

The Ontario Mortgage Guide

A clear, practical path from first plan to keys - and from renewal to a mortgage that still fits your life.

INSIDE

Affordability
Down payments and insurance
Rates, terms and penalties
First-time buyer programs
Alternative lending
Refinance and renewal

PREPARED BY

Kushal Pareshkumar Mehta

REALTOR® with The Canadian Home
Mortgage Agent Level 2 with Pegasus Lending
Inc.
FSRA Licence #11479

Your mortgage roadmap

A mortgage is not one decision. It is a sequence of smaller decisions that should support the same outcome: a home you can afford, with financing you can live with.

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| <p>1 Set your real budget</p> <p>Start with a comfortable monthly housing cost, not the maximum a lender may approve.</p> | <p>5 Protect the offer</p> <p>Use appropriate conditions and allow enough time for full financing review.</p> |
| <p>2 Build the file</p> <p>Organize income, down-payment, debt and identification records before urgency arrives.</p> | <p>6 Select the mortgage</p> <p>Compare rate, term, payment, penalty, privileges, portability and restrictions together.</p> |
| <p>3 Get pre-approved</p> <p>Understand an estimated price range, rate hold, conditions and what can still change.</p> | <p>7 Close cleanly</p> <p>Keep employment, credit and cash stable while the lender and lawyer complete the file.</p> |
| <p>4 Choose a property</p> <p>Confirm that the property itself fits lender, insurer and appraisal requirements.</p> | <p>8 Manage the debt</p> <p>Review annually, use prepayment options deliberately and start renewal planning early.</p> |

How to use this guide: Read pages 3-10 before buying, pages 11-14 for special situations, and use the action plan on page 15 with your mortgage professional.

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A low rate is only one part of the mortgage

The best mortgage is the one whose payment, restrictions and exit costs fit your actual plans.

PRINCIPAL

What you borrow

Usually the purchase price minus the down payment, plus any mortgage-insurance premium added to the loan.

INTEREST

Cost of borrowing

The rate and how it is calculated determine how much interest is charged over time.

AMORTIZATION

Payoff horizon

The estimated total time to repay the mortgage. A longer period lowers payments but usually increases total interest.

TERM

Current contract

The period your rate and conditions apply. Most borrowers renew several times before full repayment.

PAYMENT

Cash-flow commitment

Monthly, semi-monthly, biweekly, accelerated or weekly schedules change timing and sometimes payoff speed.

SECURITY

The property backs the loan

A mortgage is registered against the property. Default can lead to enforcement and loss of the home.

Compare the whole contract

Ask about prepayment limits, penalty calculation, portability, assumability, conversion rights, discharge fees, collateral-charge registration and restrictions on switching. A slightly lower rate can be poor value if the mortgage is expensive or difficult to change.

Before you choose

- How long might I keep this property?
- Could my income or family size change?
- Would I move, refinance or make large prepayments?
- How much payment fluctuation can I absorb?

Keep these separate

- **Approval:** what a lender is prepared to advance.
- **Affordability:** what works within your complete budget.
- **Comfort:** the margin you retain for surprises and goals.

Qualifying is not the same as being comfortable

Build your personal ceiling before a lender calculates its ceiling.

Your household budget

Include the mortgage payment, property tax, heating, insurance, condo fees, utilities, maintenance, transportation, childcare, savings and lifestyle costs.

Stress your own budget: test a higher payment, a temporary income drop and an unexpected repair.

The lender's qualification

Lenders assess income, debts, credit, down payment, property and the qualifying rate. Federally regulated lenders generally apply the mortgage stress test.

Current benchmark: the greater of 5.25% or the contract rate plus 2% for most new uninsured mortgages.[1][2]

Debt-service ratios

Measure	What it considers	Why it matters
Gross debt service (GDS)	Mortgage, tax, heat, condo share	Housing burden relative to gross income
Total debt service (TDS)	Housing costs plus other debt	Total recurring debt burden

FCAC guidance says housing costs should generally stay within 39% of gross household income and total debt load within 44%, while noting that lender practices and individual circumstances vary.[1]

Practical buffer: Approval should not consume every available dollar. Keep room for closing costs, repairs, rate changes, income interruptions and goals beyond housing.

Four ways to improve readiness

- Reduce revolving balances and avoid new monthly obligations.
- Correct credit-report errors early.
- Stabilize income and employment where possible.
- Increase down payment and emergency reserves.

