

Owning U.S. Real Estate:

Put Your U.S. Home Equity to Work for You the Canadian Way



Presenters



ALAIN FORGET
Head of Business Development

Alain has been working for RBC for over 40 years, holding various business and sales leadership roles in Canada, the Caribbean and the U.S. He is passionate about helping Canadians purchase U.S. homes and works closely with consumers, real estate professionals and other strategic partners to provide education and opportunity to Canadian buyers in the U.S. Alain acts as spokesperson for the media and at real estate conferences as a subject matter expert. He is also a licensed real estate agent in Florida and holds a degree in Finance & Management.



NANCY BADRA
Senior Cross-Border Mortgage Advisor

Nancy Badra is French Canadian from Montreal Québec and is fluent in both French and English. She holds a Bachelor of Science degree and an MBA degree from Université du Québec A Montréal. Nancy joined the Royal Bank of Canada in January 2007 and has occupied various roles from coaching and management to personal lending and business lending. Before relocating to the U.S. in November 2017, she was working as a Credit Manager in Private Banking at Place Ville Marie in Montreal. Her diversified background in banking allows her to be able to deal with moderate to complex credit structures.

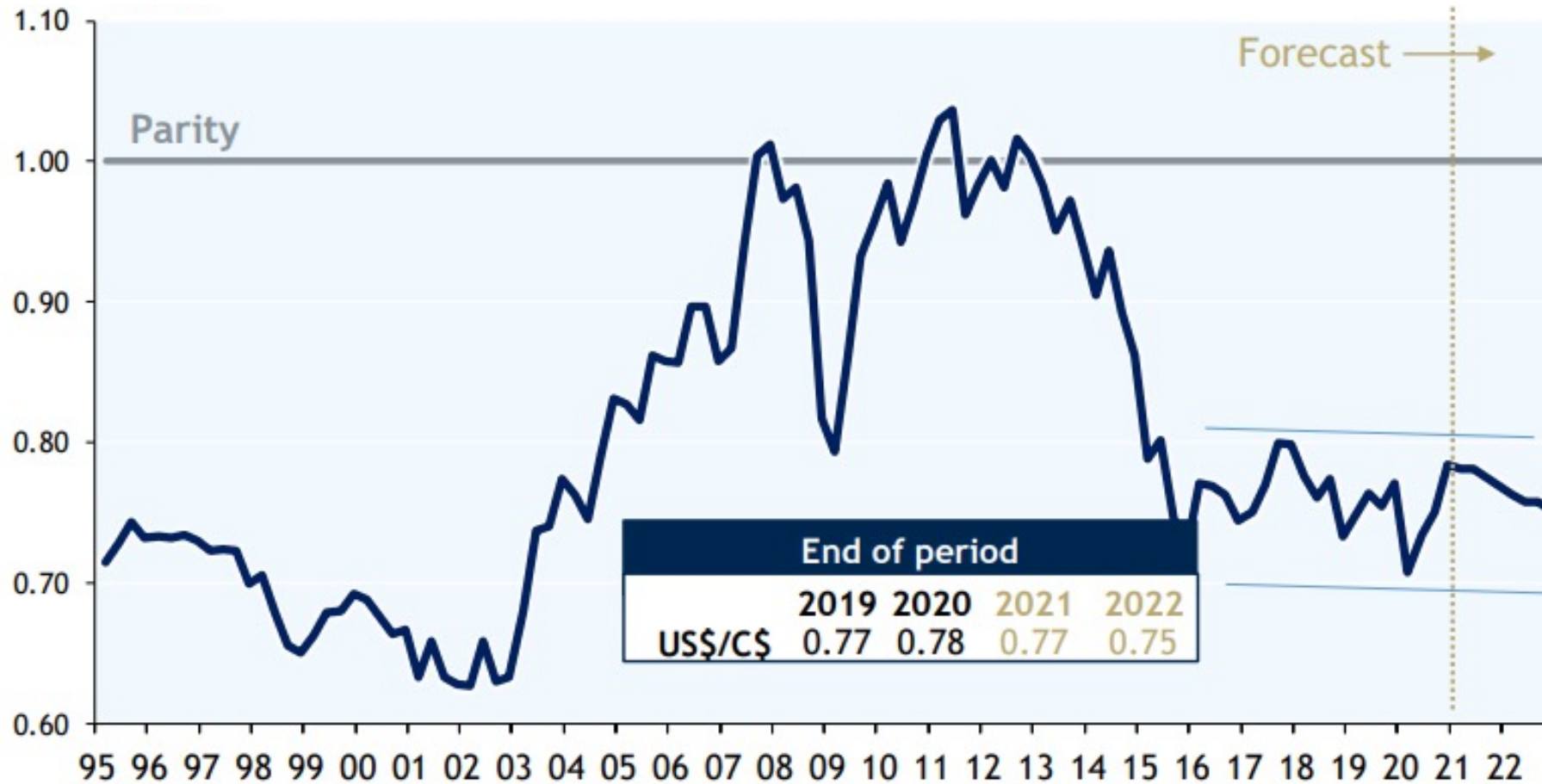
U.S. Homeownership by Canadians



Source: National Association of Realtors

- Since 2010, Canadians have purchased over \$130B of U.S. real estate (394,000 residential properties)
- 78% of those purchase transactions were done “cash” while CAD and USD were at/around PAR
- Since 2010, an estimated USD \$90B of U.S. residential real estate is owned by Canadians “upright” (debt free)

