to show you the possible options so you can make the best decision.

### → Why is this step important

The Pre-Approval step sets the foundation for your residential mortgage application. The main conditions for approval are your credit score and your Gross Debt Service ratio and Total Debt Service ratio. Once we have your credit bureau and calculations we can analyze what needs to be done (if anything).

### → What needs to get done at this step?

- Check your credit score and get a copy of your credit report from [www.equifax.com](http://www.equifax.com)
- Calculate your Gross Debt Service ratio and Total Debt Service Ratio to determine how much you can afford
- We review and analyze your credit bureau and will show you options
- Work out the financial calculations required by the bank for your approval
- We will explain to you what the conditions will be for your approval
- Show you interest rates, timelines and steps involved to complete your mortgage

### Did you know?

Having someone else, such as a broker or banker, check your credit could **lower** your credit score and impact your ability to be approved!

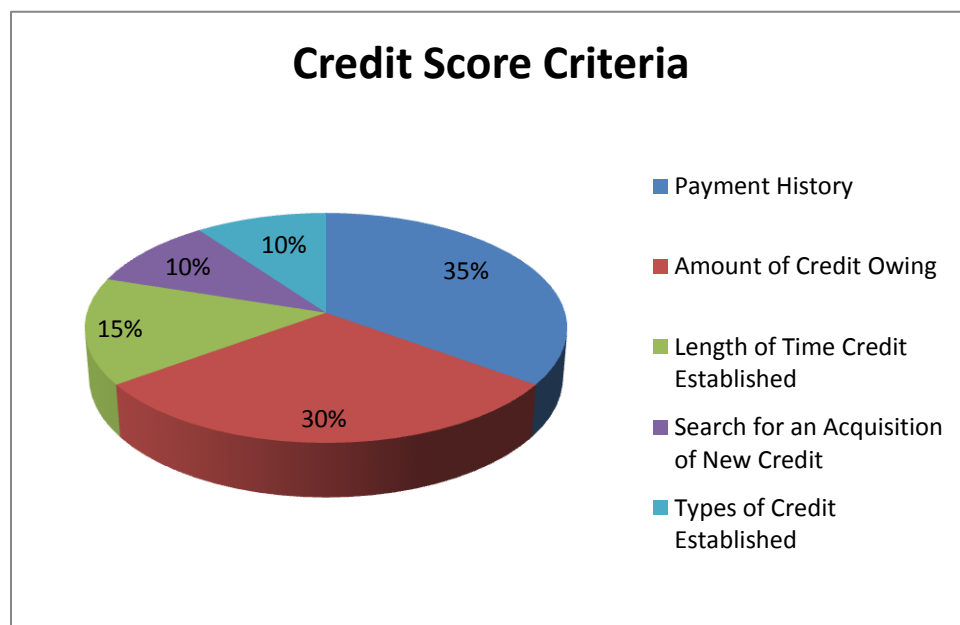
**What's next?** Learn more about Credit Scores on page 4

## Your Credit Score

Your credit score and rating are produced by Equifax. Your credit score is also referred to as a FICO Score as the mathematical formulas behind your score were created by Fair Isaac & Company (FICO). This Credit Score is used by most lenders to help them decide whether or not you're a good credit risk. Equifax crunches the numbers from your credit report, and spits out a score somewhere between 300 and 850. A low score says you're a bad credit risk, a score of 750 or higher puts you in the driver's seat.

Here are the factors considered when calculating your credit score and an estimate of how heavily each factor might be weighted.

- Past payment history (35 percent): bankruptcies, late payments, past due accounts and wage attachments
- Amount of credit owing (30 percent): amount owed on accounts, proportion of balances to total credit limits
- Length of time credit established (15 percent): time since accounts opened, time since account activity
- Search for and acquisition of new credit (10 percent): number of recent credit inquiries, number of recently opened accounts
- Types of credit established (10 percent): number of various types of accounts (credit cards, retail accounts, mortgage).



## Factors that affect your credit score

### **You have recently been seeking credit as reflected by the number of inquiries posted on your credit file in the last 12 months**

Research shows that consumers who are seeking new credit accounts are riskier than consumers who are not seeking credit. Inquiries are the only information lenders have that indicates a consumer is actively seeking credit.

There are different types of inquiries that reside on your credit bureau report. The score only considers those inquiries that were posted as a result of you applying for credit. Other types of inquiries, such as account review inquiries (where a lender with whom you have an account has received your credit report) or consumer disclosure inquiries (where you have requested a copy of your own report) are not considered by the score.

The scores can identify "rate shopping" so that one credit search leading to multiple inquiries being reported is usually only counted as a single inquiry. For most consumers, the presence of a few inquiries on your credit file has a limited impact on FICO scores.

