PEKOE
MORTGAGES

The Pre-Construction Exit Guide

Your mortgage is approved at final closing, not at signing. What changes in between, and how to be ready.

The problem in one sentence

You signed a purchase agreement two or three years before you will own anything, and the mortgage that funds it will be approved against the rules, the rates and your income **at final closing**, not at signing.

> **A standard rate hold usually runs 180 days.** A build measured in years cannot be spanned by one. Some lenders go longer through builder mortgage programmes, decided case by case rather than offered as a standard product. Expect to qualify again near final closing, and plan for it.

The two closings, which are not the same event

	Interim occupancy	Final closing
What happens	You can move in; the building is not registered	Title transfers to you
What you pay	An occupancy fee to the builder	The balance, through your mortgage
Does it reduce your purchase price	No. It is not principal	n/a
Is your mortgage advanced	No	Yes
Land transfer tax	No	Yes, in Ontario, in cash

Occupancy can run months. Budget it as a housing cost that buys you nothing in equity, because that is what it is.

What changes between signing and closing

- [ ] **Your income.** A job change, a move to self-employment, or a parental leave all re-open the file. Lenders assess what is true at closing.
- [ ] **Your debts.** A car loan taken during the build counts against your total debt service at **about 44%**, and so does a credit card balance at **no less than 3%** of it per month.
- [ ] **The rules.** Down payment tiers, premium bands and the qualifying test are the ones in force at closing.
- [ ] **The value.** If the appraisal at closing comes in under the price you agreed, the shortfall is yours in cash.

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The appraisal gap, which is the real risk

Your lender lends against the **lesser** of the purchase price and the appraised value. If you agreed $700,000 and it appraises at $650,000, the lender sizes the loan on $650,000 and you fund the $50,000 difference yourself, on top of your down payment.

That is not a financing problem that a different lender solves. It is a valuation fact, and the only defences are a larger cash reserve or a deposit structure that already covers more of the price.

Your exits, honestly

Route	What it needs	Watch for
Close with a mortgage	To qualify at closing on the rules of the day	Appraisal gap; income changes during the build
Assign the agreement	Builder consent, usually with a fee	Many agreements restrict or prohibit it. Read yours
Close and sell	Cash to close first, then a sale	You pay land transfer tax and selling costs
Close with help	A co-signer, or a larger down payment	A co-signer normally needs independent legal advice
Do not close	Nothing, and that is the problem	You lose the deposit and may be sued for the shortfall

Twelve months before final closing, do these

- [ ] Get the builder's estimated final closing date in writing, and ask how firm it is.
- [ ] Have your file reviewed as if you were applying today. If it would not pass, you have twelve months to fix it.
- [ ] Take on no new debt. A car payment signed during the build is the most common reason one of these files fails.
- [ ] Keep your income evidence current: Notices of Assessment, pay statements, and two years of filings if you are self-employed.
- [ ] Build a cash reserve beyond your down payment, sized against the possibility of an appraisal gap.
- [ ] Read the assignment clause in your agreement before you need it, not when you do.
- [ ] Confirm what your deposits have already covered and what remains due.

Figures used in this guide

Figure	Value	Source
Standard rate hold	Usually 180 days	Pekoe deal flow, confirmed
Builder mortgage programmes	Longer holds, case by case, not a standard product	Pekoe deal flow, confirmed
Total debt service	About 44%	CMHC, Calculating GDS and TDS
Unsecured credit in TDS	No less than 3% of the balance monthly	CMHC, Calculating GDS and TDS
Down payment minimums	5% to $500,000, 10% above, 20% at $1,500,000	Federal tiers

No mortgage rate appears in this guide, and that matters more here than anywhere: the rate you will pay is the one available at final closing. Current rates are at pekoe.ca/rates.