

The ABC System

Thank you for requesting a copy of the *ABC system*. You might not be a mortgage broker, but I don't see why you couldn't apply at least some aspects of this system, perhaps in some variation, when applying for your own mortgages. This guide is not meant to be all-encompassing, but rather helpful tips.

Arranging mortgages is pretty much all I know. I have been arranging mortgages since I was 20 years' old (as of this writing, I am now 38). **Here are some things I've learned over the years:**

- Lenders are sometimes informally referred to as A, B and C. In a nutshell, this is how I think of them:
 - A** = Banks / credit unions
 - B** = Lenders are generally more forgiving than "A" lenders, but they do often charge fees, and higher rates, and can require more down payment / equity
 - C** = Private lenders (can be companies, or people with lots of money), and just like B lenders, they can be even more forgiving on certain things, but they often charge even more fees and higher rates, and generally do require even more down payment / equity (there are some "C" lenders that require less down payment / equity than their higher-tier competitors (aka A / B lenders), but they can be quite expensive)
- It is important to be mindful of where the lenders get their money from. **In Alberta, Canada, to which this document applies**, certain lenders may be subject to different rules / laws. These differing laws can affect how a lender may react to certain applications. This information can be helpful to know as it is important to apply to the right lenders, in order to maximize one's chances of success.
- When I consider a new application, I generally consider the cheaper options first, then work my way down the list ie.



Note: If you can afford the time please try and resist the temptation to jump straight to a lower tier lender. Yes, higher level lenders often ask more questions / need more documents, but you don't want to accept money, and then later find out you could have paid much less.

- This does not mean that I formally apply to lenders in each category (this would take too long and it would also be very hard on our relationships with them, and (especially if you are applying directly) you don't want your credit checked a whole bunch), it simply means that we consider lenders in each category (starting with the "A" category) before moving on to the next.
- **I don't think it's fair to ask** a lender to give an opinion without first giving them all the data but I don't like to apply unless I'm pretty sure they will favourably entertain the file. So, if I think a lender will entertain most aspects of a file, but there is one (or two) items that I am unsure of, instead of making a formal application, I'll send a quick email to the lender, and then update it on the spreadsheet below.
- One effective way of managing lenders' responses is to make a simple spreadsheet with lenders in descending order of A, B, C, down the side and issues of interest across the top.

Type of Lender	Lender name	Contact info	Okay if taxes not paid?	Minimum FICO score needed	Minimum down payment needed	Rates (starting at)
A	ABC Financial	John Doe 1-234-5678	No	700	20%	6%
A	CBA Financial	Jane Doe 1-234-5678	No	700	20%	5.50%
A	XYZ Bank	Jim Smith 1-234-5678	No	680	20%	5.75%
A	Local Credit Union	Jane Smith 1-234-5678	No	620	20%	6%
B	First B lender	Dough Jones 1-234-5678	Maybe	520	20%	7.50%
B	Second B Lender	Diane Jones 1-234-5678	No	550	25%	7%
C	My Rich Uncle	Phil O'neil 1-234-5678	Yes	no min.	25%	12%
C	Social Media Genius Friend	Phyllis O'neil 1-234-5678	Let's talk	no min.	35%	10%

If you are just making this spreadsheet for your own borrowing attempts, you might not know which category each lender falls into. I personally think that this "A,B,C" rating makes searching for lenders easier so that you can conserve time (ie. if all "A" lenders can't help because of some law that they are all subject to, then try a different category of lender.

But, if I didn't know how to categorize them, I would be tempted to delete this column and just make my decision on the other data collected, ie. rates, minimum down payment, pre-payment penalties etc.

Also - please be careful and make sure to read each lender's paperwork to familiarize yourself with what their policies are if you payout early etc.

If you would like some help in finding mortgage money in Alberta, please send me an email. Thanks!

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