

Choosing the right mortgage

Choosing the right mortgage makes owning your own home more enjoyable. Understanding the basic types of mortgages available is the first step toward finding the one that fits your lifestyle, budget and long-term needs.

So which one is right for you?

1. Short-term or long-term?

Mortgages are repaid in a series of terms which typically range from six months to ten years. At the end of each term, you can pay off your mortgage, make a lump sum payment or negotiate a renewal with new terms. A short-term mortgage is usually for two years or less. A long-term mortgage is usually three years or more. Short term mortgages are appropriate for people who want to minimize their interest rate and are willing to accept more risk of rate fluctuations at renewal. Long term mortgages are chosen by people who want to lock in their rate and not have to worry about rate fluctuations for several years.

2. Fixed or variable interest rate?

When you take out a fixed rate mortgage, your interest rate will never change throughout the entire term of your mortgage. As a result, you'll always know exactly how much your payments will be and how much of your mortgage will be paid off at the end of your term.

With a variable rate mortgage, your interest rate may vary from month to month. Historically, variable rate mortgages have tended to cost less than fixed rate mortgages when interest rates are fairly stable. When rates change, your payment amount remains the same. However, the amount that is applied toward interest and principal will change. If interest rates drop, more of your mortgage payment is applied to the principal balance owing¹. This can help you pay off your mortgage faster.

3. Open or closed?

Open mortgages can generally be paid off at any time without penalty.² They are suited to homeowners who are planning to sell in the near future or those who want the flexibility to make large, lump-sum payments before the end of the term. Closed mortgages are commitments for a specific term. If you want to pay off the mortgage balance, you will need to wait until the maturity date or pay a penalty. In exchange for reduced flexibility, you will generally receive a lower interest rate when you choose a closed mortgage.

4. Conventional or high-ratio?

The amount of your down payment will determine if you require a conventional mortgage or a high-ratio mortgage. With a down payment of 25% or more you would be eligible for a conventional mortgage. If you have less than 25%, you would be eligible to apply for a high-ratio mortgage and you will be required to purchase a special form of

insurance from either the Canada Mortgage and Housing Corporation (CMHC) or GE Capital Mortgage Insurance Company (GEMICO). The mortgage insurer will charge you a fee for this insurance. The amount of the fee will depend on the amount you are borrowing and the percentage of your own down payment. Typical fees range from 0.5% to 3.25% of the principal amount of your mortgage. This amount can be paid up front or added to the principal portion of the mortgage. A Mortgage Specialist can help you determine the exact amount.

Flexible Option Mortgage combines many benefits

Home buyers who like the idea of picking and choosing features from all of the mortgage options above may take comfort in the Flexible Option Mortgage³ from TD Canada Trust. With a minimum down payment of just 10%³, this flexible solution is available to people buying a home, renewing a mortgage, refinancing or switching their mortgage to TD Canada Trust.

The Flexible Option Mortgage offers interest rates as low as TD Prime and the flexibility to –

- ❖ Choose to fix a portion of your variable rate balance into a competitive 1- to 5-year fixed rate at any time, or have a combination of both
- ❖ Pay as much as you like, as often as you wish on the balance of the variable rate portion or as little as interest only – without penalty

In addition to the Flexible Option Mortgage, TD Canada Trust offers a wide variety of mortgages that each provide a unique combination of value and comfortable features.

For example, the 5% CashBack Mortgage and the Best Rate Mortgages⁴ are very popular choices.

TD Canada Trust customers can even manage their mortgage payments online with EasyWebTM Internet banking just by opening a TD Canada Trust Chequing (or Savings) Account. EasyWeb allows homeowners to view their outstanding mortgage balance and make payments directly from their account. It's a powerful combination of convenience and comfort. TD Canada Trust branches are also open later than many other financial institutions, making it very convenient to meet with a Mortgage Specialist in person.

When it comes to finding the right mortgage to suit your needs, contact your TD Canada Trust Mobile Mortgage Specialist at 1 800 560-1593. If you're purchasing a home, ask about the Home Buyer Incentive of up to \$1,000.⁵

Please note: Mobile Sales Force, telephone and online mortgage applications are not available on properties in Quebec.

¹ If rates rise, more of your monthly payment will go toward interest. At a certain point, you will have to choose from certain options regarding payment arrangements. Ask for details. ² Some conditions apply. ³ Those that require CMHC or GEMICO default insurance have a declining credit limit and must be paid in full within a specified period. Credit limit may be greater than 90% of home value when fees related to default insurance are included. Other conditions or restrictions may apply. ⁴ Our 5-year Best Rate Mortgage rate is the lowest discounted 5-year fixed rate and our Best Rate Under Prime Mortgage rate is the lowest 5-year variable rate committed to on a given day to a typical bank customer. Applies to residential properties only and is subject to meeting TD Canada Trust credit granting criteria. Not available with any other rate discounts, promotions or offers. Some conditions and exceptions may apply. ⁵ Eligible purchasers will receive a Home Buyer Incentive of up to \$1,000 on the landing date. Offer may be changed, withdrawn or extended at any time. Only available on our Best Rate Mortgage offers. Ask for details. Some conditions and exceptions may apply.

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