



Your Monthly Home
& Mortgage News



Dara Fahy Mortgage Broker
Dominion Lending Centres City Wide Mortgage Services

Phone: 604-537-6155
Fax: 1-888-562-3518

[WEBSITE](#)[EMAIL ME](#)

IN THIS ISSUE

> Will Interest Rates Rise, or Will They Fall?

> Creating Sustainable Neighbourhoods

> About Dominion Lending Centres & DLC Leasing

> Did You Know...

Hi Christina

Welcome to the December issue of my monthly newsletter!

This month's edition looks at where interest rates may be heading (two different directions?!?) along with the value of creating sustainable neighbourhoods. 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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Will Interest Rates Rise, or Will They Fall?

Over the past few weeks interest rates, specifically longer term (5 year term) fixed rates, have risen on average 0.25%. Not a massive leap, and not the beginning of the end of low rates by any stretch.

Understanding the Basics

Fixed interest rates are predicated on the bond market. Where the bond market goes is where longer term (4yr – 10yr term) fixed rates follow.

Over the past few weeks the bond market has seen new life, and thus rates have risen slightly. This is partly due to speculation around the new federal government's expensive

Consider that the idea of the Liberals' commitment to infrastructure spending is an attempt to step on the gas pedal and power up the economy. Then, equally, consider that a Bank of Canada increase to Prime would be akin to stepping on the brake pedal of the economy. It seems reasonable to expect some degree of volatility in the bond market and thus longer-term fixed rates — and equally reasonable to expect stability when it comes to Prime — and thus stability for variable-rate mortgages and shorter-term fixed-rate offerings.

Low rates are here for some time to come, albeit in a different form than we have grown accustomed to.

commitments to inject many billions of dollars into the economy. These will be good for business, and in turn should further fuel a recovery in the bond market, making investors happier.

For those seeking longer-term fixed-rate mortgages there will be less happiness, although to be fair, for some time yet interest rates are likely to remain quite close to the record lows we have enjoyed. An increase from 2.59% to 2.79% is hardly cause for alarm.

Variable-rate mortgages, and to some extent 1, 2 and 3yr fixed-rate mortgages, are predicated on the Bank of Canada's Prime rate, which saw two 0.25% cuts earlier this year. It's currently at 2.70% with lenders, who passed only a 0.15% reduction on to the mortgage market.

(Side Note: When the Bank of Canada increases rates by 0.25% again, will lenders increase their Prime by only the 0.15% they cut, or will we get two partial cuts, but the full lump on an increase? Time will tell.)

The Bank of Canada has repeatedly said that what happens in the real estate market is not a significant part of their decision-making process; instead movement in the Prime lending rate is more of a large lever designed to guide the nation's economy as a whole. The manic goings-on in two cities' housing markets (Vancouver and Toronto) do not play a material role and are instead, to some extent, a by-product, not a basis for decisions.

Most notable were recent comments by our new Minister of Finance, Mr. Bill Morneau, in his Fall Fiscal Update which referenced a 'stalling economy' and a reduction in expected economic growth from 2% to perhaps 1.2%. These are clear indications that the Bank of Canada is unlikely to increase Prime any time soon.

Paying your mortgage down faster

The best way to prepare for potentially higher rates is to have a lower mortgage balance come renewal time. If you truly want to take advantage of today's low rates, there are many ways to pay down your mortgage sooner to save you thousands of dollars in interest payments.

Most mortgage products, for instance, include **prepayment privileges** that enable you to pay up to 15% or 20% of the principal (the true value of your mortgage minus the interest payments) per calendar year. This will also help reduce your amortization period (the length of your mortgage), which, in turn, saves you money. Few of us have such lump sums, mind you.

A more reasonable and highly effective approach is to increase the frequency of your mortgage payments by opting for accelerated bi-weekly payments. Not to be confused with semi-monthly mortgage payments (24 payments per year), **accelerated bi-weekly mortgage payments** (26 payments per year) will not only pay your mortgage off quicker, but are guaranteed to save you a significant amount of money over the term of your mortgage.

Even just adding extra, e.g. \$25.00, \$50.00 or if you can \$100.00, to your mortgage payment each passing year will have a powerful cumulative effect over the term of your mortgage. As always, if you have any questions about refinancing, reducing debt or paying down your mortgage quicker, I'm here to help!

Creating Sustainable



About Dominion Lending Centres & DLC Leasing

- **We are Canada's largest and fastest-growing mortgage brokerage!**
- **We have more than 2,400 Mortgage Professionals from more than 350 locations across the country!**
- **Our Mortgage Professionals are Experts in their field and many are ranked among the best nationally.**
- **We work for you, not the lenders, so your best interests will always be our number one priority**
- **We have more than 100 mortgage programs, making it easy to choose the best fit for your unique situation.**
- **We close loans in all 10 provinces and 3 territories.**
- **We can process your mortgage in as few as 7 days.**
- **We are the preferred mortgage lender for several of Canada's top companies.**
- **Dominion Lending Centres' Mortgage Professionals are available anytime, anywhere, evenings and weekends - and we'll even come to you!**

Lenders make a lot more money when they renew your mortgage than on your initial term. That's partly because they don't have to compensate anyone for referring your business (or compensate them as much). But it's also

DID YOU KNOW...

because many renewers don't comparison-shop as much or negotiate as hard. According to a recent Maritz/CAAMP survey, clients who engaged the services of a Mortgage Broker benefitted with an interest rate .045% lower than those that dealt directly with their lenders themselves. Four out of ten homeowners took the first rate their bank offered. That's a scary statistic considering banks rarely, if ever, offer their lowest rate up front regardless of how long you've been a customer! That's why it's so important to rely on your Mortgage Broker at renewal as well.



Homeowner Tips

Reduce Heating Costs:

Your furnace or boiler is the largest energy user in most homes. If health permits, keep thermostat at 20°C or below. Lower the thermostat at night and when no one's home. Check the furnace filter once a month during the heating season. Change or clean when dirty. Have a professional tune-up of your heating system every other year. Replace your older, 60% efficient furnace with one of at least 90% efficiency.

May the **magic**
and **wonder** of the
holiday season stay
with you throughout
the coming year.
Best wishes for a
new year filled with
health, happiness
and **spectacular**
success!