Canadian Dollar Forecast



Source: Bank of Canada, RBC Economic Research
For more Economic & Financial insights and outlooks please visit: [rbc.com/economics](https://www.rbc.com/economics)

Using your U.S. Home Equity – Key Considerations

- Increased value of your U.S. property over the last 6-7 years combined with decreased value of the CAD (USD) since 2015 at/around PAR (CAD/USD)
- Perfect storm for Canadians owning U.S. real estate, especially if you bought between 2010 to 2015 at/around PAR (CAD/USD)
- Historical low interest rates in the U.S.
- What are your options?
 - Selling your U.S. home?
 - Make your U.S. Home Equity work for you?



Selling Your U.S. Home



- Loss of lifestyle
- Cost
 - Agent fees
 - Closing costs and other selling expenses
 - Capital gains
 - FIRPTA
 - ITIN

Make Your U.S. Home Equity Work for You

- U.S. home appreciation
- Historically strong U.S. dollar
- Manage foreign exchange
- Improve your U.S. cash flow



Use Your U.S. Cash However You Wish¹



- Make home improvements
- Buy a car or boat
- Move the money to Canada to invest or pay off debt
- Invest in the U.S.
- Fund U.S. lifestyle

Financing Options: Home Equity Line of Credit²

- Borrow up to 80% of your home value
- During draw period, available credit is replenished as you make payments
- Make additional payments without penalty
- Low carrying costs – interest only payments during 10-year draw period
- Pay off the line over as many as 20 years, keeping payments low



Financing Options: No Fee/Low Fee HELOC³



- Special offer through June 30, 2021
- RBC Bank will cover the closing costs!
- Borrow up to 80% of your home value (available credit)

Financing Options: Mortgage Refinancing^{4,5}

- Borrow up to 80% of your home value
- Lower rate and payment
- Take cash out for expenses, debt or investment
- Use your Canadian credit history to qualify



Special Offer⁶



- Apply before June 30, 2021
- \$0 underwriting fees for new mortgages (savings of USD \$825 or CAD \$1,100)

VAE 2.0 “U.S. Home Equity” Client fact cases:

1 “Unexpected U.S. home expenses and U.S. costs of living”

- John and Laura from Toronto bought a condo in South East Florida in 2013 for \$275K cash. They have a few thousand USD as their savings – all other investments are in CAD.
 - Make your U.S. Home Equity work for you? Current value = \$400K
 - Home Owner Association (HOA) confirmed a one-time special assessment = \$12K USD
 - Annual property costs = \$14K (property taxes, insurance, HOAs, etc.)
 - Planning property improvements = \$16K
 - Cost of living while in Florida during 4 months for winter = \$12K
 - Total USD need = \$54K
 - With current exchange rate (CAD to USD: .80/1.26) they will need to convert +/- \$68K CAD to cover the USD \$54K

VAE 2.0 “U.S. Home Equity” Client fact cases:

2 “Lower rate environment: Opportunity?”

- Bill and Sandra from Calgary bought a property in AZ in 2018 for \$475K USD.
 - Current value = \$550K
 - Financed 70% at 5.25% = \$333K
 - Rates have dropped significantly
 - Is it worth the closing costs to get a lower rate?

VAE 2.0 “U.S. Home Equity” Client fact cases:

3 “U.S. Home Equity: Investment opportunities”

- Ed and Shirley from Vancouver own a property in Palm Springs, bought with cash in 2014 for \$725K
 - Now valued around \$950K since CAD was at par with USD in 2014.
 - Made the purchase by cashing out CAD investments
 - With low rates, lower CAD vs USD and appreciation, considering accessing equity to invest in Canada

Resources and Getting Started

- Access our Mortgage Advice Center at rbcbank.com/ushomes
- Download our new eGuide:
 - Using the Equity in Your U.S. Home: A Guide for Canadians (rbc.com/eguide)
- Speak to a Cross-Border Mortgage Advisor – 1-866-283-5928
- Get advice from a cross-border tax or legal expert
- Discuss your plans with your financial advisor



Questions



- Please use the CHAT bar to submit your questions in writing during the live presentation.
- To register a question over the phone following the formal portion of our presentation:
 - Enter 1 followed by 4 on your phone.
 - If your question has already been asked, you can unregister your question by dialing 1 followed by 3.

