

42% of Canadian mortgage holders still happy with their rates despite recent increases

TORONTO, Ontario, March 28, 2006 — A majority of Canadians believe their current mortgage interest rates are manageable, despite recent hikes, according to a report released today by the Canadian Institute for Mortgage Brokers and Lenders (CIMBL). The information, gathered by Pollara in a phone survey in February and analyzed in conjunction with Canadian housing analyst and CIMBL economist Will Dunning, indicates that 42 per cent of Canadian residential mortgage holders polled have not seen their overall standard of living significantly affected by the recent mortgage rate increases.

“As the spring home buying season begins, interest rates remain at a historic low and mortgage holders continue to be satisfied with their rates,” said Ron Swift, President of the Canadian Institute for Mortgage Brokers and Lenders. “Our latest survey reveals that Canadians find their current mortgage rates manageable, despite increases over the past eight months. In addition, although mortgage holders anticipate further rises, the study suggests that a majority will be able to tolerate an increase of up to 1 percent. That’s great news for the marketplace.”

For the mortgages currently held by Canadians, the average mortgage interest rate is 4.9 per cent. Consumers are in tune with what the Bank of Canada and economist are forecasting – 66 per cent of consumers say they expect mortgage rate increases in the near future.

CIMBL’s research shows that current mortgage holders have a surprisingly high tolerance for potential interest rate increases. The study suggests that if rates remain at current levels, 62 per cent of Canadians would face increased interest rates at their next renewal. Yet, only 21 per cent of mortgage holders would see a significant impact on their standard of living for a monthly mortgage rate increase of \$100; 53 per cent would see an impact with an increase of \$200.

Sequentially, a further increase of one-half of a percent would negatively impact 20 per cent of Canadian mortgage holder’s overall standard of living. An increase of one-half of a percent from current rates would result in an average monthly increase of \$50 in interest (\$72 up from \$22). Total interest costs for Canadian mortgage holders would jump by more than \$2.7 billion (\$3.9 billion up from \$1.2 billion).

An increase of one percentage point from current rates would negatively impact the overall standard of living of 29 per cent of mortgage holders polled. Such an increase in rates would cause an average monthly interest payment increase of \$123, bringing the total interest costs for Canadian mortgage holders to \$6.7 billion, up \$5.5 billion from current costs.

In anticipation of a rise in interest rates, consumers are more likely to renew their mortgages early to lock into current rates. For the 15 per cent of consumers scheduled to renew their mortgages in the next twelve months, relatively small increases are expected – an average of \$6 per month. For those renewing during the next one to six years, average costs will rise and peak in about four years.

Canadian Mortgage News - 42% of Canadian mortgage holders still happy with their rates despite recent ...

“As always, there is uncertainty about future changes in interest rates.” Swift added. “CIMBL’s report demonstrates that although mortgage rates are on the rise, Canadians continue to borrow – whether they are taking out a new mortgage, renewing or refinancing an existing one. There is still a strong real estate demand in Canada.”

The survey, “Consumer Mortgage Choices in a Changing Market”, contains a wealth of additional industry data including the age distribution of mortgage holders in Canada, popularity and rates of different mortgage types and mortgage terms, and the amount of remaining principal on existing mortgages. For a full copy of the survey, please visit: www.cimbl.ca.

“Consumer Mortgage Choices in a Changing Market”

Executive Summary of Survey Results

- Research study was conducted for the Canadian Institute of Mortgage Brokers and Lenders (CIMBL) by its chief economist Will Dunning based on a 14-question telephone survey with 1,015 Canadian mortgage holders across Canada. Pollara did the field research for CIMBL in late February 2006.
- Mortgage rate increases since September 2005 have not had a negative impact on living standards for most Canadians.
- Only 9% of mortgage holders would see a significant impact on their standard of living based on recent rate increases.
- For Canadians who renew their mortgage in the next 12 months – 15% of Canadians – the impact of the recent mortgage rate increases will be negligible to negative as most will renew at lower rates than they currently have.
- For those mortgage holders that renew beyond the next 12 months the impact will be more significant.
- If mortgage rates remain at current levels, 62% of Canadians will see an increase in their rates when they renew.
- Mortgage holders will see a \$22 monthly increase on average based on current mortgage rates when they renew. For Canada’s 4.6 million homeowners with mortgages this would equate to a total cost of \$1.17 billion per year.
- If mortgage rates rise by a half a point, this impact would increase to \$72 a month – the equivalent of \$3.9 billion in additional interest costs.
- Nearly 20% of Canadian mortgage holders would experience a negative impact on their standard of living if rates rise by a half point, double the current impact of recent rate hikes.
- Two-thirds of mortgage holders believe that mortgage rates will rise in the near future.
- Over one-third of mortgage holders are more likely to shop around based on rising rates.
- Half of the mortgage holders who have their mortgage coming up for renewal in the next six months will renew early. One-third of mortgage holders who have their mortgage coming up for renewal in the next six to 12 months will renew early (15% of Canadians renew this year).
- Roughly 60% of Canadian homeowners have mortgages. Average remaining mortgage principal in Canada is \$116,800. Two-thirds of Canadians have fixed rate mortgages, 22% have variable rates and 11% have combination mortgages.

About CIMBL

Established in 1994, the Canadian Institute of Mortgage Brokers and Lenders (CIMBL) is Canada’s only national association representing the Canadian mortgage industry. Prior to its inception, the mortgage industry was fragmented – with regional and provincial organizations representing various interest groups. CIMBL has since assumed a leadership role in the industry it serves and has set the standard for best practices in Canada’s mortgage industry.

As a membership-based organization, CIMBL strives to develop its network of professionals and to represent the interests of these individuals to government, media and consumers. CIMBL has attracted over 8,200 members from across Canada – representing over 90% of Canada’s mortgage activity. CIMBL members make up the largest and most respected network of mortgage professionals in the country. CIMBL’s membership base consists of mortgage lenders, brokers, insurers and other industry participants.

Canadian Mortgage News - 42% of Canadian mortgage holders still happy with their rates despite recent ...

CIMBL's other primary role is that of consumer advocate. On an ongoing basis CIMBL aims to educate and inform the public about the mortgage industry. Through its extensive membership database, CIMBL provides consumers with access to a cross-country network of the industry's most respected and ethical professionals.

In February 2006, POLLARA conducted a 14-question telephone survey with 1,015 residential mortgage holders in Canada. A sample of 1,015 Canadians ensures an accuracy of + 3.1%, 19 times out of 20.

For more information or to request an interview, please contact:

Andrea Ellison / Myra Reisler	Jim Murphy
Media Profile	CIMBL
416.504.8464	1-888-442-4625
andrea@mediaprofile.com	416-385-2333, ext. 31
myra@mediaprofile.com	Cell: 416-940-0011
	jmurphy@cimbl.ca