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Longer Term Mortgages Becoming More Attractive

OTTAWA, Ontario, October 7, 2003 — The cost advantage of variable rate and short-term fixed rate mortgages relative to long-term mortgages has disappeared in the last few years, according to the latest issue of Canada Mortgage and Housing Corporation's (CMHC) Mortgage Market Trends. The report notes that this trend combined with the stability of payment and the peace of mind they offer to borrowers will continue to bode well for long-term mortgage terms in the immediate future.

"Variable and short-term mortgages have generally been cheaper than locking in a medium or long-term mortgage since the 1980s," says Ali Manouchehri, a senior economist with CMHC. "However, low mortgage rates along with increasingly educated mortgage borrowers and a highly competitive mortgage market have helped narrow, and in some cases reverse, the cost advantage of short and variable terms relative to longer term mortgages."

Another article in this issue of CMHC Mortgage Market Trends reviews the performance of National Housing Act Mortgage-Backed Securities (NHA MBS). "In June 2003 a total of $6.3 billion of NHA MBS were issued, a record month in NHA MBS history," says Richard Liu of Securitization Operations and Monitoring at CMHC.

Growth in the residential mortgage market is discussed in another article in this publication. "Residential mortgage credit was up 7.6 per cent in the second quarter of 2003 compared to the same quarter in 2002 and reached $510 billion due to low mortgage rates and an active housing market," said Manouchehri.

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