

# Case Study

## Scenario and Supporting Documents

Today is January 20<sup>th</sup>, 2020.

You are a mortgage agent at Sample Mortgages Inc., registration number 12345, located at 2175 Sheppard Avenue East, Suite 307, North York Ontario, M2J 1W8. Your clients, a married couple named Jack and Susan Adams, have responded to a posting that you had placed on LinkedIn. They've told you that they would like to refinance the existing mortgage on their owner-occupied house, which is coming up for renewal shortly, by increasing it to 80% ltv. In speaking with them, you have learned that they purchased this home on February 1st, 2017, after living at their previous address for two years.

They wish to pay off their credit cards and car loan, keep their lease, spend \$60,000 to add an in ground pool in their backyard, and use the rest to invest in some stocks. The purchase price was \$850,000, and they obtained an \$650,000 1<sup>st</sup> mortgage from Trusted Savings and Loan. Approximately one year after buying the home, Jack and Susan remodeled their kitchen and finished the basement. The property taxes have not changed since they purchased the home. You have determined the best course of action is to refinance their mortgage with SuperBank because it is offering better rates and pre-payment privileges. Included in the next several pages are the appropriate supporting documents that you've gathered from the clients.

His social insurance number is 450-120-843 while hers is 499-921-012. They have provided their contact information, which is as follows: Home Telephone Number: (416) 555-1492; Jack: c: (647) 555-1822; e: [jadams@hotmail.com](mailto:jadams@hotmail.com); Susan: c: (647) 555-1492; e: [sus.adams@gmail.com](mailto:sus.adams@gmail.com)

You have learned that they have a 2018 Ford Explorer, which they value at \$39,000; a leased BMW X3 valued at 20,000; an RRSP with a value of \$46,000; \$11,500 cash in the bank and household goods valued at \$38,000. They have informed you that their first mortgage is currently up to date and they have never missed a mortgage payment.

The lender required an appraisal by Wonderful Appraisals Inc. On January 19th, 2020 that appraisal was completed, valuing the Adams' house at \$936,000. The cost of this appraisal, which the clients paid, was \$435 including tax. If required, the title insurance policy will cost \$809. On January 17th, 2020, SuperBank provided you with an approval. Please refer to the approval in the following pages for its terms and conditions before completing your calculations.

You have decided that you will not charge a brokerage fee because SuperBank pays a finder's fee of 85 bps. You completed filling out the borrower disclosure today, January 20th, 2020 and are meeting with the clients tomorrow, January 21st, 2020, at which time they will sign the borrower disclosure.

**Please complete the following tasks using all information in this Case Study.**

1. Section 1: Fill in the Mortgage Application
2. Section 2: Answer the Short Answer Questions
3. Section 3: Answer questions on the Borrower Disclosure
4. Section 4: Compute Financial Calculations

# Trusted Savings and Loan

December 30, 2019

Mr. and Mrs. Adams  
123 Secord Street,  
Toronto, ON, M1S 1M1

Mortgage Number: 1155667898

## Mortgage Statement

Statement Period: February 1, 2019 to February 1, 2020  
Property Address: 123 Secord Street, Toronto, ON, M1S 1M1

## Mortgage Details

Maturity Date	February 1, 2020
Interest Rate (as at statement date)	3.09%
Payment Frequency	Monthly
Principal and interest payment	\$3,106.20
Principal, interest and tax payment	\$3,530.99

## Transaction Summary

Opening Principal Balance	\$614,326.78
Advances During Statement Period	\$0.00
Principal Paid (including any privilege payments)	\$18,673.98
Closing Principal Balance	\$595,652.80
Interest Paid (during statement period)	\$18,600.31

## Tax Account Summary

Opening Tax Balance	\$0.00 CR
Tax Payments Received	\$5,097.48
Taxes Paid to Authority	\$5,097.48
Closing Tax Balance	\$0.00 CR

Please Note: DR is a Debit = Minus to your account. CR is a Credit = Plus to your account

If you have any questions, please feel free to contact our Customer  
Service Toll-Free Number at 1-866-555-9900

If any of the balances, interest rates or other financial data appear  
incorrect, please contact our auditors detailing any discrepancies:  
Pricewaterhouse  
Suite 1000, 123-53<sup>rd</sup> Ave  
Toronto, ON  
Attention: Joseph Blank  
Tel: (416) 555-9900  
Fax: (416) 555-9911

# T & J Manufacturing Inc

1234 John Street,  
Toronto, ON  
M4M 4M4  
Tel: (416) 555-1212  
Fax: (416) 555-2121

January 10, 2020

Re: Employment Verification of Mr. Jack Adams

To Whom It May Concern,

As requested by Mr. Jack Adams this letter is to verify that Mr. Jack Adams is employed at T & J Manufacturing Inc. as a salaried Assembly Line Operator. He has been employed in this position since January 17<sup>th</sup>, 2005 and earns a salary of \$75,500 per year.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

*Sarah Clifford*

Sarah Clifford  
HR Assistant  
T & J Manufacturing INC.

