Considering locking into a fixed rate mortgage?

Get informed. …learn the benefits of fixed and variable mortgage products before making a change so you can choose the best option for your current situation.

Here are the Facts: how mortgage rates are set…

1. The chartered banks set the prime-lending rate (the rate they offer their best customers). They base their decisions on the Bank of Canada's overnight rate because that's the rate that influences their own borrowing.
2. Approximately eight times a year, the Bank of Canada makes rate announcements. Variable mortgage rates and lines of credit move in conjunction with the prime-lending rate.
3. Banks use Government of Canada bonds to raise money for fixed-rate mortgages. In the bond market, interest rates can fluctuate more often, since they're subject to the changing moods of traders and bond investors, who try to figure out how fast the economy will grow and where inflation is headed. As a result, watch the bond market for clues on where fixed mortgage rates will go next.

Year	Fixed %	Variable %
1998	7.39	6.44
1999	8.20	7.27
2001	7.18	5.81
2002	6.70	4.21
2003	6.04	4.69
2004	5.80	4.00
2005	5.48	4.42
2006	5.98	5.81
2007	6.36	6.13
2008	6.41	4.73
2009	5.05	2.40
2010	4.82	2.60
2011	3.72	3.00

Here's a glance at Canada's historical mortgage rates …

Fixed vs Variable rate mortgages: Which one is right for you?

Fixed Rate Mortgages

- A fixed rate mortgage gives you 100% confidence that your payments will not change for the entire length of your mortgage term
- Your mortgage payments are an equal amount every month
- Fluctuations in prime will not affect you. You do not have to worry about increasing mortgage payments to account for how the changing rates affect your payment to interest and principal. However, if interests rates drop, you will be paying more interest than those on a variable rate.
- Fixed rates offer you stability and consistency in payment amount

Variable Rate Mortgages

- A variable mortgage typically has a lower interest rate than a fixed rate mortgage.
- When the prime rate goes down, more of your mortgage payment will go to pay down principal. Conversely, when the prime rate goes up, more of your mortgage payment will go to pay down interest
- If variable interest rates rise higher than what your mortgage payment will cover in interest alone only payments, your bank may increase your mortgage payment or you could extend your amortization
- Historically, variable rates are less expensive

Call me today to discuss your mortgage!

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