

Mortgage Renewal Guide

Welcome to your ultimate guide to mortgage renewal! Find all the essential information you need right here.



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Understanding Mortgage Renewal

What It Is and Why It Matters

In Canada, mortgage renewal is the process of extending your mortgage agreement beyond its original term. Typically, mortgages have a term of 1 to 5 years, after which you need to renew or renegotiate the terms with your lender. Renewal offers an opportunity to reassess your mortgage based on your current financial situation and prevailing market conditions. It's an important moment to evaluate whether continuing with your current lender or switching to a new one is in your best interest.

Key Considerations

- **Interest Rates:** Renewal is a chance to secure a new interest rate. If rates have decreased since you first took out your mortgage, you might benefit from lower monthly payments.
- **Loan Terms:** You can also renegotiate the length of your mortgage during renewal. A shorter amortization can save you money on interest but may increase your monthly payments, while a longer amortization lower monthly payments but may result in more interest paid over the life of the loan.
- **Flexibility:** Review any options for flexible repayment terms or prepayment privileges that could benefit you in the future.

Reviewing Your Current Mortgage

Assessing Existing Terms and Conditions

Before initiating the renewal process, thoroughly review the details of your current mortgage. This includes understanding your current interest rate, remaining balance, and the time left on your amortization. Assess any special features of your mortgage, such as prepayment options or penalties for early repayment. These factors can influence your decision to stay with your current lender or seek a new lender with different features.



Key Elements to Review

- **Interest Rate:** Note whether you have a fixed or variable rate and consider if it's still competitive.
- **Remaining Balance:** Determine how much you still owe and how this impacts your renewal options.
- **Prepayment Penalties:** Check if there are penalties for paying off your mortgage early or making extra payments.

Impact of Existing Terms on Renewal Decisions

Understanding your current mortgage terms helps you make informed decisions about your renewal. For example, knowing whether you have a high interest rate or if you are close to paying off your mortgage can influence whether you choose to stay with your current lender or seek more favourable terms elsewhere.

Strategies for Renewal

Once you've reviewed your existing mortgage terms, consider strategies for renewal. If your current terms are no longer competitive, it may be beneficial to shop around for a more suitable option. Alternatively, if you have favourable terms but need flexibility, ensure your new mortgage continues to meet your financial needs.

Exploring Renewal Options

Comparing Lenders and Mortgage Products

When your mortgage is up for renewal, you can either stay with your current lender or explore new options to find better rates and terms. Comparing mortgage products is crucial. Fixed-rate mortgages offer consistent payments, while variable-rate mortgages start with lower rates but can fluctuate. Hybrid mortgages combine both fixed and variable elements, providing a balance of stability and flexibility.



Types of Mortgage Options

- **Fixed-Rate Mortgage:** Offers stability with a constant interest rate throughout the term. This is ideal if you prefer predictable payments.
- **Variable-Rate Mortgage:** Typically starts with a lower rate but can change based on the Bank of Canada's interest rate decisions. This might be advantageous if you expect rates to stay low or decrease.
- **Hybrid Mortgage:** Combines elements of both fixed and variable rates, providing a mix of stability and flexibility.

Evaluating Lender Reputation and Service

When renewing your mortgage, consider a lender's reputation, customer reviews, support quality, and flexibility. Established lenders with positive reviews typically offer reliable service and helpful support. Additionally, look for flexible terms, such as options for adjusting payments or making lump-sum payments.



Understanding Renewal Costs

Identifying Potential Fees and Expenses

Renewing your mortgage may involve several costs, which can impact the overall financial benefit of the renewal. These costs can include administrative fees, appraisal fees, and legal fees. If you choose to switch lenders, there may also be penalties for breaking your current mortgage early. Understanding these costs upfront helps you make a more informed decision about whether to renew with your current lender or explore new options.

Potential Costs to Consider

- **Administrative Fees:** Fees charged by your lender for processing the renewal.
- **Appraisal Fees:** Costs for assessing the value of your property, if required by the new lender.
- **Legal Fees:** Fees associated with legal documentation and processing.
- **Prepayment Penalties:** Charges for paying off your mortgage early if switching lenders.



Timing Your Renewal

Choosing the Right Time to Renew

Strategic timing can influence the terms and rates you receive when renewing your mortgage. Ideally, start the renewal process several months before your current term expires to give your Broker ample time to explore options and negotiate terms. Monitor interest rate trends and economic conditions, as these can impact mortgage rates. Renewing at a time when rates are favourable can help you secure better terms.

Best Practices for Timing

- **Start Early:** Begin the renewal process 3-6 months before your current term ends.
- **Watch Interest Rate Trends:** Stay informed about market conditions and the Bank of Canada's rate decisions.
- **Consider Seasonal Factors:** Mortgage rates can vary seasonally, so be aware of trends and economic factors that might impact rates.

Aligning Renewal Terms with Your Financial Goals

As you approach your mortgage renewal, consider how your future financial needs and goals will affect your decision. Ensuring that your mortgage terms align with your long-term plans will help you maintain financial stability.

Factors to Consider

- **Future Income Changes:** Anticipate any changes in your income, such as promotions or job transitions. Choose mortgage terms that match your expected income to manage payments comfortably.
- **Major Life Events:** Factor in significant life events, like starting a family or purchasing a new home. Select terms that offer flexibility to accommodate these changes.
- **Debt Management:** Evaluate how renewing your mortgage affects your overall debt management. Ensure the new terms support your ability to handle other financial obligations.
- **Investment Opportunities:** Consider if the renewal terms allow for extra payments or lump-sum contributions. This flexibility can be useful if you plan to invest or pay off additional debt.

Finalizing The Renewal Process

Completing the Paperwork and Transition

Once you've chosen your new mortgage terms, your Broker will help to finalize the renewal by assisting you in completing the necessary paperwork. Review all documents carefully to ensure the terms match what was discussed. If you're switching lenders, coordinate the transition to avoid any gaps in your mortgage coverage. Ensure all new payment arrangements are set up and adjust any automatic payments if necessary.

Steps to Finalize Renewal

- **Review Documentation:** Carefully read the new mortgage agreement to confirm terms and conditions.
- **Coordinate Transition:** If switching lenders, ensure a smooth transition to avoid lapses in your mortgage.
- **Set Up Payments:** Arrange for any new payment schedules or automatic withdrawals to reflect the updated terms.



Closing

Renewing your mortgage is a pivotal moment that can shape your financial future. By carefully evaluating your current mortgage terms, assessing your financial situation, and exploring various renewal options, you can make an informed decision that aligns with your long-term goals.

Pay attention to market conditions, consider potential savings, and negotiate terms to secure the best possible deal. With thorough preparation and strategic planning, you can ensure that your mortgage renewal supports your financial stability and helps you achieve your future aspirations.

