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Consumers win as rates cool off and competition heats up in mortgage industry

New online calculators help consumers compute how new product innovations add up

TORONTO, Ontario, October 17, 2006 — With the Bank of Canada announcing today it is maintaining its key interest rate, variable rate mortgage holders can cheer about their payments remaining unchanged. Meanwhile, the price of some fixed-rate mortgages has been inching down in recent weeks, just as new product innovations are coming to market. According to mortgage brokerage Invis, the current climate of cooling rates and continued innovation is enabling mortgage consumers to boost their buying power.

With all these options, homebuyers are asking, what type of mortgage is a good strategy these days? “We’re not seeing much upward pressure on fixed or variable rates right now, so one way for borrowers to take advantage of this is to opt for a variable-rate mortgage that can be converted to a fixed rate later on,” explained Andrew Moor, president and CEO of Invis, one of Canada’s largest mortgage brokerage firms. “In this rate environment, a savvy consumer who pursues this strategy with the guidance of a mortgage consultant could potentially pocket thousands of dollars in interest savings.”

Currently, the carrying costs of variable-rate and five-year fixed-rate mortgages are about the same. A competitive variable rate mortgage can be obtained for a rate as low as 5.10 per cent. On a $200,000 mortgage with a standard 25-year amortization, this means a monthly payment of $1,175. On the same size mortgage, a competitive rate for the popular five-year fixed mortgage is 5.30 per cent, which comes with a payment of $1,198 per month. By comparison, in mid-August, a competitive five-year fixed mortgage had a rate of 5.55 per cent and a monthly payment of $1,227. This quarter point difference in rates equates to $669 in interest over a five-year term.

Current conditions in the mortgage market are favourable for consumers. At the same time some rates have been cooling, a host of new mortgage innovations have been introduced in Canada, including 100% financing options and mortgages with a 40-year amortization and interest-only periods.

“Housing affordability is a hot topic these days. Recent innovations are making homeownership a reality much sooner for many consumers,” added Moor. “We’re finding these options really appeal to younger, first-time homeowners looking to buy in pricier urban areas.”

While these new mortgages can improve monthly cash flow, they can result in more interest being paid over the life of the loan. These options are best for individuals who expect their income to grow. As it does, they can increase their mortgage payment and effectively reduce the life of their mortgage.

“Each new product that comes to market underscores the importance of getting the right advice,” said Moor.

Invis has recently added “interest-only” calculators on www.invis.ca that allow consumers to estimate how much they could afford with an interest-only mortgage option, and also to compare different mortgage scenarios. Existing calculators have been updated to accommodate a 40-year amortization scenario. At the moment, Invis is the only mortgage company with this capability.

Invis is Canada's largest mortgage brokerage firm 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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