



PRESS RELEASE



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Variable mortgage rates on the rise

VANCOUVER, British Columbia, April 26, 2006 — Homeowners with variable mortgages will see their interest rates increase in response to a boost in the Bank of Canada's trendsetting overnight rate on Tuesday.

BMO Bank of Montreal and Scotiabank both announced rate increases of 0.25 percentage points, raising their three-year open rate to 5.75 per cent after the Bank of Canada said it was increasing its overnight rate by 25 basis points. All major banks also increased their prime lending rates to 5.75 per cent.

But fixed mortgage rates have remained unchanged, at least for now.

Rob Hafer, regional sales manager for Invis on Vancouver Island, said variable rates are attached to prime rates, so anyone with a variable mortgage will see rates rise. But even though fixed rate mortgages depend on a number of factors other than the prime rate, those rates have also been going up recently.

"So the costs of borrowing for all consumers is going up unless you are already locked into a [mortgage] term," Hafer said.

And while rates go up, consumers should shop around to make sure they are getting the best deal, he said. Over the last few years, the number of lenders have steadily increased, making the market more competitive. As posted rates go up, lenders are getting more aggressive with the discounts they will offer from those posted rates, he said.

"Lenders are sharpening their pencils all the time ... to fine-tune their operations to make themselves as efficient as they can to give the absolute best discount," Hafer said. "Ten years ago it was hard to get a discount on a mortgage. Now the discounts have just gotten bigger."

In Abbotsford, one developer is going so far as to offer to help buyers make their monthly mortgage payments as an enticement to buy. With increasing mortgage rates and skyrocketing prices putting housing out of reach for some, Newgen Developments has signed up with TD Bank to offer a package that includes a low interest rate and a lump-sum payment that can lower payments to as little as \$399 a month for a one-bedroom suite and \$699 for a two-bedroom suite for the first two years of the mortgage.

Those figures are based on a 15-per-cent down payment and the three-year posted variable mortgage rate that would normally yield a monthly payment of \$700 a month for the one-bedroom unit, said Bill Morrison, a partner with MAC Marketing Solutions. But Newgen is offering to pay \$300 of that monthly for the first 24 months, Morrison said.

"What we're finding is people want to buy, but due to the cost the ability to purchase is reducing," Morrison said.

So Newgen came up with this plan to get around that, Morrison said.

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"It allows you to get into the market. It allows you to lock into today's prices. And it's a good investment."

The increase in the Bank of Canada rate is the central bank's sixth rate hike since September and has led to a 1.5-percentage point increase in prime lending rates. The central bank said rates could increase again at its next scheduled review on May 24.

"In line with the Bank's outlook for the Canadian economy, some modest further increase in the policy interest rate may be required to keep aggregate supply and demand in balance and inflation on target over the medium term," the release said.

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