Down payment changes the loan - and the risk

A larger down payment can reduce the mortgage, insurance premium and monthly cost, but it should not leave you without closing funds or reserves.

5%

Minimum on the first \$500,000 of an eligible purchase.[3]

10%

Minimum on the portion from \$500,000 up to \$1.5 million. [3][4]

20%

Normally required at \$1.5 million or more; it also generally avoids borrower-paid default insurance.[3][4]

Minimum down-payment formula: At or below \$500,000, 5% of the price. Above \$500,000 but below \$1.5 million, 5% of the first \$500,000 plus 10% of the balance. At \$1.5 million or more, mortgage loan insurance is unavailable under the federal insured-mortgage price cap, so at least 20% is generally required.[3][4]

Insured mortgage

With less than 20% down, mortgage loan insurance is normally required. The premium protects the lender, not the borrower. It is often added to the mortgage; applicable provincial tax on the premium must be paid separately rather than added to the loan.[3]

Uninsured mortgage

With 20% or more down, borrower-paid default insurance is generally not required. Qualification, property and lender policies still apply.

Do not use every dollar for the down payment

Keep funds for	Examples
Closing	Legal work, adjustments, land transfer tax
Property	Inspection, appraisal, immediate repairs
Protection	Insurance, moving, emergency reserve

Down-payment funds must come from acceptable, documented sources. Large recent deposits, gifts or transferred funds usually need a clear paper trail.

Use programs as tools, not as the budget

First-time buyer programs can improve cash flow, but eligibility and timing must be confirmed before relying on the money.

First Home Savings Account

The First Home Savings Account (FHSA) combines deductible contributions with tax-free qualifying withdrawals.

- \$8,000 of room when the first FHSA is opened.
- \$8,000 of new annual room, subject to rules.
- \$40,000 lifetime contribution limit.
- Unused annual room can carry forward, within limits.[5]

Home Buyers' Plan

The Home Buyers' Plan (HBP) permits an eligible withdrawal from a registered retirement savings plan (RRSP) to buy or build a qualifying home.

- Current withdrawal limit: \$60,000.
- Repayment is generally over 15 years.
- FHSA and HBP may be used for the same home if all conditions are met.[6]

Ontario first-time homebuyer land-transfer-tax refund

Eligible buyers can receive up to \$4,000. For qualifying purchases, no provincial land transfer tax is payable on the first \$368,000 of consideration; above that amount, the maximum refund remains \$4,000. [7]

Insured 30-year amortization

Federal rules effective December 15, 2024 expanded eligibility for 30-year insured amortizations to all first-time homebuyers and all buyers of new builds. A longer amortization can lower the regular payment but normally increases total interest and keeps debt outstanding longer.[4]

Coordinate before withdrawing: Confirm the purchase agreement, eligibility dates, occupancy intention and institutional processing time with your mortgage professional, accountant and plan issuer. Tax rules can change and mistakes can create taxable income.

A complete file moves faster and tells the truth clearly

Gather documents before making an offer. The exact list depends on how you earn income, where the down payment comes from and the property you choose.

Identity and residence

- ☐ Government-issued identification
- ☐ Current address history if requested
- ☐ Status documentation where applicable

Income

- ☐ Recent pay statements
- ☐ Employment letter
- ☐ T4 slips and Notices of Assessment
- ☐ Business financials for self-employment
- ☐ Pension, support or other income proof

Down payment

- ☐ Account and investment statements
- ☐ Gift letter and transfer evidence
- ☐ Sale agreement for another property
- ☐ FHSA or HBP records
- ☐ Explanation for large deposits

Property and debts

- ☐ Purchase agreement and listing
- ☐ Property tax and condo information
- ☐ Loan, credit-card and support obligations
- ☐ Rental leases where relevant

Truth is not optional

Never alter a statement, pay stub, employment letter or other record. FSRA guidance identifies altered or fabricated documents as mortgage fraud risks and prohibits false or deceptive information in mortgage transactions.[8]

During approval, keep the file stable

- Do not open new credit or finance a vehicle.
- Do not move money without preserving records.
- Do not change jobs without discussing the impact.
- Do not assume pre-approval is final approval.
- Respond quickly to document requests.
- Report material changes before closing.

Security: Send sensitive documents only through a secure channel approved by the brokerage or lender. Confirm unexpected requests independently before sharing personal or banking information.

