EXPLORING YOUR MORTGAGE RENEWAL OPTIONS

SUSAN LEE, B.A.

Mortgage Advisor
Origin - DLC
C: 604-725-7725
F: 604-638-7043
susan@asksusanlee.com

550- 2608 Granville Street,
Vancouver, BC, V6H 3V3

www.asksusanlee.com

Please do not automatically sign your bank's renewal form. First find out if your mortgage is Insurable; it could save you thousands of dollars!

Currently there are great opportunities to revisit your options at very competitive rates and terms. Bank of Canada analysts forecast that 47% of Canadian mortgage holders will need to renew their mortgages in 2018. In the next 2 years, they expect another 31% of mortgages to renew. The other 22% will renew in over 3 years. As a consequence, more than half of residential mortgage holders are expected to have their mortgage “rate reset” within a year.

CMHC Statistics states that over 80% of Canadians renew with their current lender. However, assuming the borrowers’ eligibility, there are opportunities to save thousands of dollars on their current mortgages by taking advantage of the best “insurable” interest rates currently being offered. This is due to the fact that most mortgages funded prior to October 2016, are grandfathered in under old rules and qualify for insurable rates and programs.

Here is how: lenders can back-end insure mortgages, which makes these low risk mortgage investments more attractive to investors and provide lower rates to borrowers as a consequence.

An insurable mortgage is one where the clients put 20% down (or more), and their mortgage is approved as though a client is paying for insurance, but the actual insurance is paid for by the lender (hence the term back-end insured).

An insured mortgage is where a borrower pays the mortgage default insurance because they have less than 20% down payment.

Rates for insurable mortgages are generally very similar to insured mortgages. An “uninsurable” mortgage is one where mortgage insurance is not available, hence borrowing cost is higher. The graph below outlines what type of mortgages are insured, insurable or uninsurable.

	Insured Mortgages	Insurable Mortgages	Uninsurable Mortgages
Who Pays Insurance	Client Pays on Purchase	Lender Pays	Insurance Not Available
Transaction Type	Purchase or Mortgage Transfer	Purchase or mortgage Transfer	All Transactions (Refinance Allowed)
Occupancy	Owner Occupied or Second Home	Owner Occupied of Second Home	Rental Properties Allowed
Value of Properties	Properties under $1M	Properties can be over $1M is purchased before October 2016	Properties can be over $1M
Amortization	25 Years Maximum	25 Years Maximum (can be higher in a few cases)	30+ Years Amortization

So what does this all mean for you, the borrower?

If your mortgage is insurable, you may be able to get the best rates. Important to note that, if you have a mortgage that was previously uninsured, your current lender cannot insure your mortgage, but your mortgage may be insurable if you transfer to a new lender – this is where there is an opportunity for significant savings.

Some key points to note:

- Mortgages funded prior to October 2016 are grandfathered under old rules for purchases & refinances
- Qualification based on 5 year fixed contract rate instead of today's stress test rate
- Keep remaining amortization on transfers even if over 25 years
- Original purchase price / today's value can exceed $1M
- On transfers you may add up to $3,000 for penalties & fees
- Refinances committed on prior to Oct 17, 2016 and funded by Nov 30, 2016 are insurable

Most Lenders will cover legal fees and Title Insurance. Clients responsible for legal fees for collateral transfers (Heloc products).

If you have a mortgage renewal coming up, we would be happy to explore your best options with you. Please do not hesitate to call if you have any questions.

Looking forward to being of service.

Susan Lee
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