The Personal Affordability Stress Test

The bank's maximum is not your budget. This worksheet finds *your* number — the one that leaves margin for the life you actually intend to live. Complete all four steps before house-hunting.

Step 1 · The real monthly cost of a candidate home

Candidate price: ____________________ Use a *Canadian* calculator (semi-annual compounding).

Estimated mortgage payment Principal & interest at a realistic rate	$ __________
Property taxes Annual bill ÷ 12	$ __________
Home insurance	$ __________
Heat, water, and utilities Everything rent used to cover	$ __________
Condo / strata fees If applicable — and remember special assessments	$ __________
Maintenance fund Home value × 1% ÷ 12 — actually set aside	$ __________
TOTAL REAL MONTHLY COST	**$** __________

Step 2 · Against your actual life

Start from *last month's real spending*, not the budget you aspire to.

Household take-home pay (monthly)	$ __________
Less: total real monthly cost (Step 1)	− $ __________
= Remaining, which must cover everything below	**$** __________

That remainder must cover, at minimum:

Retirement savings	$ ________	Other debt payments	$ ________
Food & household	$ ________	Childcare / kids	$ ________
Transportation	$ ________	The life you intend to live	$ ________

MARGIN LEFT OVER **$** __________

If this is zero or negative, the price is wrong — not the lifestyle

Step 3 · The three shocks (each must be survivable, not enjoyable)

- ☐ **Rate shock** — renewal at 2% higher. New payment: __________ Survives?
- ☐ **Income shock** — one earner loses their job for six months. Covered by income + emergency fund?
- ☐ **House shock** — a $10,000 repair year. Paid from __________ without new debt?

Step 4 · The verdicts

Bank's maximum approval	$ ________	Emergency fund at closing	$ ________
OUR number (the sticky note)	$ ________	= months of full carrying cost	____ mo

GIVE THIS NUMBER TO YOUR REALTOR — IN WRITING

Our maximum purchase price is:

____

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Closing-Cost Estimator

Closing costs are cash, due alongside your down payment — typically 1.5%–4% of the purchase price. Buyers who budget only the down payment meet this table three weeks before closing. Estimate early; confirm with your lawyer.

Purchase price: ______________ Closing date: ______________ Province: ______________

COST	ESTIMATE	CONFIRMED	WHO / WHEN
Land transfer tax Provincial + municipal (Toronto pays both)			Lawyer, closing
LESS first-timer rebate / exemption Check every program — see B-7			Lawyer, closing
Legal fees + disbursements			Lawyer / notary
Title insurance			One-time
Appraisal Often lender-covered — ask			Lender / you
Home inspection			Paid at inspection
PST on default-insurance premium CASH at closing in some provinces — the classic ambush			You, closing
Adjustments Seller's prepaid taxes / utilities / fees			Lawyer, closing
Home insurance setup Must be effective closing day			You, pre-closing
Movers, utility deposits, new locks			You
TOTAL CLOSING COSTS			Sanity check: 1.5–4%

Funds verification (what your lender will want to see)

Down payment $ ______________

+ Total closing costs (above) + $ ______________

+ Cushion / emergency fund left intact + $ ______________
Chapter 6 refuses to let you close at $0

TOTAL FUNDS REQUIRED $ ______________

- [ ] Funds seasoned 90 days
  Lenders trace large deposits
- [ ] Gift letters signed and papered
  True gift — never a disguised loan

INSIDER TIP Ask your lawyer for a written **statement of adjustments** before closing day, not on it. Surprises are cheaper to fix in advance.

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Renewal Comparison Sheet

The renewal letter is an opening offer, not a done deal. Fill one column per option, then decide on the whole package — not just the rate. At maturity, switching lenders is penalty-free.

Maturity date: ______ **Current rate:** ______ **Balance:** ______ **Remaining amortization:** ______

	CURRENT LENDER (THE LETTER)	CURRENT LENDER (NEGOTIATED)	OUTSIDE OFFER 1	OUTSIDE OFFER 2
Lender / contact				
Rate & term				
Monthly payment				
Penalty formula Posted-rate IRD? ⚠				
Prepayment privileges % and timing rules				
Portable? Charge type Standard or collateral				
Switch costs they cover	—	—		
Offer received in writing?				

The decision math

Best stay-put payment − best switch payment — $ ______
Monthly difference

× months in the term — × ______

= Total payment savings over the term — $ ______

Less: switching costs you actually pay — − $ ______
Discharge + legal + appraisal, minus what they cover

NET VALUE OF SWITCHING — $ ______

RED FLAG DECODER *"No need to do anything — we've taken care of everything for you."* = *"We've selected a rate we'd prefer you not compare to anything."* Ask to speak to the **retention team** before signing anything.

