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2006: The year of Mortgage Evolution

TORONTO, Ontario, December 21, 2006 — It was a year of the never-before-seen mortgage – fuelled by rising competition among mortgage lenders, 2006 saw a wave of new mortgage products in Canada including 40-year mortgages, interest-only mortgages, and 100 per cent loan-to-value mortgage financing. And, according to Invis, all of this activity will contribute to a vigorous mortgage market in 2007.

"There's a smorgasbord of new options for homebuyers that if used wisely, can translate into increased buying power in the face of rising real estate prices," says Andrew Moor, president and CEO of Invis, Canada's largest mortgage brokerage firm.

Homebuyers enjoyed a relatively stable mortgage rate environment in 2006 – the prime rate began the year at 5.00%, and was increased by the Bank of Canada by 0.25% in January, March, April and May, to 6.00% with the cost of a variable rate mortgage rising in step. And even those increases were offset by heightened competition among mortgage lenders, whose rivalry led to increased discounts off prime rate – up to 0.95 per cent in some cases. Posted rates for the popular five-year fixed mortgage were 6.30% at the beginning of the year, and ended the year at around 6.45%. Meanwhile, discounted rates on new five-year fixed mortgages available through a mortgage broker were generally around 4.99% at the start of 2006, peaking at around 5.54% in August, and standing at 5.09% at year's end, depending in part on a borrower's credit rating. Currently, this 5.09% rate for the discounted five-year fixed mortgage is similar to a the rate for a competitive variable mortgage at prime minus 0.9%, or 5.10%.

In 2006, competition among mortgage insurers also intensified. With more insurers entering the market, risk assessments loosened making it easier for borrowers to qualify for financing.

"The mortgage landscape gets more complicated every day and consumers can really benefit from the guidance of a mortgage expert who can sort through the mounting options," says Audrey Wamboldt, Regional Business Leader with Invis in Halifax. "Increasingly, a mortgage broker is the only way to access some of these products, and as such, they've also become the most knowledgeable."

Invis expects additional lenders to enter the alternative mortgage market in 2007. The alternative market serves homebuyers who have slightly lower credit scores and are not usually approved for financing through traditional banking channels.

"As we head into the New Year, there's room for rates on new fixed-rate mortgages to drop, based on trends in the bond markets. Those trends could easily change, so consumers thinking of borrowing should be in touch with a mortgage broker," adds Moor. "We believe the Canadian mortgage market will continue to be robust in 2007 and will not suffer in the same way as the U.S. market. Strong price appreciation in certain markets – particularly in Alberta – has led to increased home equity. Homeowners may want to consider refinancing their mortgage as a means of reducing or eliminating higher-interest consumer debt such as credit cards or car loans."

Invis is Canada's largest mortgage brokerage firm with a national team of over 700 mortgage consultants. Invis mortgage consultants provide unbiased financial analysis, mortgage sourcing, and mortgage advice for both first time home buyers and repeat buyers. Invis is expected to arrange more than $6 billion in mortgages in 2006.

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