

TALES FROM THE TRENCHES

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WHEN IS YOUR PORTABLE MORTGAGE NOT PORTABLE?

Our member was buying a new personal residence. The four kids were now all out on their own. He had been 'down-sized' with a reasonable 'package' from his employer and he was eligible for substantial employment insurance (EI). He put his current house on the market and got a pretty quick, acceptable offer from a family with guess what, four kids.

The new buyer removed their conditions. Very pleased with his good fortune our member started looking for a new, much smaller home for himself and his wife. He checked his file and noted that he had a 'portable' mortgage from one of the big five lenders. In his mind, that meant that he could easily buy a new home quickly and without argument, he could 'port' his mortgage right over from the old home to the new home. In his mind, he wouldn't need a new mortgage at all and that would mean substantially reduced legal costs if a new mortgage did not have to be prepared.

He found the right new home and went to his bank to advise them of his plans. They told him there would be a little bit of paperwork to go through. Long story short, a little bit of paperwork was a brand-new application for a mortgage. Because he had lost his job and was relying on EI and a small pension, he did not meet the lender's income requirements. EI is temporary and not counted as part of regular income. It didn't count that he had a goldplated credit rating and had purchased two other personal residences with the same lender. It also didn't count that he had loan to value ratio of 65% and therefore lots of equity in the new home. He just didn't have the income.

He also wasn't too happy to hear from me that a portable mortgage generally means that if the bank approves what is essentially a new mortgage application, you get to take the same terms of your old mortgage over to the new property. However, you need brand-new paperwork with the usual legal fee attached. Our member was outraged and called the highest levels of the lender to complain. In the end, the lender decided to relax their policies and approved his new loan.

LESSONS LEARNED:

1. A mortgage is a contract. "Portable", means what the mortgage says it means. You have to read your contract.
2. Don't rely on your outrage and previous good history to make a lender change their mind. Our member was lucky.
3. When selling one personal residence and buying another you might want to make your sale subject to your ability to purchase the new home and that means an application for financing.