Choose for your risk, timeline and exit

No rate structure is automatically best. The right choice depends on how much uncertainty your budget can tolerate and how likely your plans are to change.

Choice	Potential advantage	Trade-off to test
Fixed rate	Payment and rate certainty for the term	Breaking early may carry a larger penalty
Variable rate	Can benefit if the lender's prime-based rate falls	Rate, payment or amortization risk may rise
Closed mortgage	Often priced below an open mortgage	Prepayment limits and break penalties
Open mortgage	Greater repayment flexibility	Usually a higher rate
Shorter term	Earlier chance to reset or change strategy	Renewal risk arrives sooner
Longer term	Longer period of payment certainty	Less flexibility; penalty exposure may matter

Ask for the penalty in dollars

For a closed mortgage, ask how the lender calculates a prepayment charge and request an example based on a realistic future balance and break date.

Ask what restricts switching

Check whether the mortgage can be transferred, ported, refinanced or discharged easily, and whether it is registered as a standard or collateral charge.

Seven questions before signing

1. What is the annual percentage rate and total cost of borrowing?
2. How can the payment or amortization change?
3. How is the penalty calculated if I sell or refinance?
4. What prepayments can I make without charge?
5. Can I port the mortgage to another property?
6. What fees apply at setup, renewal, transfer or discharge?
7. What happens at the end of the term?

Small contract features can have a large effect

Payment frequency and prepayment privileges are valuable only when they match how you will actually pay.

Payment frequency

Monthly, semi-monthly and standard biweekly schedules mainly divide the annual obligation. An accelerated schedule typically pays the equivalent of an extra monthly payment each year, helping reduce principal faster.

Prepayment privileges

Features may include annual lump sums, payment increases or double-up payments. Confirm the percentage, timing, minimum amount and whether unused room carries forward.

Amortization

A longer amortization lowers required payments but generally increases total interest. A shorter amortization increases payment pressure but repays principal faster.

Variable-rate mechanics

Some variable mortgages change the payment when prime changes. Others keep the payment level while the interest/principal split changes, which can extend amortization or trigger an adjustment.

Use a three-number comparison

For every option, compare: **(1)** required payment today, **(2)** estimated balance at the end of the term, and **(3)** cost to exit under a realistic scenario. This reveals trade-offs that headline rates hide.

Annual mortgage review

- ☐ Check the remaining principal and amortization.
- ☐ Review available prepayment room and emergency savings.
- ☐ Confirm whether the current rate structure still fits your risk tolerance.
- ☐ Update the property value only for planning; an appraisal may still be required.
- ☐ Start renewal preparation several months before maturity.

Do not drain reserves to prepay: Extra mortgage payments are difficult to access again without borrowing. Keep adequate cash for emergencies and near-term goals.

Pre-approval is not final approval

The lender must approve both the borrower and the specific property. Protect the time needed to complete that review.

Before the offer

- Confirm the pre-approval assumptions and expiry.
- Know the maximum deposit you can deliver on time.
- Budget cash to close beyond the down payment.
- Discuss property types that may face restrictions.

After acceptance

- Send the signed agreement immediately.
- Complete lender and insurer conditions.
- Arrange appraisal if required.
- Coordinate with your lawyer and insurer.

Financing condition

A pre-approval usually does not guarantee financing. The lender can still review the property, appraisal, documents, insurer decision and any change in your finances.

Discuss the condition wording and deadline with your real estate representative and lawyer. Removing it before full confidence can expose you to serious contractual and financial risk.

Cash-to-close checklist

Category	Possible items	Confirm with
Taxes	Provincial/municipal land transfer tax	Lawyer
Professional	Legal, appraisal, inspection	Provider
Adjustments	Property tax, condo fees, utilities	Lawyer
Insurance	Home coverage; premium tax if applicable	Insurer/lender
Move-in	Moving, locks, repairs, furnishings	Your budget

Closing rule: Until funds are advanced and the transaction closes, avoid new borrowing, missed payments, unexplained transfers and employment changes.

Your file should be built around how you earn and live

Borrowers do not all prove income, credit or residency the same way. The right preparation makes legitimate strengths visible.

First-time buyer

Coordinate savings programs, down-payment records, land-transfer-tax planning and insured mortgage options. Leave room for closing costs and ownership expenses.

Self-employed

Prepare personal and corporate tax records, business financials, bank statements and evidence explaining the stability and source of income. Taxable income and usable qualifying income may differ.