A common misperception is that every single inquiry will drop your score a certain number of points. This is not true. The impact of inquiries on your score will vary - depending on your overall credit profile. Inquiries will usually have a larger impact on the score for consumers with limited credit history and on consumers with previous late payments. The most prudent action to raise your score over time is to apply for credit only when you need it.

As time passes the age of your most recent inquiry will increase and your score will rise as a result, provided you do not apply for additional credit in the meantime. Our best recommendation - apply for credit only when you need it.

### **The length of time your revolving or non-revolving accounts have been established is too short**

This reason is based on the age of the revolving or non-revolving charge accounts on your credit bureau report. A revolving account such as Visa, MasterCard, or retail store card allows consumers to make a minimum monthly payment and roll or "revolve" the remainder of their balance to the next month. Non-revolving accounts such as American Express and Diners Club must be paid off in full each month.

Research shows that consumers with longer credit histories have better repayment risk than those with shorter credit histories. Also, consumers who frequently open new accounts have greater repayment risk than those who do not.

It is a good idea to only apply for credit when you really need it. Meanwhile, maintain low-to-moderate balances and be sure to make your payments on time. Your score should improve as your revolving credit history ages.

### **The amount owed on your accounts is too high**

The score measures how much you owe on the accounts (revolving, non-revolving, and instalment) that are listed on your credit bureau report. Research reveals that consumers owing larger amounts on their credit accounts have greater future repayment risk than those who owe less. (For credit cards, the total outstanding balance on your last statement is generally the amount that will show in your credit bureau report. Note that even if you pay off your credit cards in full each and every month, your credit bureau report may show the last billing statement balance on those accounts.)

Paying off your debts and maintaining low balances will help to improve your credit score. Consolidating or moving your debt around from one account to another will usually not, however, raise your score, since the same amount is still owed.

### **Proportion of loan balances to original loan amounts is too high**

Simply having instalment loans and owing money on them does not mean you are a high-risk borrower. To the contrary, paying down instalment loans is a good sign that you are able and willing to manage and repay debt, and evidence of successful repayment weighs favourably on your credit rating. The FICO score examines many aspects of your current instalment loan and revolving balances. One measurement is to compare outstanding instalment balances against the original loan amounts. Generally, the closer the loans are to being fully paid off, the better the score. Compared to other measurements of indebtedness, however, this has limited influence on the FICO score.

Paying down instalment loans on a timely basis generally reflects well on your credit score. But if you want to improve your score, one way to do it is to try to pay the loans, down as quickly as you can.

**What's next?** Step 2: Application on page 6

## Step 2: Approval – What do banks need to see?

### → What is it?

During the Approval step Bridge Capital will help you gather all of your information and create a presentation of your residential mortgage application for banks to review so that they can provide you with an approval.

### → Why is this step important?

Packaging and presenting your residential mortgage application for approval is essential. Not presenting your residential mortgage properly can be detrimental to your approval as you may not get a second chance to submit your request. Acquiring a residential mortgage is an important decision and we want to make sure that you are getting the best possible options for your request. Because we have you get your own credit bureau, your credit bureau is yours and you can go to other sources and find out if you are getting the best option without damaging your credit score.

### → What needs to get done at this step?

- We prepare your application so that it can be sent to a bank or lender for approval
- You send us your documents including T1 Generals, pay stubs and a letter of employment, bank statements, purchase agreement, etc.
- We will provide you with specific details about what the bank needs to see to approve your residential mortgage application before we send it out for approval
- We will prove to the bank that your residential mortgage application meets their criteria and can be approved

### Did you know?

Every bank has different credit criteria to approve a mortgage. One bank may decline your application while another bank may approve it. We know which banks to go to so that you can be approved.

**What's next?** Step 3: Approval and Funding on page 7

## Step 3: Funding – How do I get my mortgage funded?

### → What is it?

During the Funding step we work to get your mortgage funded.

### → Why is this step important?

Every bank has different credit criteria and your application has to be sent to the right bank and to the right person to ensure you are approved quickly and without problems. After we have your approval and have worked with the bank to meet all of their conditions, we then complete the legal, mortgage closing and administrative tasks to ensure your mortgage is funded on time.

### → What needs to get done at this step?

- We make sure that any items and/or issues are addressed
- Review your mortgage commitment with you to ensure that you agree and are comfortable with the terms and conditions offered by the bank
- Work with the bank to meet their conditions
- Send your documents and other information to the bank as required
- Take care of the unique questions and issues that come up with your approval
- Work with the bank, lawyer and other people as required to ensure a successful funding
- We get your residential mortgage funded!

### Did you know?

If your mortgage does not fund on time because it isn't organized and arranged properly you may be charged late interest.