



PRESS RELEASE



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Mortgage experts available for comment on Bank of Canada's interest rate announcement

Don't Rule Out Variable Rate Mortgages

Toronto, September 8, 2004 – Canadians can view today's decision by the Bank of Canada to raise the prime rate as an indicator that higher mortgage rates may be coming in the near future, and the decision serves as an important reminder for homebuyers to consider their mortgage options in a changing interest rate environment, according to Andrew Moor, president and CEO of Invis, Canada's largest independent mortgage brokerage.

Today's announcement results in an immediate increase in the rate for most types of variable-rate mortgages; however, fixed-rate mortgages are not immediately affected as they are influenced more directly by the bond market and not the Bank of Canada's overnight rate.

"With mortgage rates on the rise, Canadians may be tempted to lock in a fixed-rate mortgage," said Moor. "However, it's important to realize that the prime rate would have to rise considerably over the next five years to make the current variable-rate mortgage options unattractive."

As of September 8, a competitively discounted five-year fixed mortgage rate was available at 5.05 per cent, while a competitively discounted variable rate mortgage was available at 3.25 per cent (the expected level of 4.00% for prime rate less an average discount of 0.75 per cent).

Over the last ten years, the Bank of Canada has increased the prime rate in tightening cycles that have resulted in rates rising an average of 2.05% over eight months. If such a typical cycle were to commence with today's Bank of Canada announcement, at the end of five years, Canadians would still save money by staying with a variable rate mortgage. On a mortgage of \$175,000 with identical payments of \$1,022.80 per month, the homeowner borrowing with a variable rate mortgage would have saved \$1,299.45 over five years (reflected in a lower mortgage balance at the maturity of the mortgage).

As we enter into a rising rate environment, homeowners and buyers should consider:

- Fixed versus variable rate mortgages: Is there a point at which a variable rate mortgage no longer makes sense?
- How changes in the prime rate affect the mortgage market and how this impacts the home buying process.

For those who want peace of mind, obtaining a pre-approved mortgage gives homebuyers the option of holding a mortgage rate for up to 120 days, possibly saving the homebuyer thousands of dollars in interest in the event interest rates rise.

Andrew Moor and other Invis regional mortgage experts are available to comment on today's Bank of Canada interest rate announcement and its implications on the mortgage market.

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Invis is Canada's largest independent mortgage brokerage with a national team of over 550 mortgage consultants. Invis mortgage consultants provide unbiased financial analysis, mortgage sourcing and mortgage recommendations for both first time homebuyers and repeat buyers. In 2003, Invis assisted clients with \$3.7 billion in mortgages. For more information, contact Invis at 1-866-854-6847 or visit www.invis.ca.