DECISION & DATE ACTIONED

______

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Refinance Break-Even Worksheet

Never decide from an estimated penalty. Request the written payout statement first — the figure changes daily. Then count savings only over the months remaining on your current term. Everything past maturity belongs to the calendar, not the break.

Step 0 · Timing and ceiling

Months remaining to maturity ________ months
If small, price the wait first — refinancing at maturity is penalty-free

Home value (realistic) × 0.80 $ ________

Less current mortgage balance − $ ________

= EQUITY CEILING AVAILABLE $ ________
Standard refinance limit is 80% loan-to-value

Step 1 · The toll (C)

Payout statement dated: ________ *Statements expire — decide the same week.*

Prepayment penalty $ ________
From the WRITTEN payout statement only

Appraisal + $ ________

Legal / registration + $ ________

Discharge fee + $ ________

Cash-back clawback or other charges + $ ________

TOTAL TOLL (C) $ ________

Step 2 · The honest gain (G)

Rate saving on existing balance, per month $ ________
Counted to OLD maturity only

Financing advantage of new money vs. best alternative + $ ________
Per month — compare against a HELOC quote

TOTAL MONTHLY GAIN (G) $ ________

Step 3 · Break-even and the test

C ÷ G = break-even point ________ months

☐ Will this mortgage — and this life — still be intact past that month?
A 31-month break-even inside a plan that might sell in year two is a donation with paperwork.

☐ Alternative priced on paper: wait for maturity / HELOC / blend / other: ________
The refinance only wins by beating something.

VERDICT

____

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Reverse Mortgage Decision Checklist

A reverse mortgage is expensive flexibility — price the flexibility, then decide. Bring these fifteen questions, in writing, to the lender representative, to your independent legal advice session, and to the family meeting.

THE MONEY

- [ ] **1.** Exact rate — fixed and variable options, and reset terms?
- [ ] **2.** How often does interest compound?
- [ ] **3.** All setup costs, itemized — and what is deducted from the first advance?
- [ ] **4.** Maximum approved amount — and can I take it as instalments or later draws? *(Lever one: draw late.)*
- [ ] **5.** Can I make optional interest or principal payments — limits, and prepayment penalties? *(Lever two: the brake.)*

THE OBLIGATIONS

- [ ] **6.** Exactly which obligations keep the guarantee intact — taxes, insurance, maintenance, occupancy?
- [ ] **7.** How is "permanently moved out" defined? *(Critical for long-term-care scenarios.)*
- [ ] **8.** What if one spouse moves to care and the other stays?

THE EXIT

- [ ] **9.** What can trigger default, and what is the cure process?
- [ ] **10.** The estate settlement window — in writing?
- [ ] **11.** Can heirs repay and keep the home — and how is the payout computed at that moment?
- [ ] **12.** The negative equity guarantee's precise conditions?
- [ ] **13.** Full cost to exit early — at years 1, 3, and 5?

THE COMPETITION

- [ ] **14.** Which two alternatives did this beat on paper — and where is that paper? ____________________
- [ ] **15.** How do advances interact with my RRIF schedule, OAS, and GIS — sequenced optimally? *(Ask a fee-transparent planner.)*

Before any signature

- [ ] My own compounding table is built
  Advance × ~2 per decade vs. home value at 0%, 2%, and 3% growth
- [ ] My ILA lawyer was chosen by me
  Not by the lender — and the hour is a real one
- [ ] The family meeting has been held
  Disclosure, not permission — bring the table
- [ ] Annual re-decision is calendared
  House-rich/cash-poor is a condition, not a moment

RED FLAG DECODER *"It's completely safe — the government requires you to see a lawyer."* = *"I'm citing a consumer protection as proof no scrutiny is needed."* The safeguards exist to **lengthen** the conversation, in your favour.

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Broker Vetting Sheet

Licensing makes someone legal, not good. Ask these in the first conversation. A professional answers crisply; anyone who gets weird about compensation has told you what you need to know.

Name		**Brokerage**	
Licence #		**Years licensed**	
Verified at provincial regulator FSRA (ON) · BCFSA (BC) · RECA (AB) · AMF (QC) · FCNB (NB) etc.		**Date verified**	

The five questions

- [ ] **1.** **"How many lenders do you actively work with — and which would you shortlist for me, and why?"**
Want: named lenders and reasons. Not: "I have access to over 50 lenders!" Access ≠ use.

- [ ] **2.** **"How are you paid on my file? Any scenario where I'd pay you directly?"**
Want: a one-breath answer. Direct fees on standard good-credit files are a marching band of red flags.