# *Uptown Accounting LLP*

1105A King Street,  
Toronto, ON  
M4M 1B1  
Tel: (416) 555-9998  
Fax: (416) 555-9997

January 12, 2020

Re: Employment Verification of Susan Adams

To Whom It May Concern,

As requested by Susan Adams this letter is to verify that she is employed at Uptown Accounting LLP. as a salaried Accountant. She has been employed in this position since March 20<sup>th</sup>, 2004 and earns \$82,000 per year in salary.

If you have any questions, please do not hesitate to contact the undersigned.

Sincerely,

A handwritten signature in cursive script that reads "P.J. Persaud". The signature is written in black ink and is slanted upwards to the right.

P.J. Persaud  
HR Manager  
Uptown Accounting LLP

NM – ADAMS, JACK  
 CA - 123 Secord Street, Toronto, ON, M1S 1M1  
 FA - 5678 Oakwoods Boulevard, Toronto, ON, M1S 1N1  
 ID - BDS-05-22-1970, SSS-450-120-843, SSC-499-921-012  
 ES – T & J Manufacturing Inc., Assembly Line Operator

Equifax and Affiliate Bureaus - Refer Consumer inquiries to 1-800-465-7166

FN 00-0008095-07-265 UN 2060576929 01/16/2020

RISK SCORE: 745

ADAMS, JACK, SUSAN SINCE 01/05/1997 FAD 01/16/2020  
 123 Secord Street, Toronto, ON, M1S 1M1 ,RPTD 02/2017  
 5678 Oakwoods Boulevard, Toronto, ON, M1S 1N1, RPTD 09/2015  
 933, Mountainview RD, KELOWNA, BC C1C 1C1  
 BDS-05/22/1970, SSS-450-120-843

INQS-SUBJECT SHOWS 1 INQUIRY SINCE 01/2019

01/11/2019	ROGERS	(555) 111-1111
09/16/2018	TD CANADA TRUST	(555) 222-2222
09/10/2018	ROYAL BANK	(555) 333-3333
01/22/2018	FORD CREDIT	(555) 444-4444
01/12/2017	MBNA	(555) 555-5555

# INQS – 36

ES – Assembly Line Operator, T & J Manufacturing Inc., TORONTO, ON, EMP 01/2005  
 EF – Assembly Line Operator, Western Automotive, KELOWNA, BC, EMP 12/02, VR 02/03, LEFT 01/2004  
 EC - Accountant, Uptown Accounting LLP, TORONTO, ON, EMP 03/2004, VER 10/2005

SUMMARY 05/1997 - 12/2019, 1-PR/OI, FB-NO, TOTAL-3, HC\$5K-54K, 3-ONE  
 02/2018 SECLN CENT REG TOR, FP CASE NO-FORD CREDIT, TOR, MATURE 02/2023

TRADE INFORMATION SECTION

BUS/ID CODE	RPTD	OPND	H/C	TRMS	BAL	P/D	RT	30/60/90	MR	DLA
TD VISA										
(555)555-1212										
J650DC16	12/2019	12/1997	8000	186	6200	0	R1	00/00/00	168	12/2019
BMO MASTERCARD										
(888)555-1212										
J6500N28	12/2019	12/2003	10000	255	8500	0	R1	02/00/00	96	12/2019
PREV HI RATES: R2 11/2019, R2 08/2019										
FORD CREDIT										
(555)555-2981										
J650AT12	12/2019	02/2018	54000	900	33300	0	I1	00/00/00	22	12/2019
BMWFS										
(665)555-1212										
689BZ44	12/2019	08/2015	48500	869	6024	0	I1	00/00/00	53	12/2019

NM – ADAMS, SUSAN  
 CA - 123 Secord Street, Toronto, ON, M1S 1M1  
 FA - 5678 Oakwoods Boulevard, Toronto, ON, M1S 1N1  
 ID - BDS-04-08-1972, SSS-499-921-012, SSC-450-120-843  
 ES – UPTOWN ACCOUNTING LLP., Accountant

Equifax and Affiliate Bureaus - Refer Consumer inquiries to 1-800-465-7166

FN 00-0008095-07-265 UN 2060576929 01/16/2020

RISK SCORE: 791

ADAMS, SUSAN, JACK SINCE 01/05/1997 FAD 01/16/2020  
 123 Secord Street, Toronto, ON, M1S 1M1 ,RPTD 01/2017  
 5678 Oakwoods Boulevard, Toronto, ON, M1S 1N1, RPTD 09/2015  
 933, Mountainview RD, KELOWNA, BC C1C 1C1  
 BDS-04/08/1972, SSS-499-921-012