New to Canada

Residency status, Canadian and international credit history, employment, down-payment source and program eligibility can affect the lender path. Start document collection early.

Commission or variable income

Lenders may review a history of earnings rather than one strong month. Keep Notices of Assessment, T4s, contracts and current year-to-date records organized.

Credit rebuilding

Payment history, utilization, collections, insolvency history and recent stability all matter. Obtain your reports, correct errors and avoid promises of a guaranteed approval.

Buying after separation

Support obligations, property division, existing mortgage liability and source of funds must be documented. Get independent legal and tax advice.

The question is not only “Can I qualify?”

Ask which documents support the income, which lender category is appropriate, what the total cost is, and what would improve the application over the next 3, 6 or 12 months.

A responsible plan has two versions

Plan A: the mortgage you can obtain now. **Plan B:** the steps that may improve pricing, flexibility or lender choice later.

B and private mortgages need an exit plan before entry

Alternative financing can bridge a real gap, but a fast approval is not enough. The reason, total cost, term risk and route out must be clear in writing.

Prime / A

Typically strongest documentation, credit and debt-service profile; generally lower pricing.

Alternative / B

May use more flexible income or credit assessment, with higher rate and possible fees.

Private

Often focuses heavily on property equity and exit strategy; typically shorter-term and higher-cost.

Ask for the complete cost

- Interest rate and payment schedule
- Lender, brokerage, appraisal, legal and administration fees
- Whether fees are paid upfront or added to the loan
- Interest adjustment, holdbacks and reserve requirements
- Renewal, extension, default, discharge and prepayment charges

Write the exit strategy

Name the next lender category, target date, required credit or income improvement, expected balance, property-value assumption, costs to exit and a fallback if the plan is delayed. If the exit depends only on prices rising, it is not a complete plan.

Red flags

- Pressure to sign without time to review
- Blank or inconsistent documents
- Unexplained fees or cash payments
- A promise to “fix” income documents
- No written exit strategy
- Payment that depends on future borrowing
- No independent legal advice when appropriate
- Costs described only as a monthly payment

Ontario mortgage agents and brokers are licensed through the Financial Services Regulatory Authority of Ontario (FSRA). Consumers should understand disclosures, costs and suitability before committing.[9]

Renew, switch, refinance and access equity solve different problems

Begin with the objective. Then compare payment, total borrowing cost, fees, penalties and the balance left at the end.

Action	What changes	Watch closely
Renew	New term with current lender	Do not accept the first offer without review
Switch	Move balance to another lender	Legal/discharge costs and feature differences
Refinance	Change amount or amortization	Penalty, fees and renewed interest cost
HELOC	Revolving credit secured by home	Variable rate and repayment discipline
Blend/extend	Combine existing and new rate	Calculation, penalty and future flexibility

Renewal checklist

- ☐ Review 4-6 months early
- ☐ Check income and credit readiness
- ☐ Request payout statement
- ☐ Compare rate and contract features
- ☐ Decide on amortization target

Debt consolidation test

Moving high-interest debt into a mortgage may lower the payment because repayment is stretched over longer. Compare total interest, fees and behavioural risk. A lower payment is not automatically lower cost.

Straight switch detail: OSFI says federally regulated lenders are not expected to apply the set minimum qualifying rate to uninsured straight switches at renewal when neither the loan amount nor amortization increases. Lender underwriting still applies.[2]

Three numbers to request

Ask for the **payout amount today**, the **total cash cost to change**, and the **projected balance at the end of the proposed term**.

Investment financing starts with resilient cash flow

A rental property should be tested as a business, not only as an appreciation story.

Income assumptions

- Confirm how the lender will treat current or market rent.
- Use supportable rent, not the highest advertised example.
- Allow for vacancy and collection risk.

Operating costs

- Mortgage, taxes and insurance
- Utilities paid by owner
- Condo or association fees
- Repairs, maintenance and capital items
- Management, leasing and legal costs

Stress the property

Model a vacancy, a major repair, a higher renewal payment and a lower resale value. Keep liquidity outside the property.

Do not count on: perfect occupancy, immediate rent increases, zero repairs or guaranteed appreciation.

Financing questions

- ☐ What down payment is required for this property type and occupancy?
- ☐ How much rental income will the lender use, and by which method?
- ☐ Are leases, appraisals or market-rent reports required?
- ☐ How do property taxes, condo fees and other mortgages affect qualification?
- ☐ Is the property legal for its current use?
- ☐ What reserves remain after closing?

