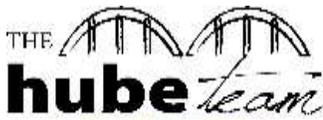


# Real Estate Journal

Your Monthly Home & Financing News

August 2017



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#### DID YOU KNOW...

The majority of wealthier Canadians mortgage their homes by choice. 67% of high net worth Canadians (those with \$500,000 or more in investable assets) with a mortgage have the cash to pay off their home – in full – but don't, according to a survey for Investors Group. Their reasons for holding on to their mortgage vary, including tax planning and income-generating rental properties. In Canada, mortgage interest on rental properties is tax deductible.

#### HOMEOWNER TIPS

##### Paint Brush Tips:

When it comes to painting, many people will buy the big

Welcome to the August issue of my monthly newsletter which is designed to help keep you in the know regarding Real Estate and Mortgage related matters!

This month's edition offers ten things to know about the Prime lending rate and your mortgage, as well providing insight on exactly how to determine if your mortgage is truly portable. Please let me know if you have any questions or feedback regarding anything outlined below.

Thanks again for your continued support and referrals!

## In This Issue

Ten Things  
to Know  
About Prime &  
Your Mortgage

Is My Mortgage  
Portable?

About  
Royal LePage



## Ten Things to Know About Prime & Your Mortgage

1. Fixed-rate mortgage holders are not affected by Bank of Canada rate changes during their current term. Only those in either adjustable-rate or variable-rate mortgages need read on.
7. There is no penalty or fee to convert to a fixed rate. Whether in an adjustable-rate mortgage or a variable-rate mortgage, you have the option of locking into a fixed-rate at any time without cost. The length of the term offered varies

package of brushes for \$7. But the bristles on these brushes may be coarse or could fall out. In addition, they can end up looking ratty after a while and the paint won't spread evenly. The key is to buy a good quality brush and clean it properly as specified on the label. And if you have a big job and find yourself having to paint in intervals, you can wrap your wet brushes in kitchen wrap. Place the oil-based brushes in the freezer and the latex-based in the fridge. When the job has been completed, you can then clean them and put them away. In many cases a good brush will last for dozens of paint jobs.

2. On July 12 lenders increased variable-rate borrowing costs by 0.25% to match the Bank of Canada increase of the same amount on the same day.
3. There are three more scheduled Bank of Canada meetings this year, and there remains doubt about any further increases this year. Few expect anything more than a 0.25% further increase.
4. This was the first increase to Prime in nearly seven years, and it follows two 0.25% reductions in 2015.
5. A 0.25% rate increase equals a payment increase of \$13 per month per \$100,000 of outstanding mortgage balance for those in an adjustable-rate mortgage. That means a \$300,000 mortgage balance will see payments rise by \$39 per month.
6. Not all payments increase. Several lenders differentiate from an adjustable-rate product by offering what is called a 'variable-rate' mortgage and their clients will not have any payment change at all. Instead, the life of the mortgage is extended slightly. A letter in the mail from your lender should be arriving to confirm which camp you are in.

7. according to policy and remaining time to maturity, with some lenders allowing conversion to a three-year fixed from day one, but most ensuring they have you under contract for the full original term.
8. Locking in can be very costly. The prepayment penalties differ significantly between variable- and fixed-rate products. Be careful about locking in. Aside from immediately increasing your payment even further, you stand to increase your potential prepayment penalty by up to 900%. Few think they will trigger a penalty, yet more than half of borrowers actually do.
9. No surprises. Mortgage lenders failed to give us the full 0.25% decreases in 2015, instead only reducing rates by 0.15% both times. Counting on our short memories and lack of uproar, lenders chose to increase by the full 0.25% on July 12, rather than doing what would have been fair and only increasing 0.15%.
10. Future increases will depend largely on consistent economic good news. This is what drives interest-rate increases.

Stay tuned for next month's newsletter as we weigh the likelihood of another 0.25% increase at the September Bank of Canada meeting.

## Is My Mortgage Portable?



**T**he question: 'Is my mortgage portable?'

The answer most often given: 'Yes.'

created a dynamic in which there are two different qualifying rates

The lifestyle issues, Cooper says, are best solved by family discussion. First, sit down and talk. Then, talk to a mortgage broker, a real estate agent and possibly an accountant.

This answer is increasingly wrong.

In reality, you may qualify to move 80% or less of the current balance.

The proper question: 'Do I need to re-qualify for my current mortgage to move to a new home?'

The proper answer: 'Yes, your mortgage is portable, but only if you re-qualify under today's new and more stringent guidelines.'

Who is the very best person to answer the portability question? Your mortgage broker.

They will answer this question accurately. And it can only be answered accurately with a complete and updated application, along with all supporting documents to confirm the maximum mortgage amount under current guidelines.

Calling the 1-800 number on your mortgage statement, or asking the teller while depositing cheques is far less likely to get you an accurate answer. Instead that tends to be the origin of the one word answer.

Call your mortgage broker as soon as you start thinking about moving.

Too many clients learn this lesson the hard way. They sell their existing property before speaking with their Mortgage Broker, and in some cases they also enter binding purchase agreements under the mistaken assumption they can just 'port their mortgage.'

What is the problem?

Key Point – The Federal Government has

"For a first-time home-buyer in particular, you really do need to know how much you can afford. It may be less than what you can borrow. You don't want to go right to the edge because there's just too much risk," she says. "You want to have enough of a cushion that you could take care of an emergency, or in the event of one of you losing a job. You have to have some precautionary savings."

For all demographic groups Cooper advises locking into a fixed-rate mortgage. "I would go for a five-year fixed if I were buying right now. Because rates are low and the chances are that in the future, they will be higher."

Mortgages are complex, and she cautions against simply taking the best deal a bank has to offer. For example, the first-time buyer may want the option of paying down the principal more quickly.

"That's the whole story of why mortgage brokers make so much sense, because they can shop the loan for you and can find something that is much more customized to what your personal needs are."

For first-time buyers and boomers, renting is also an option that shouldn't be ignored, she says. Boomers can then get the full amount of equity from their home while first-time buyers can continue to save for their down payment. Similarly, those in the move-up market may want to consider using the equity in their home to finance a home renovation rather than buying a new residence.

# About

The logo for Royal LePage, featuring the company name in a bold, black, sans-serif font. The text is flanked by two horizontal red bars, one above and one below. To the right of the text are two vertical bars, each composed of a series of thin, parallel vertical lines, resembling a barcode or a stylized architectural element.

**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

This communication is not intended to cause or induce breach of an existing agency agreement.

\*\*Not intended to solicit Buyers/Sellers currently under contract.