

## Cash Back Mortgages

For the most part, cash-back mortgages have not been that popular since the 2008 financial crisis. Before we can completely write them off, let us discuss if they why some people choose this option.

### Is A Cash-Back Mortgage Worth It?

Let's discuss how it works...

At the time of closing the mortgage, the client receives a rebate on their mortgage with a Cash-Back mortgage. This rebate varies anywhere from one percent to five percent of the mortgage amount depending on the term chosen and the financial institution. The five percent Cash-Back mortgage is the most common offer and this is only featured by a few of the Canadian Chartered Banks.

For a first time home-buyer, the funds from a Cash-Back mortgage can come in especially handy, particularly when they need extra money to purchase home improvement items such as furniture, blinds, appliances or carpet. First time home buyers are the primary consumer of Cash-Back mortgages in Canada. There are some banks that will allow the Cash-Back option to actually be used towards the down payment of the property. Remember, the actual rebate is never directly paid back to the Bank; instead, the Bank increases the interest rate on the entire mortgage in order to recoup their money.

### Why would I want a Cash-Back mortgage?

There are numerous reasons why clients may be interested in a Cash-Back mortgage. For instance:

- a) You received a monetary gift from your family and applied it towards your down payment but would prefer to have some extra money in order to feel comfortable taking on this new liability.
- b) The Cash-Back offer acts as a buffer to get you through your first few months while being a new home owner. Even though you saved up enough money to purchase your home, you may fall a little short after the mortgage closes. As well, you may have utilized your RRSP Home Buyers program and withdrew your down payment out of your RRSPs. There is still funds needed to cover moving expenses and legal fees, therefore, the Cash-Back option may come in handy.