Tax and legal advice: Rental income, deductible expenses, capital gains, ownership structure and tenancy obligations require advice from qualified tax and legal professionals. Mortgage approval does not confirm legal use or investment suitability.

Simple decision rule

Proceed only if the property, financing and reserve plan remain workable under a reasonable downside scenario - not just the best case.

Your 30-day mortgage-ready plan

1

Week 1: Know the numbers

Set a comfortable housing budget, list every debt and estimate cash needed beyond the down payment.

2

Week 2: Clean the file

Review credit, explain unusual items, trace down-payment funds and collect income documents.

3

Week 3: Compare paths

Discuss lender categories, insured versus uninsured options, term structure and closing timeline.

4

Week 4: Set guardrails

Confirm price ceiling, financing-condition plan, must-have product features and no-change rules before closing.

One-page appointment checklist

- ☐ Comfortable monthly budget
- ☐ Target purchase or loan amount
- ☐ Down payment and source
- ☐ Income type and history
- ☐ Current debts and payments
- ☐ Credit concerns
- ☐ Property type and occupancy
- ☐ Expected purchase/renewal date
- ☐ Plans to move or prepay
- ☐ Top three questions

Before you remove a financing condition

- ☐ The lender has reviewed the signed purchase agreement and property details.
- ☐ The appraisal or valuation requirement is satisfied or clearly managed.
- ☐ Income, down payment and credit conditions are satisfied or understood.
- ☐ You know the payment, cash to close, rate expiry and remaining conditions.
- ☐ Your real estate representative and lawyer have explained the contract risk.

Your mortgage brief

"I want a payment under \$____, I plan to keep the property for about ____ years, I may prepay \$____ annually, and my biggest concern is _____. Show me the total cost and exit cost of the best-fitting options."

Verify current rules and get advice for your file

Rules and lender policies can change. These official pages were used for this guide and are useful starting points for current details.

1. **[1] Financial Consumer Agency of Canada:** Preparing to get a mortgage.
<https://www.canada.ca/en/financial-consumer-agency/services/mortgages/preparing-mortgage.html>
2. **[2] Office of the Superintendent of Financial Institutions:** Minimum qualifying rate for uninsured mortgages.
<https://www.osfi-bsif.gc.ca/en/supervision/financial-institutions/banks/minimum-qualifying-rate-uninsured-mortgages>
3. **[3] Financial Consumer Agency of Canada:** How much you need for a down payment.
<https://www.canada.ca/en/financial-consumer-agency/services/mortgages/down-payment.html>
4. **[4] Department of Finance Canada:** Insured-mortgage cap and 30-year amortization reforms.
<https://www.canada.ca/en/department-finance/news/2024/09/the-boldest-mortgage-reforms-in-decades.html>
5. **[5] Canada Revenue Agency:** Make the most of your First Home Savings Account.
<https://www.canada.ca/en/revenue-agency/news/newsroom/tax-tips/tax-tips-2025/make-most-your-first-home-savings-account.html>
6. **[6] Canada Revenue Agency:** How to participate in the Home Buyers' Plan.
<https://www.canada.ca/en/revenue-agency/services/tax/individuals/topics/rrsps-related-plans/what-home-buyers-plan/participate-home-buyers-plan.html>
7. **[7] Ontario Ministry of Finance:** Land Transfer Tax Refunds for First-Time Homebuyers.
<http://www.ontario.ca/document/land-transfer-tax/land-transfer-tax-refunds-first-time-homebuyers>
8. **[8] Financial Services Regulatory Authority of Ontario:** Detecting and Preventing Mortgage Fraud.
<https://www.fsrao.ca/announcements/detecting-and-preventing-mortgage-fraud>
9. **[9] Financial Services Regulatory Authority of Ontario:** Mortgage Brokering consumer information.
<https://www.fsrao.ca/consumers/mortgage-brokering>
10. **Additional background:** FCAC, Choosing a mortgage that is right for you.
<https://www.canada.ca/en/financial-consumer-agency/services/mortgages/choose-mortgage.html>

Kushal Pareshkumar Mehta

REALTOR® with The Canadian Home
Mortgage Agent Level 2 with Pegasus Lending Inc.
FSRA Licence #11479

519-636-7420

info@mehtakushal.com
<https://mehtakushal.com>

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