



# Kam's Mortgage Monthly

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## Let's talk of oil spills and other things

With the oil spill in the Gulf increasingly becoming one of the most disastrous environmental catastrophes, it seems appropriate to reflect on the environment and what we can do (as homeowners and possible homebuyers) to shrink our own environment footprints.

A refresher on the events of April: British Petroleum Company PLC (BP) was leasing the Deepwater Horizon rig when it exploded on April 20, killing 11 workers and triggering the massive spill in the Gulf of Mexico. A month later, the spill reached Louisiana's wetlands, home to a rich variety of marine life. By the beginning of June, at least 6 million gallons of oil had gushed into the Gulf. Put another way, at the beginning of this month, the oil in the Gulf could have filled 102 school gymnasiums to the ceiling with oil.

The cause for the explosion has not yet been determined. No matter what the cause, we need to find ways to limit our dependency on oil, and take it a bit easier on Mother Nature.

According to a poll conducted by TD Canada Trust, 77% of Canadians are willing to pay more for environmentally friendly homes, with energy cost savings being their main motivation. The poll also revealed that 66% of Canadians would be more likely to make energy efficient upgrades if there were tax credits available to do so.

Want to environmentally upgrade your new or existing home? Canada Mortgage and Housing Corp. and Genworth Financial offer a 10% refund on their mortgage insurance for purchase or construction of an energy-efficient home or energy-saving renovations.

TD Canada Trust even has a 'green mortgage'- with rebates of up to 1.5% (until June 30, 2010) of the amount of the mortgage (or the fixed rate portion of a home equity line of credit) when borrowers purchase qualified Energy Star appliances or CSA approved solar panels. On a \$200,000 mortgage, that means the rebate could be as high as \$3,000. As part of the 'green mortgage' offer, TD makes a \$100 donation to the *TD Friends of the Environment Foundation*- a national organization that funds local groups dedicated to preserving the environment through cleanups, conservation and recycling efforts.

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### Newsletter Highlights

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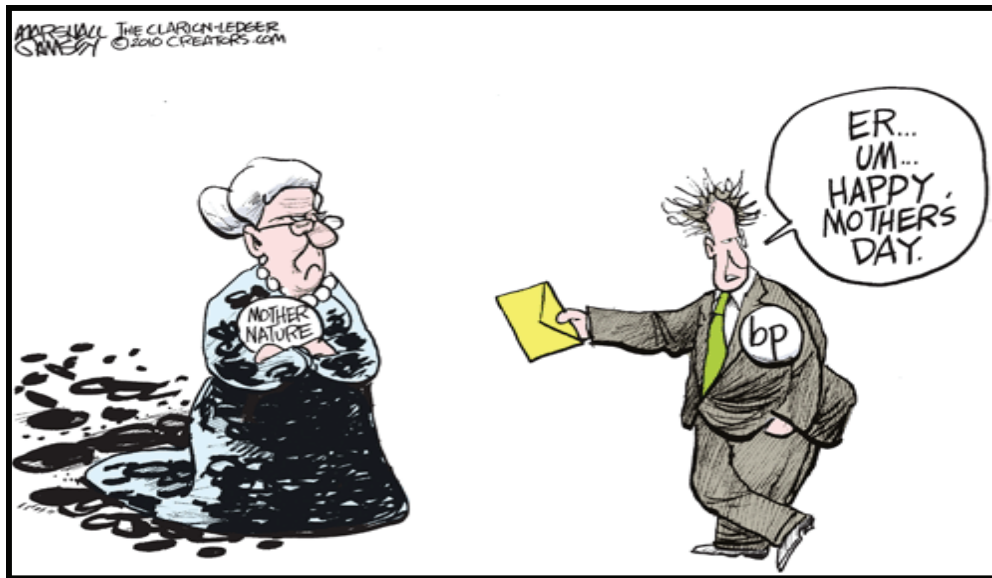
### Something to Ponder

*There is nothing more revealing than failure.*

*Kam Brar*

### Oil spills and other things, cont'd...

While the federal government has stopped covering costs of residential efficiency assessments (necessary to qualify for government rebates), provincial and municipal offer programs that homeowners can take advantage of: BC homeowners are covered by *LiveSmart BC: Efficiency Incentive Programs* which offers grants; and BC Hydro's *Power Smart New Home Program* which among certifying your home as Power Smart, has financial incentives to reduce upgrade costs.



