



Cottage Industry

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There are two things of which I am certain as it pertains to the mortgage broker business. First, that you gain new knowledge with every mortgage application

you complete and, second, that a mortgage deal exists for everyone as long as you have the time and persistence to make it happen. A recent mortgage file tested my resolve on both these points.

Prior to approaching us, our client visited the local bank branch and received a non-conditional approval, at a good rate, with a 90% loan to value. Naturally a company was chosen to provide the insurance. The client's preference was for a mortgage at 95% loan to value. She was frustrated by her inability to understand why the bank would not go higher. The property was in a remote part of Central Ontario, situated along a river and serviced by a private road. I checked the MLS listing and discovered that, although the property was listed as cottage/recreational, it was zoned residential, well constructed with a basement, winterized, had year-round road access and was to be her principal residence. I was thinking that, from a property perspective, this should be doable.

I forwarded the deal to Lender A and received approval with few conditions, not even a request for a potability certificate. The paperwork was signed, the client ecstatic, and I was thinking, 'Bruce, you are the best mortgage broker in the business.' I advise clients not to waive their financing conditions in purchase and sale agreements until all outstanding conditions are met and I was glad this was the case here. It was Friday afternoon when I received the lender's e-mail stating that the deal was now rescinded. (I hate it when that happens.) The lender would not fund a cottage property. Speaking to the company's business development manager, we wondered if it had the characteristics of a house and is used as a year-round principal residence, then how is it a 'cottage'? Someone was to get back to me by the end of the day. (I was not going to enjoy the subsequent call to the client.) Monday morning came and I received the call I had been waiting for from the compliance officer. If the property is not on a municipal water system and a municipally-serviced road, it does not qualify for funding.

I sent the deal to Lender B after receiving assurances that it lends on cottage properties and received a subsequent approval with one condition - a potability certificate. (Okay, I should have sent the deal to this lender first.) The paperwork was signed, the client was happy and I was, once again, thinking, "Bruce, you are the best mortgage broker in the business." The financing condition needed to be satisfied that day. But, since the home inspection had not been done, we still had an out if required. The next day, I received the lender's e-mail stating that the deal had been rescinded because they do not lend on insurers Type B properties - only on Type A properties. The underwriter could not clarify the difference between an A & B type

property. I called the appraiser who prepared the submission for the insurer and he was not aware of the two classifications. This did not inspire confidence.

My next phone call was to a small credit union that was not in the mortgage system, but was in the town nearest the property. The manager was very helpful, knew of the difference and faxed me a copy of the insurers criteria. I had the underwriter from Lender B contact the insurer as well and he confirmed the list. It appeared that, if our client could provide a maintenance contract confirming the road is serviced in the winter and install a filtration system on her water supply, then the property would qualify as an A property. I quickly notified the client and, after some hysteria and tears (hysteria on her part, tears on my part), she agreed to a maintenance contract and installation of a filtration system if I could guarantee that this would now allow her to qualify for the 95% loan to value. Guarantee? I had anticipated this request but both Lender B and the insurer gave no guarantee. They would provide the appraiser with a list of what to look for on the follow-up visit.

At the time of this submission, we are waiting on the second appraisal and are confident that the funding will come together. Be persistent, expect excellence from your lenders and together let's keep building the mortgage broker business.