- [ ] **3.** **"Will you show me 2–3 options in writing, including the penalty terms — not just the rates?"**
The penalty question separates professionals from rate-quoters.

- [ ] **4.** **"Who handles my file at renewal — do you proactively re-shop me?"**
Listen for a process, not a promise.

- [ ] **5.** **Non-standard files:** "How many [self-employed / newcomer / credit-rebuild] files have you placed in the last six months, and with which lenders?"
On a complex file, the right broker is worth more than a full point of rate.

If going direct to a bank instead

- [ ] Never accepted the first rate
It is an opening bid from an institution that publishes fake sticker prices.
- [ ] Brought a written competing offer
- [ ] Asked explicitly: "What is the best discretionary pricing you can get approved on this file?"
- [ ] Settled the rate BEFORE discussing insurance, cards, or moving investments
Bundles are where clarity goes to die.
- [ ] Asked how the penalty is calculated — and whether the formula uses posted rates
Possibly the whole decision.

CHOSEN GUIDE & WHY

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The Program Master List

First-timer money is distributed, not delivered. No single professional owns the whole envelope — each handles their slice and assumes someone else covers the rest. This list is the only thing that claims all of it.

PROGRAM	WHO CLAIMS IT	WHEN / DEADLINE	EST. VALUE	DONE
FHSA opened & funded Room accrues only once open	Me	ASAP — today		
RRSP Home Buyers' Plan 90-day seasoning rule applies	Me	Before closing		
Land transfer tax rebate / exemption Provincial + municipal where applicable	Lawyer	Closing		
GST/HST new housing rebate New builds — usually assigned to builder	Builder	Closing		
First-time buyer GST relief New builds, if eligible — verify current		Closing		
First-Time Home Buyers' Tax Credit One line on the return — most missed program	**ME**	**Next tax return**		
30-year amortization eligibility Lower mandatory payment ≠ obligation to use it	Lender	Application	—	
Municipal / regional program Search official city page	Me			
Energy / retrofit grant Ask the lawyer and broker directly	Me			
Other:				
TOTAL CLAIMED				

The two questions that find the rest

- [ ] Asked my broker: **“What programs am I eligible for that we haven’t discussed?”**
  Professionals carry a regional inventory — but dispense it far more reliably when asked.
- [ ] Asked my lawyer: **“Which rebates do you claim, and which must I claim myself — and by when?”**
  Make them produce the split. Write it down.

TWO-MINUTE MOVE Put "claim the First-Time Home Buyers' Tax Credit" on next April's calendar *now*. The buying year is a hurricane; the following spring feels unrelated to the house. That is exactly why it goes unclaimed.

VERIFY CURRENT Program limits, thresholds, and eligibility change with budgets and elections. Read the government's own page — never a summary of a summary.

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The Annual Mortgage Checkup

A mortgage is not a crockpot. Between closings nobody is watching your mortgage but you — and that silence is the industry's business model. One evening a year, on schedule, is the entire counter-move. Photocopy this page; run it every year.

Year: ____________ Date completed: __________________ Statement month is the natural trigger.

CHECK	LAST YEAR	THIS YEAR	ACTION TAKEN
Remaining amortization Creep check — the only visible symptom of several quiet problems			
Current rate			
Trigger rate Fixed-payment variables — ask the lender for the number			
Balance			
Prepayment privilege room Unused room evaporates every anniversary			
Months to maturity			

The three rituals

- ☐ **The round-up is still running** — payment set above the required minimum
  Extra per month: ____________ · Invisible in a budget, decades of work on principal.
- ☐ **The windfall rule stands** — a fixed share of any surprise money goes to principal
  Standing rule beats deciding each time, because each time the couch makes a compelling case.
- ☐ **The sweep was decided on purpose** — lump sum used, or skipped deliberately
  Amount used this year: ____________ · Deciding not to prepay in an expensive year is fine. The practice is the deciding.

The calendar (confirm both alarms are alive)

- ☐ Maturity date in calendar
  With a SIX-MONTH advance alarm — Chapter 13 starts there
- ☐ Next annual checkup booked
  Recurring, statement month, forever

Anything changed this year?

- ☐ Move, sale, or renovation likely within the term?
  → Chapter 12: porting, blending, breaking
- ☐ Equity need — renovation, consolidation, second property?
  → Chapters 15–17, and price the alternatives
- ☐ Income, household, or health change?
  → Chapter 11. If money is tight, call the lender BEFORE a missed payment — the entire menu of help lives on the near side of that line.
- ☐ Lump sum labelled correctly as a principal prepayment, and confirmed on the next statement?
  Unlabelled money is sometimes applied as an early regular payment, which saves nothing.

NOTES FOR NEXT YEAR

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