

Mortgage applicants can easily get buried under mounds of paperwork but they can get help

Naomi Carniol, Special to the Star

First-time homebuyers don't have it easy. It can take months of searching before you find your dream house or condominium. When you finally spot that special place, the work is far from over.

If you need a mortgage to pay for your new home, there are piles of paperwork ahead of you. For first-time homebuyers, it can feel like you're drowning in documents.

The Toronto Star interviewed three mortgage experts to help first-time homebuyers navigate through the paperwork. Open your notepad. Sharpen your pencil. Paperwork 101 is about to begin:

Lesson One: Paperwork isn't always paper. As technology evolves, lending institutions are reducing the amount of paper they use. While every bank will ask you to fill out a mortgage application, the application isn't necessarily a paper document these days. At ING Direct, you can fill out a mortgage application over the phone or online, says Martin Beaudry, the bank's vice-president of lending.

Lesson Two: What's outside matters as much as what's inside. The mortgage application may be just two pages. What makes the application longer are the outside documents that need to accompany it, Beaudry says. You don't need to supply all the documents the first time you talk to a mortgage specialist. Exactly when you need to submit each document varies depending on the lending institution. Each bank has its own timeline. But the faster you gather the required documents, the faster your mortgage application can be processed.

Lesson Three: Don't just say it. Prove it. A mortgage application will ask what you earn, how much you own and what you owe. Here's where the document drama begins. You need documents that prove what you claim about your finances.

To prove what you earn, you'll need a current pay stub and a letter from your employer explaining in detail the terms of your employment. Some banks also ask for the Notice of Assessment provided by the Canada Revenue Agency.

To prove what you own, you'll need documents that confirm any assets, such as investments, says Joan Dal Bianco, vice-president of real estate secured lending at TD Canada Trust.

Depending on the lender, you may also be asked to provide credit card statements. Submit documents that can provide a full picture of your assets and liabilities.

You'll also need documents to confirm how you're planning to pay for the down payment on your new house or condominium, says Charles Lambert, Scotiabank's managing director of mortgages. "This could be a bank statement showing where the funds are coming from."

On top of all that, you'll need to give the bank permission to get a credit check on you. Have documents ready to explain anything unusual that might appear in the credit check, Beaudry says.

Lesson Four: It's not just about you. While banks ask for documents to verify your finances, at some point you'll also need to submit documents related to the house or condominium you want to buy.

You'll need to supply a copy of the house or condominium listing and a copy of the Agreement of Purchase and Sale.

If you're buying a condo, you'll need a copy of the condominium association's financial statements "to ensure that there are no outstanding liabilities you may be on the hook for," Lambert says. The statements will also outline the monthly condo fees.

You'll need to provide information about property taxes. For newly built houses or condominiums, you'll need documentation that outlines the estimated property taxes.

The timing may differ, but most banks will conduct an appraisal of the property to check its value.

Lesson Five: Approval is not the end of the paper trail. A bank may take less than 24 hours to process your application, all three experts say. If the bank approves your application, feel free to celebrate but don't put up your feet just yet. There's more paperwork ahead. For example, ING Direct sends the borrower a commitment letter stating that the mortgage has been approved subject to certain detailed conditions. After signing the letter, the borrower must then give the bank any outstanding documents. The bank will send an information package to the client's lawyer.

"The lawyer needs time to research the title of the property, look at what needs to be done to provide the purchaser with a clear title and for the bank to register a mortgage for this particular property," Beaudry says.

For Scotiabank clients, on the day a property closes, a client will visit the lawyer's office where the lawyer will confirm the terms of the sale of the property and the terms of the mortgage. Then comes the exciting part. You sign the documents and get the keys to your new home.

Lesson Six: Don't forget to exhale. The paperwork can be overwhelming, especially for first-time homebuyers.

"Customers tell us buying a home is as big an event as getting married or giving birth," says Del Bianco.

They don't see the paperwork as just a mortgage application. They see it as part of their dream. As a result, the process can be quite emotional.

To reduce clients' stress, banks tell clients as early as possible about all the documents required.

"Instructing them upfront alleviates a lot of the pains and anxieties of dealing with purchasing a house for the first time," Beaudry says.

Many lending institutions offer tools to help clients stay organized. TD Canada Trust gives clients a checklist to ensure they don't miss any paperwork. ING Direct recently launched an online tool to help clients track their paperwork.

Even with these tools, though, it's possible to get bogged down by all the paperwork. If you have nightmares you're being chased by a zombie covered in documents, take a moment to remind yourself why you started the process in the first place.

At the end of the paper trail, there will be a new home or condominium waiting just for you.

That's when the real fun begins.