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Bank of Canada Holds Benchmark Rate

The Bank of Canada announced today that it is holding the key rate steady. The Bank cut its 2016 GDF forecast, but noted that fundamentals are in place for a pickup in growth, although in a climate of heightened uncertainty. Canada had a weaker second quarter "pulled down by volatile trade flows, uneven consumer spending, and the Alberta wildfires." A pick up is expected in the third quarter as oil production resumes, Fort McMurry rebuilds, and as consumer spending gets a boost from the Canada Child Benefit. Inflation remains in the Bank's inflation-control range, although "the implications of the Brexit vote are highly uncertain and difficult to forecast," and "financial vulnerabilities" are emerging in Vancouver and Toronto. The Bank judges that "the current stance of monetary policy is appropriate."

Post Brexit Economy

The uncertainty created with Brexit, in which Britons voted to leave the European Union on June 23rd, will keep interest rates low in the U.S. and Canada well into 2019 according to most Canadian economists. The long term impact of the Brexit decision on Canada for both its real estate markets and interest rates looks bright. Foreign money in search of stable, safe havens for housing assets will naturally gravitate to Vancouver GVA and Toronto GTA red hot markets now that Britain looks riskier. A continued low interest rate environment for many years will allow new buyers outside of those areas to purchase with confidence, knowing that rates will remain low and affordable for some time. In June, Bank of Canada Governor Stephen Poloz optimistically commented that "Canadian households are remaining resilient, particularly outside resource-producing areas. Low interest rates and a solid job market (93% overall employment in Canada) have helped sustain consumer spending. Data from the first quarter show that consumption, including big-ticket items such as motor vehicle sales and housing, has remained strong."

OSFI Tightening of Lending Guidelines

The Office of the Superintendent of Financial Institutions of Canada (OSFI) on July 7th released a letter to all federally regulated financial institutions (FRFIs) to engage in "prudent underwriting of residential mortgage loans." In practical terms, they want the FRFIs to place increased focus on verifying borrowers income levels (particularly for sources outside of Canada), have greater scrutiny of loans to borrowers with high debt levels or low credit scores, and ensure borrowers can make mortgage payments if interest rates rise. OSFI also wants FRFIs to challenge appraised values of homes when approving loans.

While the Bank of Canada is holding the benchmark rate, OSFI would clearly like to see rates rise to cool off rising household debt levels and housing price spirals in Vancouver GVA and Toronto GTA, and thus has issued the letter in an attempt to slow the housing market. The Brexit fallout and global uncertainty will not help cool the housing demand as foreign buyers view Canada as stable economically and politically, and a relatively cheap (given where our Canadian dollar is relative to the United States) and safe haven in which to purchase real estate.

What does it all mean to homeowners and buyers?

With rates expected to remain low, OSFI is clearly concerned these low rates will continue to fuel the housing market. With their notice to all FRFIs, mortgage applications will become subject to more scrutiny and requests for increased documentation. As a result, it has never been more important to deal with an experienced mortgage professional who understands these changes, the market environment, lender guidelines, mortgage features and privileges, fixed vs variable and, most importantly, will work with you to ensure your situation is clearly represented with your lender. All Canadian homeowners and buyers need expert and timely advice on their mortgage, and access to as many options as possible, including lenders that are not subject to federal regulations. If you are concerned about how changing rules and a shifting market might impact your situation, this is the time to talk.

We regularly receive short-term rate promotions that are not posted online, which means our rates change frequently. Please contact us for these unpublished rate specials.

Terms	Posted Rates	Our Rates
6 MONTHS	3.14%	3.10%
1 YEAR	2.99%	2.29%
2 YEARS	2.84%	2.14%
3 YEARS	3.39%	2.24%
4 YEARS	3.89%	2.39%
5 YEARS	4.64%	2.49%
7 YEARS	5.30%	2.99%
10 YEARS	6.10%	3.59%

Rates are subject to change without notice. OAC E&OE

Prime Rate	2.70%
5 yr variable	2.30%

Crunch the numbers and explore different scenarios with our website calculators.