Note, this webinar is being recorded, and the presentation will be made available on our virtual advice event landing page.

Upcoming Events

May 5, 2021

From Dreaming to Doorstep:
Buying a U.S. Home

May 26, 2021

Buying Your Piece of Paradise:
A Virtual Expo

DISCLOSURES



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RBC Bank means RBC Bank (Georgia), N.A., a subsidiary of Royal Bank of Canada.

1. Consult your financial, tax, legal, and other professional advisors prior to applying for a U.S. mortgage.
2. Home Equity Lines of Credit (HELOCs) are subject to approval, including verification of acceptable income, credit worthiness and property valuations. Minimum and maximum property values and maximum loan-to-value ratios apply. Homeowner's insurance is required for all loans and lines of credit and flood insurance is required if the property is located in a Special Flood Hazard area. Equity Line and corresponding APR will be priced using a base rate of prime rate (as published in The Wall Street Journal.) Current rate is 3.25% as of April 1, 2020, plus or minus a margin disclosed at the time of application. Rates are subject to change based on changes in the Prime Rate but will not exceed 18%. Paying the minimum payment may result in a balloon payment when the line matures. A one-time \$99 underwriting fee and third-party closing costs may apply. For example, the average closing cost associated with a \$100,000 home equity line of credit in Florida is \$4,500. Actual third-party costs may vary. Home equity lines of credit have an annual fee of \$50. Home Equity Lines of credit are not offered for properties in Texas. Home Equity Lines of Credit are not available for investment properties.
3. Offer period is 01/01/20 through 06/30/21 and may be withdrawn or changed at any time without notice. To qualify, a full and complete RBC Bank Home Equity Line of Credit application must be submitted by June 30, 2021 and fund within 120 days of the application date. Eligibility is subject to RBC Bank Lending Guidelines and additional terms and conditions apply. An RBC Bank Premium Checking account is required. Offer is available for loan amounts between \$25,000 and \$750,000. The actual amount you can borrow may vary based on factors such as credit history, property type, occupancy, lien position and loan to value amount. RBC Bank agrees to pay certain usual and customary closing costs and fees associated with issuing a Home Equity Line of Credit ("HELOC"). These costs typically include: origination fee, appraisal fee, credit report fee, title search and title insurance costs, flood determination costs, and filing fees. Escrow or prepaid requirements are not covered by RBC Bank, and include items such as Homeowner Association Dues, property taxes, property insurance, flood insurance and mortgage interest. Based on your loan scenario, certain taxes (such as transfer tax, doc stamps, intangible tax, recording tax, mortgage tax or other taxes) may apply and you will not be eligible for this offer. However, you may be eligible for one of our other HELOC programs. If you close your Home Equity Line of Credit within 24 months of opening the account, you will be required to pay all of the costs that were paid by RBC Bank in connection with the opening and issuance of the account. This is in addition to any outstanding balance that may exist on the loan. For eligible clients, RBC Bank will waive the annual fee for the Premium Checking account and HELOC as long as both remain open and in good standing. If you close your HELOC at any time, the annual Premium Checking account fee of \$99.95 will begin to apply.
4. Mortgages and Home Equity Lines of Credit (HELOCs) are subject to approval, including verification of acceptable income, credit worthiness and property valuations. Minimum and maximum property values and maximum loan-to-value ratios apply. Homeowner's insurance is required for all loans and lines of credit and flood insurance is required if the property is located in a Special Flood Hazard area. Escrows may be required on mortgages. There are closing costs associated with mortgage products. In addition to a ½% Origination fee (with a \$500 minimum and a \$2,000 maximum) due at origination and a \$50 annual fee, third party closing costs for Home Equity Lines of Credit may range from \$900 to \$9,000. Home Equity Lines of credit are not offered for properties in Texas. Home Equity Lines of Credit are not available for investment properties.
5. Refinancing not offered for properties in Texas.
6. To qualify for the \$0 underwriting fee, a full and complete mortgage application must be submitted by June 30, 2021. Mortgages must fund within 120 days of the application date. Offer may be withdrawn or changed at any time without notice. Offer is only available to the following clients; new RBC Bank mortgage, purchase of Investment Properties, and Refinance on a property that is owned free and clear. Additional bank fees and third-party fees apply and are paid separately. Mortgage and HELOC offer may be combined: if a client closes on an eligible mortgage and also opens a second lien HELOC with RBC Bank, both products will have a \$0 underwriting fee. That's a savings of up to \$924 USD (or over \$1,200 CAD). May not be combined with any other special offers.

