A FREE GUIDE FOR ONTARIO & ALBERTA HOMEOWNERS

How to Stop or Avoid Power of Sale & Foreclosure in Today's Market

Understand how mortgage default actually works in Ontario and Alberta, the real options available to you, and where to turn for legitimate help.

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Why Homeowners Fall Behind

Missing a mortgage payment doesn't automatically mean you're going to lose your home. But it's no secret that more Canadian homeowners are falling behind, especially as interest rates and the cost of living have put pressure on household budgets across Ontario and Alberta.

If you've missed a payment, or you're worried you're about to, the most important thing you can do is understand exactly what happens next, and act early. The process moves differently depending on where you live: Ontario primarily uses something called Power of Sale, while Alberta uses a court-based process called judicial foreclosure. They are not the same, and knowing the difference matters.

This guide walks you through both processes in plain language, lays out real, legitimate resources available to Canadian homeowners, and outlines the options worth exploring before any legal action moves forward.

According to Canada's Financial Consumer Agency (FCAC), the most common reasons homeowners fall behind include:

- Job loss or a sudden drop in income
- Illness, disability, or the death of a borrower or co-borrower
- Divorce or separation
- Renewing a mortgage into a much higher interest rate
- Reaching the "trigger rate" on a variable-rate mortgage, where the payment no longer covers the interest owed
- General household debt combined with the rising cost of living

If any of this sounds familiar, you are far from alone. Federally regulated banks are actually expected by FCAC to proactively reach out and offer relief options to homeowners showing signs of financial difficulty. The earlier you reach out to your lender, the more options you'll typically have.

This guide is for general educational purposes only and is not legal, financial, or insolvency advice. Mortgage default law is set at the provincial level and can vary based on your specific mortgage contract, your lender, and your situation. If you are facing default, speak with a licensed lawyer in your province, a Licensed Insolvency Trustee, or a nonprofit credit counsellor for advice specific to you.

Understanding Power of Sale in Ontario

In Ontario, most lenders use a process called Power of Sale rather than going through the courts. It's a right built into most mortgage agreements and set out in Ontario's Mortgages Act, allowing the lender to sell the property directly if a homeowner falls too far behind.

Here's the general process:

- **Default begins.** After a missed payment, the account is considered in default. Lenders generally wait at least 15 days before taking formal next steps, and many will first try to work something out with you directly.
- **Notice of Sale is issued.** Once the lender decides to move forward, they issue a formal Notice of Sale.
- **The redemption period.** By law, you're given at least 35 days (40 in some cases) from the Notice of Sale to "redeem" the mortgage, meaning pay the arrears plus the lender's reasonable costs to bring the mortgage back into good standing.
- **If the default isn't cured**, the lender can move forward with selling the property, often through a real estate agent.
- **The lender must try to get a fair price.** Ontario courts have been clear: lenders have a legal duty to take reasonable steps to sell for fair market value, not just whatever's quickest.
- **After the sale**, any surplus after the mortgage, interest, and costs are paid goes back to you. If the sale doesn't cover what's owed, you can still be personally responsible for the shortfall.

A few things worth knowing:

- A Power of Sale can move relatively quickly, sometimes just a few months from the missed payment to a completed sale, though it varies by lender and situation.
- Missed payments are typically reported to Equifax and TransUnion, and a completed Power of Sale can stay on your credit report for several years.
- You remain personally liable for any shortfall between what the home sells for and what you owe, so simply walking away doesn't necessarily end your obligation.

Understanding Foreclosure in Alberta

Alberta works differently. Instead of an out-of-court process like Power of Sale, mortgage default in Alberta generally goes through the courts as a judicial foreclosure.

Here's the general process:

- **A formal demand.** Lenders typically send a demand letter for the missed payments before starting anything legal.
- **A Statement of Claim is filed** with the Court of King's Bench of Alberta.
- **You have 20 days to respond** once you're served.
- **The court sets a redemption period.** If there's meaningful equity in your home, the court typically grants a Redemption Order, giving you time (commonly up to six months, sometimes longer for farm property) to pay what's owed and keep your home. If there's little or no equity, that window can be much shorter.
- **If the default isn't cured**, the property moves toward a court-supervised judicial sale.
- **After the sale**, the new owner can apply for possession, and deficiency (shortfall) claims may still apply depending on the remedy pursued, worth confirming with a lawyer for your specific situation.

How this compares to Ontario:

Alberta's process generally takes longer and involves more court oversight than Ontario's Power of Sale, often six months to over a year from start to finish. That extra time can be valuable if you're working on a plan, but it doesn't mean the eventual outcome is any less serious.

Mortgage default and foreclosure law is set at the provincial level in Canada and differs by province. This guide focuses on the general processes in Ontario and Alberta and is not a substitute for legal advice specific to your mortgage, property, and location.

Options Worth Exploring Before Legal Action Escalates

Based on guidance from Canada's Financial Consumer Agency, here are legitimate options many homeowners in financial difficulty can explore, roughly in order of how commonly they're used:

- **Contact your lender first.** Banks are expected to proactively offer relief once they see signs of trouble, don't wait for them to come to you.
- **Renegotiate your mortgage terms**, such as converting from a variable to a fixed rate.
- **Ask about a payment deferral**, which pauses payments for a period, though deferred amounts are repaid later with added interest.
- **Extend your amortization** to lower your monthly payment, understanding this increases the total interest paid over time.
- **Check for optional credit insurance** on your mortgage, which can sometimes cover payments during job loss, critical illness, or disability.
- **Talk to a nonprofit credit counsellor** for free or low-cost help with budgeting and negotiating with creditors.
- **Consider a Consumer Proposal** through a Licensed Insolvency Trustee to restructure other unsecured debts. Note this cannot directly modify your mortgage itself.
- **Refinance**, if you still qualify and have enough equity.
- **Sell the home**, whether through a traditional listing, a "Sale by Borrower" arrangement some lenders offer, or a private/cash sale, which can often close faster.

Real Resources for Canadian Homeowners

These are legitimate, verified organizations, not generic suggestions:

- **Financial Consumer Agency of Canada (FCAC)** — canada.ca, official guidance on mortgage relief options
- **Credit Counselling Canada** — creditcounsellingcanada.ca, a directory of accredited nonprofit agencies
- **Credit Counselling Society** — nomoredebts.org, nonprofit credit and debt counselling
- **Credit Canada** — creditcanada.com, one of Canada's oldest nonprofit credit counselling organizations
- **Canada Mortgage and Housing Corporation (CMHC)** — cmhc-schl.gc.ca, general mortgage management resources

A quick clarification: mortgage default insurance (often called "CMHC insurance") protects the lender, not the homeowner, if you default. It doesn't provide a payout or debt relief to you directly, a common misunderstanding worth clearing up.

In Closing

Facing Power of Sale or foreclosure is stressful, but it's rarely as sudden or hopeless as it feels in the moment. The homeowners who come out the other side in the best position are almost always the ones who act early, ask questions, and explore every option available to them, rather than waiting to see what happens.

If part of your plan involves exploring a fast, no-obligation cash sale, our team at Family Home Buyers has worked with homeowners across Ontario and Alberta in exactly this situation. We buy houses as-is, cover closing costs, and can often close in as little as a matter of weeks, giving you one more option on the table alongside the ones in this guide.

Want a clear, no-pressure look at your options?

Contact Family Home Buyers today. We're happy to talk through your specific situation with no obligation at all.

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