



STEP-BY-STEP GUIDE TO PRIVATE FINANCING

What is a private mortgage loan?

Private mortgages are short-term, **interest-only loans**, typically for a 1 year term (2 year terms can be requested for a slightly higher rate). Interest only loans do not require homeowners to pay the mortgage principal down and instead **only require interest payments each month**.

Private lenders consider a property's overall value and marketability as opposed to simply the borrower's credit history.

What fees are associated with a private mortgage loan?

With a conventional lender, the broker is paid a commission directly from the lender. When using a private lender, you (the borrower) pay the broker and lender fees. Private mortgages also incur legal fees to set-up and register the new mortgage which are also at the borrower's expense. There are two lawyers/notaries involved, one representing the borrower, and the other representing the lender. The good news is that these fees can be financed through the mortgage and deducted from the proceeds.

Step-by-Step guide

- Broker get quotes
- Once Quotes have been approved your broker will get the formal approval in place.
- Broker will order appraisal – **Client's expense (\$325 - \$500)**
- Finalize any other outstanding conditions
- Financing has been finalized.
- **Good Faith deposit** to Lender's Lawyer
 - The lenders and client's lawyers then prepare all of the necessary mortgage documents, pull necessary charges, and obtain insurance information to be able to finalize the new private mortgage. If you have supplied the good faith deposit and want to back out at this stage, you will still be required to pay any costs that the lender's lawyer, or your lawyer has incurred up to that point.
- Sign with your lawyer to finalize the paperwork.
- The mortgage will be funded and registered.
 - The broker, lender, and legal fees will be deducted from the mortgage proceeds. If applicable, any debts that were required to be paid off, will also be paid from the mortgage proceeds. All remaining funds will be given to you via cheque/draft or direct deposit from your lawyer/notary.

Payments are mostly interest only, but some larger private lenders may request some principal to be paid with each payment (e.g. 40 year amortization). The private mortgage lender will renew your mortgage after each term ends, as long as your mortgage has been paid as agreed.

Steve D'Souza
Mortgage Expert

A handwritten signature in black ink that reads "S. D'Souza".