



## The Canadian Mortgage Team Alberta

<u>Calgary</u>	Edmonton	
Suite 127, 11198 42 Street S.E		PO Box 4255
Calgary, AB	Edmonton,	AB
T2C 0J9	T6E	4T3
T: 403-257-1801	T:	1-888-281-0111
F: 403-206-7622	F:	403-206-7622

### The Canadian Mortgage Team Alberta Mortgage Qualification Coaching/ Tenant Form....

There are many people who would love to buy their own home, but don't feel it is something that is realistic for them to do just yet. It may be because of bad credit, not enough savings for a down payment, or perhaps the type of house in the area they want is just too expensive for a conventional mortgage. A **Rent-To-Own home** can be the answer. Here are a few key points to follow when pre-screening your potential tenants.

#### 1. Income:

Here is a good rule of thumb to help you pre-qualify your potential tenant...

- 40% of Tenants income has to cover the Mortgage Payment for example if the mortgage amount is \$300,000 and the current interest rate is 4.79% and using a 35 year amortization you can go to our website to figure out the monthly payment... <http://www.danheon.com/calculator.php>

The mortgage payment would be approximately \$1,465.23/monthly. If your tenant or tenants had a combined income of \$100,000/ year. You take \$100,000 / 12 (months in a year) = \$8,333 x 40% and this number cannot exceed the gross monthly income. In this case \$8,333 x 40% equals 3,333.20 therefore this scenario will work!

Note: Make sure to match your tenant up with a suitable property that will meet his/her needs and also financial situation.

#### 2. Credit...

It is or job to help your tenant improve their credit situation but there are a couple things you the investor can do to pre-screen your tenant so you know what their situation looks like. First you should ask your tenant to provide you with a current copy of their credit report. If they don't already have one you can get your tenant to log on to the Equifax Canada's website [http://www.equifax.com/home/en\\_ca](http://www.equifax.com/home/en_ca). they can follow the steps on the website. Once you have a copy of their credit bureau please remember even if your tenant has bad credit we are still able to help them as long as they follow our Mortgage Qualification Coaching Program. Every credit report will be different. A credit score is a statistical formula that translates personal information from your credit report and other sources into a three-digit score. The higher the score the better chances your tenant has to be approved by the bank. Credit scores between 650-750 are about average anything below 650 is below average in the banks eyes but it is our job to help that number up. If the score is over 750 your tenant has excellent credit. The things to watch for on a tenant's credit score are the following...

1. Bankruptcy's
2. Delinquency 's
3. Judgment's
4. Collections
5. OPD's (Orderly Payment of Debts)

The above noted items are what lenders DO NOT want to see when trying to get approved for a mortgage If they do appear on your potential tenant's bureau that is okay because this is our specialty. We will help your tenant work on those issues.

### **3. Cash/ Down Payment...**

The last component to putting together a mortgage is the down payment. The minimum a buyer with perfect credit has to put down is 5% if you tenant has had any credit issues like discussed above in the Credit section the lender may require the tenant come up with either 10%-20% down. The more money down the tenant has the better their chances of being approved is.

If you and your tenant plan on doing an insured mortgage (down payment of less than 20% of the purchase price) CMHC (Canada Mortgage And Housing Corporation) must see the following items in the Offer to Purchase....

- ✓ Charging market rents for base rent is required.
- ✓ The over and above portion will be credited towards the down payment.
- ✓ Contract must be dated from the initial onset of the deal. (when the tenant moved in)
- ✓ A portion of the deposit funds must be refundable should the deal not proceed.
- ✓ All additional lump sum payments towards the purchase must be stipulated in the original contract.
- ✓ Purchase price must be set from the beginning.
- ✓ Date of purchase must be set from the beginning.

When you and the tenant go over the contract and down payment portion please remember to keep all papers. For example if the tenant writes you a deposit cheque please make a copy of the cheque and copies of bank statements showing the cheque being deposited into your account. When the tenant pays your rent each month keep all copies of cheques and banks statements. When the time comes for The Canadian Mortgage Team Alberta to place the mortgage the lender will need the paper trail of all transactions. We HAVE to have these documents to confirm the down payment to the lender. It will be easier to get in the habit of keeping all bank statements from the beginning then it will be to go back 1-3 years when the mortgage is ready to be processed.

Once you have gone through these steps and you think that your potential tenant is ready to take the step into our Rent to Own Mortgage Qualification Program please fill out the following lead form and fax or email it to our office.

Attention: Ryan James

Email: [admin@DanHeon.com](mailto:admin@DanHeon.com)

Fax: 403-206-7622

We will then contact your lead and begin their steps to Home Ownership. Our goal is to work with both the investors and tenants so it is a win win situation for everyone involved!