invis Canada's Mortgage Experts™ APPLY NOW

Hein Moes
Mortgage Consultant
250.480.0646

This is why mortgage rates are suddenly way more complicated.

If you've been shopping for a mortgage lately, you'll have figured out that rates can be all over the map. That's because you're not comparing apples to apples anymore. Thanks to new mortgage rules, the mortgage pricing matrix is much more complicated, and quick online mortgage quotes are less reliable. That's why it's important to have a basic understanding of the mechanics behind mortgage rates. Here's a quick guide:

Variable mortgages and lines of credit hinge on the Bank of Canada's "overnight rate". Eight times a year the Bank of Canada determines if they are changing this rate. While they may hold the rate, they will increase it when the economy strengthens and inflation is a concern, and decrease it if they need to get the economy moving. It's a careful balance. The chartered banks base their prime lending rate on this overnight rate because it influences their own borrowing. So if the central bank changes the overnight rate, it's sending a signal to the banks to change their prime rate, which in most cases they will, passing on some or all of the change to their variable/line of credit clients.

Fixed-rate mortgages are different. Lenders use Government of Canada bonds to establish pricing for fixed-rate mortgages so you need to watch bond yields to determine where fixed mortgage rates are heading.

Whether it's a fixed or variable-rate mortgage, the new mortgage rules mean lenders now have different rules and rates for *insurable* vs. *uninsurable* mortgages. If a mortgage is insurable, it will qualify for the best rates. Most homebuyers know that if they have less than 20% downpayment, they need to pay for mortgage insurance as a way to protect the lender. In order to obtain the lowest cost of funds, some lenders use this insurance to insure mortgages with more than 20% equity.

Mortgages that are “uninsurable” can include rental properties and second homes, switch mortgages that move to another lender, 30-year amortizations, refinance mortgages, mortgages over $1 million, and even some conventional 5-year mortgages. These mortgages are charged a rate premium and some lenders no longer offer them. Additionally, interest rate surcharges are often charged if it’s difficult to prove your income or you have bad credit, the property is in a rural location, you want a long rate hold, you want the best pre-payment privileges and porting flexibility, and you don’t want refinance restrictions. As a result, be wary of rates you see online, because you might not qualify for them.

Without a doubt, insurable vs. uninsurable has made the mortgage landscape significantly more confusing. Getting good solid advice is critical, and Mortgage Brokers have never been more important in the home financing process. I have access to all the lenders I need, and the experience and knowledge to get you the best mortgage for your situation. *I am here to help you!*

CMHC insurance premiums increase on St. Patrick’s Day – March 17.

You may be lucky and get the lower rates, but you need to get in touch today!

invis Canada's Mortgage Experts™

HEIN MOES
Mortgage Consultant
250.480.0646
Visit my website | Email me

Invis Inc. 600 - 5770 Hurontario St., Mississauga, ON L5R 3G5