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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 is all about change. We're going to take a look at the Canadian housing market, and some of the changes you might see with respect to mortgage qualification. We will also have a look at some of the changes you can make towards living a life that is "off the grid", even if you live in an urban setting.

Thanks again for your continued support and referrals!

## In This Issue

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### DID YOU KNOW...

On July 13th, The Bank of Canada today announced that it maintained its target for the overnight rate at 1/2 per cent. And stated: "Inflation in Canada is on track to return to 2 per cent in 2017 as the complex adjustment underway in Canada's economy proceeds. The fundamentals remain in place for a pickup in growth over the projection horizon, albeit in a climate of heightened uncertainty." You can [read more about that here](#).



More Changes to Mortgage Qualification on the Horizon?

**G**iven the current economic environment in Canada, with record levels of household indebtedness and growing risks and vulnerabilities in some housing markets, OSFI's supervisory scrutiny in the area of mortgage underwriting will continue." This was included in [Reinforcing Prudent Residential Mortgage Risk Management](#) published early July by the Office of the Superintendent of Financial Institutions (OSFI).

The purpose of this nice and tidy piece of government correspondence is to inform the public that OSFI will be upping their game, paying closer attention to mortgage underwriting policies. And although no hard and fast rule changes were announced, an announcement of "hey, we are paying really close attention here" is typically not made unless there has been at least some thought about what the next steps might be (if required).

So let's take a look at some of the potential changes the government could make to mortgage qualification.

### **Qualifying All Terms at the Benchmark Rate**

As it stands right now, variable rate mortgages and fixed rate mortgages with terms of less than five years are qualified using the benchmark rate. The benchmark rate is set higher than the actual contract rate and is used to "stress test" mortgage applications.

In our current low interest rate environment, many Canadians see the five year fixed mortgage as a good choice simply because it qualifies using the contract rate instead of the benchmark rate. This means using the five year rate, borrowers can qualify for a lot more house compared to a shorter fixed term or variable rate mortgage.

Forcing all mortgages to be qualified at the benchmark rate could be on the horizon and would most likely lessen the appeal of the five year fixed rate.

### **Increasing the Benchmark Rate**

If the goal is to tighten mortgage qualification, a simple way to do that would be to increase the benchmark slowly but surely. The higher the qualifying rate, the less you qualify for. Plain and simple. However as this might have other economic ramifications, we'll just have to wait and see if this is in the government playbook.

### **Lower Debt Service Ratios**

In order to qualify for a mortgage, you take your principal, interest, taxes, and heat and divide by your annual income, this is called your gross debt service ratio or GDS. When you add your other debt obligations to this calculation, it becomes your total debt service ratio or TDS.

Currently, for insured mortgages in Canada, your maximum GDS is limited to 39% while your TDS is capped at 42%.

A simple tweak to these numbers would have a pretty significant impact.

### **A Flat 10% Down Payment**

If you remember, back in February of 2016, the government increased the minimum down payment amount. When purchasing a property, the first \$500,000 requires a minimum of 5% down, whereas the portion of the purchase price above \$500,000 now requires a 10% down payment.

Seeing as though the government just made these changes, it doesn't seem likely that they would scrap them and simply introduce a flat 10% downpayment across the board, but you never know!

Regardless of what future changes are made to mortgage qualifications (if any) to address "our current economic environment", you can count on us to make sure you are kept in the know.

If you need anything, please let us know, we'd love to hear from you!

# Living Urban but “Off the Grid” - The Changes You Can Make



**F**or those of us who live in the

suburbs or within the city, the idea of going off the grid, while a nice concept, feels completely unattainable. This is for a variety of reasons including: space limitations, cost, municipal bylaws, and time restrictions. “We certainly can’t commit to going completely off grid”, we say; and then we give up and move on.

Maybe this is the boat you find yourself in. Maybe you’ve spent time reading articles about being off grid living, it seems kinda romantic, but you just can’t see yourself making the jump to a composting toilet. That’s okay, living off-grid is more of a journey than a destination (although it is almost certainly a destination as well), especially when you live in the city. It doesn’t have to be an all or nothing proposition, it’s about progress, not perfection.

Here are some changes you can make today that will affect big change, both in your life and in the life of our planet.

## **Cut Down**

Ask yourself the question, “do I need this?”. If the answer is, “no, but I want it” then perhaps it’s something that you can give up. Many of us run our appliances and other household products constantly; we keep our lights on; we keep our televisions on, we keep our air conditioning units on; we run power night and day. This generally tends to happen for three reasons: ignorance, laziness, or apathy, none of which are responsible.

Learn to cut down on your power intake. Make due with less. If you’re reading

- Plant a small garden on your balcony or in your kitchen.
- Buy 1 or 2 backyard chickens.
- Install a few solar panels.
- Collect rainwater.
- Go power-free for a few hours a day.
- Choose one day a week where you disconnect from your technology in order to focus on the people you love.

It sounds so incredibly cliché, but you have to learn to walk before you can run. Start small.

## **Don’t Give Up**

As I (not so subtly) alluded to at the beginning of this piece, many dreams of cutting down go unfulfilled because people simply give up. Let me encourage you; keep going! Some of the preparation and implementation will be frustrating in the beginning, but the more steps you can take in the right direction, the better.

But admittedly it’s hard, when you plant a garden and it doesn’t grow, you buy solar panels and it’s cloudy for the next 3 months, or you set up your rain barrels just to prepare for a drought.

Whatever you do, just keep going!

## **Understand the Big Picture**

If being a more eco-responsible person is your goal, these small steps will do wonders for your life. They’ll open your eyes to the things that you’ve been taking for granted, and help ground you in an understanding of consumption. Your footprint will decrease, your happiness will increase, and you’ll be able to declare that, “I’m doing my small bit to help the planet, my family, and myself!”

this, and you see a light on down the hall, get up now and turn it off. This is a small beginning, but it's a beginning!

What could be better?

### **Start Small**

Don't try to do everything at once. Here are some simple things to get you going in the right direction:

# 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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