

Real Estate Journal

Your Monthly Home & Financing News

August 2015



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Welcome to the August issue of the *Real Estate Journal*, which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

This month's edition addresses common questions about the recent Bank of Canada rate drop, and touches on an interesting move by a very popular mortgage lender that, by all appearances, runs contrary to the suggestion that tighter lending guidelines are just around the corner.

Please let me know if you have any questions or feedback regarding anything outlined below.

Thanks again for your continued support and referrals!

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DID YOU KNOW...

There are two types of debt: secured and unsecured. When you borrow money to buy a house, the bank can take back the house to recoup their money if you don't pay the debt. That means the debt is secured – it's being balanced against something that you want to keep, and gives the bank some measure of security that they're going to be able to recover the money they've loaned you. Unsecured debt, on the other hand, means the bank can't reclaim the thing you're buying with the borrowed money. (Credit card debt is unsecured, and so are student loans.) [Click here](#) to look at the impact of four key consumer loans, a mix of secured and unsecured debt, on your credit score – and, ultimately, your mortgage worthiness, courtesy of Forbes.



The Bank of Canada
Rate cut and what it
means to you

HOMEOWNER TIPS
Summer 'To-Do' List:

We truly struggle with assigning you a to-do list for the month of August, but here it goes:

Do – enjoy the sunshine.

Do – walk barefoot and wiggle your toes in the grass.

Do – enjoy long summer evenings on a patio, deck, or dock.

Do – take a roadtrip with friends or family.

Do – make the most of each day.

On Wednesday July 15, the Bank of Canada cut the overnight lending rate by 0.25%.

How does that affect you?

If you are in a fixed rate mortgage it has no impact at all. If you have other higher interest debt such as credit card or car loans, again it has no impact.

If you are one of the 12.5% of mortgage holders in a variable rate mortgage you did a mostly-happy-dance when the lender passed on a 0.15% rate cut to holders of variable rate mortgages and secured lines of credit.

Only mostly happy as you asked; 'where did the other 0.10% go?'

This is the second 0.25% rate drop this year, and the second time the mortgage lenders have retained 0.10% of that drop. Lenders are increasing their profit margins on the variable rate product, and there is little that borrowers can do about this.

The big question is whether or not the

same metrics will apply when it comes time for rates to rise, which may well be some time off into the future. Will the next 0.25% rate increase result in just a 0.15% lender increase, or will lenders hit borrowers with the full increase?

Only time will tell. The fine print of mortgage documents gives this power to the lenders, as variable rate mortgages are granted at 'lender prime' not the Bank of Canada prime.

What about the impact of low rates on the housing market?

Again there appears, thus far, to be little impact on fixed rates, and the qualifying rate used to obtain a variable rate mortgage remains at 4.64%. In other words, the rate cut has not directly translated into greater borrowing power for consumers at all. Thus, it should do little to push prices any higher in the already hot markets.

As always, if you have additional questions on this topic, or any real estate questions, I'm here to help!

An interesting move regarding rental property financing



For those looking to purchase rental

properties, the minimum down payment has been at 20% now for some time, and so it remains. In years gone by, this down payment money had to be proven to have

to obtain 80% financing on investment properties with no mortgage insurance premium, no fees, no higher than market rates.

For those with a credit score below 740, the down payment must be increased to 25% in order to avoid the mortgage insurance premium, although with this premium 80% financing is possible.

originated from the buyer's own resources - it could not be gifted.

In the case of an owner occupied purchase, the down payment can be gifted from a directly related family member.

The big news from one of our key lenders at the start of July was an announcement that they would now allow gifted down payments (again from a related family member) to be applied to rental property purchases as well.

The credit score is a key focus with applicants scoring 740 and up being able

This is a program designed to enable the smaller investor to pool resources with other family members and get into the Real Estate market. It opens the door of opportunity for many who have otherwise been locked out of buying additional properties.

Contact me directly for full details on this exciting new program.

About

ROYAL LEPAGE

Royal LePage is Canada's oldest and largest Canadian owned real estate company. Founded in 1913 by Albert LePage when he was just 26 years old, Royal LePage is now Canada's largest real estate company with more than 14,000 agents in more than 600 locations across the country. And we firmly believe that you can only become the oldest and largest company by being the best.

Over the years, we've learned a lot about real estate – and how to provide the best possible service for our clients. Since the mid-1990s, Royal LePage has more than tripled the size of its sales force and almost doubled its market share.

Throughout our successes, we remain dedicated to helping you through the real estate process. Our commitment to innovation and customer service is as strong as ever.

We offer all of our REALTORS® – from those serving tiny communities to those in major urban centres – strong support from our national pool of knowledge, skill and technical expertise. We regularly invest time, money and resources to develop and provide the knowledge and tools they need to best market your home, including:

- Up-to-date information about local market conditions
- Quarterly housing reports
- Creative brochures and newspaper ads to showcase your home
- Ongoing negotiation, marketing and technical training

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