### Bank of Canada Raises Interest Rates

On June 1st, the Bank of Canada became the first G7 central bank to raise interest rates since July 2008. Lending rates rose one-quarter of a percentage point to 0.5 per cent in a move that was aimed at keeping Canada's recovering economy from overheating. The decision came the day after Statistics Canada reported the domestic economy had its strongest quarterly performance in over a decade.

Homebuyers in the market for a mortgage face a unique situation with first-time buyers getting a second opportunity to take advantage of relatively low fixed-term interest rates on longer term loans. Those who already have variable mortgages, which are tied to the bank's prime borrowing rate and influenced by the Bank of Canada's key rate, can expect higher loan payments. Ultimately, variable rate increases will not be significant.

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### [BOC Raises Interest Rates, cont'd...](#)

With variable mortgage rates one-quarter to half a percentage point below the major banks' prime rate of 2.25 per cent, Tuesday's rate change won't add a lot to most monthly mortgage payments. For example, on a \$250,000 mortgage amortized over 25 years, the bump would increase a borrower's mortgage payment by almost \$30 to \$1,058.

The Canadian Association of Mortgage Professionals estimates three out of every 10 Canadian mortgage holders have opted for variable-rate loans.

### [New Mortgage Rules- Putting homeowners in a headlock](#)

Last newsletter covered the new mortgage rules that came into effect on April 19. The main focus on who would be impacted by the rule changes involved first time and self-employed perspective home buyers.

Because of the new mortgage rules, there is a new hurdle: Any one shopping around for a better rate has to requalify based on his/her current credit situation. Stay with the same bank and there is no check. The new rules have in fact, tied a significant number of homeowners to their banks.

The Canadian Association of Accredited Mortgage Professionals found that only 22% of Canadians switch banks when their renewal notice arrives in their mailbox. A significant portion of the remaining 78% just sign on the dotted line. And that was before the mortgage rules changed.

Those looking for choice may find what was good enough to get into the market a month ago may not meet the test today.

Three years ago, consumers were able to buy a house with no money down and a 40- year amortization schedule. If that consumer was making regular monthly payments, they would have paid down only 4.7% of their principal after five years. Today, that consumer would still be high ratio and subject to requalifying if he/she switched banks.

A majority of first-time buyers with just 5% down or less won't be able to qualify if they go to another bank. Many of those buyers were qualifying based on the three-year rate—about 200 basis points lower than the current qualification rate.

If house prices go down, as many in the real estate community are predicting, it would mean that an even larger percentage of homeowners would still be considered high ratio upon renewal because they wouldn't meet the test of having 20% equity in their home.

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### New Mortgage Rules cont'd...

Now I'm not telling you all of this to depress or scare you, what I want to get across to every one is how important paying down your mortgage is and ensuring that you have monthly payments that are manageable when interest rates rise further. The faster you can pay it down the sooner you will realize financial freedom and security. Also keep in mind that a mortgage is just one part of your overall financial scenario, and it is important that you also tend to debts, savings, insurance and retirement planning just to name a few.

### Facebook & Twitter



Since joining the social networking this past fall, we now have over 1500 Twitter followers! The best way to stay up to date on changing times in our mortgage industry is to receive our Tweets, updated throughout the day.

### Referrals

Your referrals are always welcome, so if you can think of someone who may benefit from my services, please send me an e-mail to [kam.brar@vericoselect.com](mailto:kam.brar@vericoselect.com) or call me at **250-686-4246**. Never dealt with me, not sure what kind of service you're going to get? [click here](#) to see what some of my clients have to say!

### "Thought of the Day"

Do you have a "Thought of the Day" you would like to share in next month's Mortgage Monthly? Email it! [kam.brar@vericoselect.com](mailto:kam.brar@vericoselect.com)

If you have any questions or comments please contact Kam at [kam.brar@vericoselect.com](mailto:kam.brar@vericoselect.com) or visit [www.kamthemortgageman.com](http://www.kamthemortgageman.com)