



PRESS RELEASE



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It's a photo finish in the mortgage race – both variable and fixed offered same value despite rate hikes

Invis mortgage experts available to comment on interest rate trends

TORONTO, Ontario, September 06, 2006 — With seven rate hikes by the Bank of Canada over the past year, many variable rate mortgage holders might be thinking they should have locked in their mortgage at a safer fixed rate. But after a year, data from mortgage brokerage Invis shows most variable rate mortgage holders would have fared about the same as their locked-in counterparts.

“Without a doubt, the variable rate mortgage stood up well to the rapid succession of rate increases experienced over the past year,” says Andrew Moor, president and CEO of Invis, one of Canada’s largest mortgage brokerage firms.

Following today’s decision by the Bank of Canada to maintain its key interest rate, the carrying cost on a variable rate mortgage remains unchanged.

A year ago, a competitive variable rate mortgage was available at prime less 0.8 per cent, or 3.45 per cent. On a mortgage of \$200,000 with a 25-year amortization, monthly payments would have been \$993. Today, with the increases in the prime rate over the past year, the rate on that mortgage would be 5.20 per cent, with monthly payments of \$1,186.

A competitive five-year fixed mortgage was available for 4.50 per cent in September 2005, while today such a mortgage can be arranged at 5.49 per cent. For those who locked into a five-year fixed rate mortgage of \$200,000 with a 25-year amortization in September 2005, the monthly payment was – and remains – approximately \$1,107. Today, a new five-year fixed rate mortgage of \$200,000 with a 25-year amortization would have a monthly payment of \$1,220.

Based on these examples and accounting for each increase in prime rate, over the past year the variable rate mortgage holder paid about the same in interest – and reduced their principal balance by about the same amount – as their fixed rate counterpart.

Increasing competitiveness in the mortgage industry is spelling more good news for consumers, whether they’re in the market for a variable or a fixed mortgage. Some lenders are now offering discounts as high as 0.9 per cent off of prime on a new variable mortgage. Fixed mortgage rates are also looking more attractive.

“We’ve seen rates on the popular five-year fixed mortgage edge down in recent weeks,” commented Moor. “If healthy spreads between mortgage rates and bond yields persist, we would expect this trend to continue.”

Homeowners and buyers are also benefiting from the recent introduction of new mortgage options, such as longer amortizations and interest-only periods.

Canadian Mortgage News - It's a photo finish in the mortgage race – both variable and fixed ...

“It’s a classic equation — increased competition leads to greater innovation and deeper discounts, both of which benefit consumers,” said Moor. “For today’s homebuyer, the carrying costs on a variable rate mortgage are still less than on a new fixed-rate mortgage, though we find many of our clients prefer the stability of a fixed-rate over the potential cost savings offered by a variable rate.”

Invis is one of Canada's largest mortgage brokerage firms with a national team of over 680 mortgage consultants. Invis mortgage consultants provide unbiased financial analysis, mortgage sourcing, and mortgage advice for both first time home buyers and repeat buyers. Invis arranged over \$5.5 billion in mortgages in 2005.

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