

## Financial & Mortgage Update

Low borrowing costs are tempting many Canadians jump into fixed mortgages even though variable products continue to be a money-winning option for the foreseeable future.

"Going variable probably will give you good performance for the next two years or so and beyond that, we might see interest rates rising" says Canadian Imperial Bank of Commerce's chief economist. "Inflation could ultimately lead to higher interest rates, but likely not before 2011."

Early last fall Banks scared mortgage holders to lock in their variable rates by suggesting rates will rise. The deteriorating economy has only caused rates to fall even further.

Many people have noted that we have not yet seen the bottom of this recession and recovery time is being pushed back possibly to early 2010. Financial strategies, including buying back government bonds and other forms of credit from chartered banks (quantitative easing) are now being considered and could be implemented as early as next month. This will allow lenders to free up cash flow further easing the borrowing process in hope of sparking the economy.

Homeowners with variable rates, especially those with discounts reaching 90 basis points, should ignore temptations to lock in now. Homeowners should use this window of low rates to pay down their mortgages as quickly as possible as there are many different pre-payment options available. "All-in-one" programs have allowed people to take this opportunity to re-finance into the lower rates and consolidate debts while lowering their monthly payments. In many cases paying the penalty to get out of higher interest rates doesn't compare to the amount saved over the remaining term.

Variable rate mortgage holders do have the option of locking in to a fixed at anytime without penalty.

Rates to consider:

1 year Fixed rate(1) 3.25% Monthly payment per \$100,000 (P/I) \$398

3 year Fixed rate(1) 3.90% Monthly payment per \$100,000(P/I) \$434

5 year Fixed rate(1) 4.07% Monthly payment per \$100,000 (P/I) \$444

5 year Closed Variable(2) 3.30% Monthly payment per \$100,000 (P/I) \$406

## Financial & Mortgage Update

Prime lending rate 2.50%

All rates are subject to change without notice and are calculated using 35 year amortization.

1. Rate calculated semi-annually, not in advance and some conditions may apply.
2. Rate calculated monthly, not in advance. Rate changes when the Lenders' Prime rate changes. APR- 3.30% and assumes rate does not vary over the term.

### **Dave Ford**

Mortgage Consultant

Global Mortgage Corporation

**Phone: 1.604.329.9971**

Fax: 1.604.574.1445

Personalizing Mortgages For You