



When Do I Receive My Mortgage Proceeds?

An important and oft-asked question when refinancing property, the simple answer to which is, “it depends...” A better answer comes through communication with and among the professionals assisting you with your refinancing.

Let us begin with an overview of the funding and payout process. Once the security has been successfully registered in the Land Title Office on the funding date, the Notary/Lawyer who has been instructed to act for the lender (that’s right, not the borrower) will receive mortgage proceeds either by direct deposit or courier. Accordingly, it is difficult to say when in the day funds will be received as that can vary with individual circumstances, but it is then that the borrower’s existing mortgage(s)/debt(s) can be repaid.

Before issuing funds to pay off existing debt(s), the outstanding balance(s) must be re-confirmed, which means accommodating the turnaround and cut-off times of the other creditor(s). In addition, creditors based in another province must receive their settlement by overnight courier, therefore the next business day. Accordingly, while the borrower will typically receive a trust cheque for their net mortgage proceeds on the funding date, they may be paying interest on two mortgages until the existing lender receives the payout. For this reason, it is prudent for borrowers to avoid funding late in the week or before a holiday.

The payee on the trust cheque for mortgage proceeds can also impact on how, and how quickly, the funds can be accessed by a borrower. In the absence of alternate direction with benefit of independent legal advice, the trust cheque is required to match the registered interests on title. Accordingly, joint tenants receive a joint cheque, tenants in common each receive a cheque proportionate to their share in the property, etc.

Beyond receiving the Notary/Lawyer’s trust cheque in accordance with the registered interests, availability of funds will also be a function of a borrower’s own banking profile, since most financial institutions nowadays will automatically place a hold on large deposits for upwards of 5-7 days. We recommend, therefore, that borrowers engage in a proactive consultation with their account manager to anticipate/avoid possible delays or complications, as only their banker can reduce or remove such internal compliance requirements.

In summary, communication with your team of professionals is key. When refinancing, your mortgage broker/banker will guide you in selecting an optimal funding date, your Notary/Lawyer will release proceeds to you after payout of your existing creditor(s) as promptly as possible, and your account manager will advise how best to access your funds in a timely manner.

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