

PRIVATE MORTGAGE SOLUTIONS

INFORMATION GUIDE

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What are Private Mortgage Lenders?

Private mortgage lenders are private corporations or individuals that lend out their own money. This includes Mortgage Investment Corporations, where money from private investors is pooled to fund syndicated mortgages. Private lenders do not accept deposits from the public, and so they are not federally or provincially regulated.

Private mortgages are typically shorter and come with higher interest rates and fees than those offered by traditional mortgage lenders. They are meant to be a temporary measure before transitioning back to typical mortgage lenders.

A private mortgage is essentially an alternative source of financing given to a borrower by a private lender, and is usually sought after when a traditional bank or lending institution will not approve a borrower for a mortgage or a home refinance loan.

Why Should You Consider Using a Private Mortgage Lender?

If you have a low credit score below 600, you will likely need a private lender. Mortgage lenders can use your credit score to look at your financial health, which can translate into being approved for a mortgage or not. Not missing any payments, having a low credit utilization rate, carrying a low (or zero) balance on credit cards, and having a long credit history will improve your credit score.

A minimum credit score of 600 is required for CMHC mortgage insurance. As most B Lenders deal with insured mortgages, not being able to qualify for a CMHC insured mortgage will exclude you from many B Lenders. Lenders may also require you to obtain mortgage insurance even if you make a down payment larger than 20%.

Most Common Reasons People Turn To Using a Private Mortgage...

- You need money quickly and are not able to go through a very long approval process and risk not being approved.
- You have a poor or bad credit score and a bank or conventional lending institution will not approve you for a mortgage.
- You have an untraditional way of declaring your income, or you are self employed and the bank is not considering all of your income.
- You are buying a non-traditional property that a conventional bank or institutional lender will not give a mortgage for.
- You only need a short term loan.

What Are The Different Payment Options For A Private Mortgage?

With most private mortgages, the borrower only needs to make the monthly interest payments instead of a blended monthly payment that includes both interest and principal. This helps keep the monthly payments lower and more affordable.

You can also choose to defer all of the monthly interest payments until the very end of your loan term, this is called an accrued interest private mortgage.

A less common option is an amortized blended payment plan that allows you to blend both interest and principle into the monthly payments, similar to a more traditional mortgage, so that you can build up additional equity in your home. With a blended amortized private mortgage you can have the payments calculated based on an amortization term for as long as 40 years in order to keep the monthly payments lower.

Who can private mortgage lenders help?

Private mortgage lenders help fill the gap left by traditional lenders (The Big Banks in Canada). Those with a limited Canadian credit history, such as new immigrants or younger clients, may face additional hurdles when trying to get mortgage approval from banks. Mortgage brokers can also help those with difficulties getting approved for a mortgage.

Some User Groups That a Private Mortgage Can Help...

- New Immigrants to Canada
- Self-Employed or Irregular Income
- Those with Foreign Income
- People With Bad or Poor Credit

What Is The Mortgage Rate For A Private Mortgage?

Interest rates for a private mortgage depend on a variety of factors including the loan amount, the value of the property, the location of the property, and other factors. We will work with you to try and get the best possible rate we can.

Have any other questions on Private Mortgages and whether it might be a good fit for your needs? Please look to contact us.

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