

Is your mortgage coming up for renewal?

If your mortgage renewal is fast approaching then you'll soon be at an important financial milestone. You've worked your way through your mortgage term, your home has probably grown in value, and you can feel good about making progress in your mortgage years.

Lenders send out renewal forms just prior to renewal dates to those with good payment histories, with about 70% of homeowners sending it back without asking any questions. In today's hectic world, that can be the easiest and best route, but you should ask yourself some questions before you sign on the dotted line. This could be an important moment of opportunity.

Maybe your mortgage needs have changed. This is the time to decide. For example, is this the right time to tap some of your home equity for a renovation project? Or maybe you're considering a cottage or vacation property. You should also take a look at your other debts; many Canadian homeowners have taken advantage of historically low rates – and rolled all their other higher-interest debts into their mortgage.

Are you confident you will get the best rate at renewal? Having multiple lenders compete for your business is a great way to ensure you get the best rate for your situation. A mortgage broker deals with many different lending institutions, including major banks, credit unions, trusts and other national and regional lenders, which means they can put significant negotiating power behind finding the best mortgage to fit your specific situation.

Keep in mind that there are some administrative details when switching your mortgage to another lender, but don't let this discourage you from finding out more. It doesn't cost you anything to investigate your options.

If you renew with your lender, you are extending your existing mortgage at current rates and terms. If you switch your mortgage to a new lender, you will go through an approval process similar to when you took out the original mortgage. You can either assign your existing mortgage to a new lender or you can apply for a new one should you want to borrow a larger amount to consolidate debt for example.

What will it cost you? Your lender may charge a discharge fee, and you may need to pay legal and appraisal fees if you are getting a completely new mortgage instead of switching your existing one. Be sure then to assess if the money you will save by switching to a better interest rate offsets that cost. It's possible that you could also pay more for mortgage life insurance because your new premiums will be based on your current age.

If you're interested in examining your renewal options, try to contact a mortgage broker four months prior to your renewal date to complete an application. Once approved, your rate will be guaranteed for up to 120 days, depending on the lender, although you'll get the lower rate should rates drop prior to funding. While a mortgage broker can save you money by finding the best mortgage available, you don't have to pay for their service (oac). Instead, the lender selected pays compensation for the services and solution provided. And since a mortgage broker's business is built primarily through referrals from satisfied customers, your positive mortgage "renewal" experience is essential!