INQS-SUBJECT SHOWS 1 INQUIRY SINCE 01/2019

01/11/2019	ROGERS	(555) 111-1111
15/12/2018	BNS VISA	(555) 111-1222
09/16/2018	TD CANADA TRUST	(555) 222-2222
09/10/2018	ROYAL BANK	(555) 333-3333
01/22/2018	FORD CREDIT	(555) 444-4444
01/12/2017	MBNA	(555) 555-5555

# INQS – 37

ES – Accountant, Uptown Accounting LLP, TORONTO, ON, EMP 03/2004, VER 10/2005  
 EF – Accountant, Mountain Financial, KELOWNA, BC, EMP 12/02, VR 02/03, LEFT 02/2004  
 EC - Assembly Line Operator, T & J Manufacturing Inc., TORONTO, ON, EMP 01/2005

SUMMARY 05/1997 - 12/2019, 1-PR/OI, FB-NO, TOTAL-4, HC\$5K-54K, 4-ONE  
 02/2018 SECLN CENT REG TOR, FP CASE NO-FORD CREDIT, TOR, MATURE 02/2023

TRADE INFORMATION SECTION

BUS/ID CODE	RPTD	OPND	H/C	TRMS	BAL	P/D	RT	30/60/90	MR	DLA
TD VISA (555)555-1212										
J650DC16	12/2019	12/1997	8000	186	6200	0	R1	00/00/00	168	12/2019
BMO MASTERCARD (888)555-1212										
J6500N28	12/2019	12/2003	10000	255	8500	0	R1	02/00/00	96	12/2019
PREV HI RATES: R2 06/2019, R2 08/2019										
FORD CREDIT (555)555-2981										
J650AT12	12/2019	12/2018	54000	900	33300	0	I1	00/00/00	48	12/2019
BNS VISA (555)555-3000										
650AT20	12/2019	12/2018	12000	0	0	0	R1	00/00/00	12	12/2019

## BROKER REPORT

### Property Information

Property 123 SECORD ST  
 Owner ADAMS, JACK; ADAMS, SUSAN  
 Description PT LOT 10R, PLAN M1234  
 CITY OF TORONTO  
 Perimeter 121 m  
 Area 626 m<sup>2</sup>  
 PIN 123456789  
 Registration Type LT  
 Property Type Single Detached



### Ownership and Sales History

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#### Ownership information

**Owner Names:** ADAMS, JACK; ADAMS, SUSAN  
**Party To (Recent Transfer):** ADAMS, JACK; ADAMS, SUSAN  
**Consideration Value:** \$850,000

#### Sales History

Party To	Registration Date	Consideration Value	Instrument Type
ADAMS, JACK; ADAMS, SUSAN	02-01-2017	\$850,000	Transfer



Driver's License  
Permis de conduire



NUMBER / NUMERO

**A1234-41087-00522**

ADAMS,  
JACK  
123 SECORD STREET,  
TORONTO, ON  
M1S 1M1

CLASS / CATEGORIE

G

COND. / REST.

X

END. AUT.

DAT OF BIRTH / DATE DE NAIS

**1970 • 05 • 22**

SEXEXE

**M**

HT. / TAILLE

**180**

\*124567\* CANADA



Driver's License  
Permis de conduire



NUMBER / NUMERO

**A1234-41087-20408**

ADAMS,  
SUSAN  
123 SECORD STREET,  
TORONTO, ON  
M1S 1M1

CLASS / CATEGORIE

G

COND. / REST.

END. AUT.

DAT OF BIRTH / DATE DE NAIS

**1972 • 04 • 08**

SEXEXE

**F**

HT. / TAILLE

**168**

\*124567\* CANADA

**Mortgage Commitment**

**Response:** January 17, 2020 **Commitment Expires:** 04/01/2020

**Broker Information**

Name: Sample Mortgages Inc.  
 Address: 2175 Sheppard Avenue East, Suite 213, North York, ON, M2J1W8  
 Attention: Student Name  
 Application Reference Number: 1213456-789

**Lender Information**

Name: SuperBank  
 Address: 2750 Yonge Street, Suite 6500, Toronto, ON, M1M 1M1  
 Lender Reference #: 1213456-789 Mortgage Insurance Reference #: None

**Borrower Information**

Applicant(s): Jack Adams, Susan Adams  
 Property Address : 123 Secord Street, Toronto, ON, M1S 1M1

With reference to the above noted property SuperBank is pleased to provide the following mortgage loan offer, subject to the following terms and conditions:

Loan		Terms		Payment	
Value	\$936,000.00	Mortgage Type	First	Principal and Interest:	\$3,543.67
DP/Equity	Student TBD	Term Type	Fixed Rate Open	Taxes (Estimated)	\$424.75
Insurance Premium	Student TBD	Interest Rate	3%	Taxes Paid By:	Lender
Total Loan	Student TBD	Term (months)	60	Total Installment:	\$3,968.42
Other Mortgages:	None	Amortization (months)	300		
Product	Credit Max	Frequency	Monthly		
Cashback	None				
Closing Date	02/01/2020				

**LENDER AUTHORIZATION**

All of our normal requirements and, if applicable, those of the mortgage insurer must be met. All costs including legal, survey, mortgage insurance, etc. are for the account of the applicant(s). The mortgage insurance premium (if applicable) will be added to the mortgage. This mortgage is subject to the details and terms outlined as well as the conditions described in the attached Schedule A.

Approved by: John Underwriter, SuperBank Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**CLIENT ACCEPTANCE**

I/We the undersigned applicant(s) accept the terms of this mortgage as stated above and agree to fulfill the conditions of approval as outlined in the attached Schedule A to the lender's satisfaction. I/We further certify that the information given on the mortgage application is true and correct.

Applicant: Jack Adams Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Applicant: Susan Adams Signature: \_\_\_\_\_ Date: \_\_\_\_\_

**ASSUMPTION POLICIES**

Assumption Option: The transferee or purchaser may, upon completion of a mortgage application which meets our mortgage approval criteria then in effect, personally assume (with the consent of his or her spouse where required by law) all of your obligations under your mortgage by executing an assumption agreement in the form required by us.

**CONDITIONS**

Mortgage: The mortgage loan to be made to you shall be subject to all extended terms set forth in SuperBank's standard form of mortgage contract, and loans insured by a mortgage insurer will be subject to the requirements of the Certificate of Insurance issued by the mortgage insurer.

Property Taxes: If stipulated by us, you will pay us monthly, an amount which in our opinion is sufficient to enable us to pay the annual property taxes on your behalf by the due date for the first installment of the tax bill in each year, based on the estimated annual taxes. We shall withhold a tax holdback from our mortgage advance sufficient to accumulate the required credit in your tax account. Any tax bills issued and unpaid at the interest adjustment date shall be paid from the proceeds of the mortgage loan.

Fire Insurance: We shall require evidence of replacement cost all-risk insurance coverage acceptable to us, taken with an insurer not disapproved by us. Such policy must contain the standard Insurance Bureau of Canada mortgage clause and must indicate our interest as mortgagee.

Title Insurance: A title insurance policy acceptable to us and obtained by our solicitor at your cost.

Processing Fee and Costs: Whether or not this loan is funded, you agree to pay the processing fee specified herein, if any, and all legal, appraisal and survey costs incurred by you or us in this transaction.

CMHC/GEMICO/AIG Insurance Fee: Insurance Fee: You agree to pay any mortgage insurance fee, as indicated, and all applicable federal or provincial taxes thereon.

Interest Adjustment: Interest shall accrue from the date the first advance is made. Interest due to the interest adjustment date will be simple interest calculated daily and will be deducted from the first advance

Pre-authorized Cheque Plan: You agree to make repayment under the mortgage by a 'pre-authorized cheque plan' or by such other means as may be requested by us.

Commitment: This commitment is not transferable by you and the benefit may not be assigned by you. It may be assigned by us.

Representation and Warranty: You warrant to us, and it is a condition of this loan, that all information submitted by you or your broker to us in connection with your loan application is true and accurate, and you agree to supply promptly, on request, any further information concerning yourself, your financial standing or the property to be mortgaged, which may be required by us.

Title: You represent and warrant to us, and it is a condition of this loan, that you have a good and marketable title to the property to be mortgaged, satisfactory in all aspects.

Zoning and Work orders: It is a condition of this loan that the mortgaged property and the use thereof comply with all applicable government laws and regulations and that there are no outstanding work orders, notices or directives against the property.

No agency: You acknowledge that we may assign this commitment or the mortgage to a third party and may receive a fee in connection with such assignment. We may also receive a fee in connection with the servicing of this loan. We are not acting as your agent or otherwise in any fiduciary capacity in relation to you in connection with the loan described herein.

Solicitor and Documentation: The solicitor specified by us will act on our behalf in this transaction. You agree to deliver to our solicitor your title documents, insurance policy and survey as soon as possible.

Entire Agreement: This commitment, when accepted by you, will constitute the entire agreement and understanding between you and us with respect to this loan and will supercede all other agreements or understandings, whether oral or written.

