



Mortgage Newsletter

TUESDAY, MARCH 22, 2011



Global Mortgage
Approval is easier than you think.™



Steps to financial fitness

In the 2009 Federal Budget the government assigned a Task Force on Financial Literacy to come up with an action plan to increase financial literacy levels in Canada. Last week, the much-awaited report was released. You can read it here <http://tinyurl.com/y6qnfdr>.

If you're looking to improve your own personal financial literacy level, below are a few tips to get you started:

Establish your goals.

When it comes to financial literacy, where do you want to improve? Do you want to start investing? Saving? Learning more about certain financial topics that currently intimidate you?

Immerse yourself in the online community.

There are a plethora of blogs and Twitter accounts out there designed to offer tips and tricks for individuals who are looking to improve their financial literacy. Canadian Capitalist, Million Dollar Journey and Thicken My Wallet are three good places to start.

Start reading the business section.

And more specifically stories that relate to personal finance. Many newspaper articles and columns will address complicated financial topics in a simplified manner. They'll also talk about new government programs and rebates as they arise.

Talk to people.

If you have a friend who is an investing wiz, talk to him or her! They'll probably be able to point you in the direction of interesting books, trusted professionals or other resources that can help you along your journey.

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Steps to financial fitness

Is your mortgage moveable?

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Fixed or variable?
That is the question...

Current Rates:

Term	The Bank	Our Rates
1 Year	3.50%	2.64%
2 Years	3.75%	3.18%
3 Years	4.35%	3.35%
4 Years	5.14%	3.00%
5 Years	5.44%	3.79%
7 Years	6.60%	4.79%
10 Years	6.75%	4.99%
VIRM	3.00%	2.20%

The prime rate is 3.00%

Is your mortgage moveable?

Amidst the excitement of buying your first home, you may not realize the repercussions the mortgage choices you make today will have on your future relocation flexibility. Many banks and lenders charge some hefty fees for mortgage agreements that are broken before the allotted term is up. If you'd like to get into the housing market today, but aren't sure whether you're going to stay in one residence for the next five years, pay close attention to the following mortgage options:

Term

A five-year term isn't the only available option out there. In fact, there are plenty of one, two, three and four-year terms that offer even lower rates. If you know for a fact that you're going to need to move within a specific time frame, it might make sense to take the lower term - and the lower rate.

Open vs. Closed

While closed mortgages often offer better rates, they offer little flexibility. An open mortgage allows you to pay down a mortgage at any time, while a completely closed mortgage does not. In many cases, lenders offer a sort of hybrid of the two - where you can prepay a certain percentage of the loan per year, but if you want to pay off the whole thing, you'll have to pay a fee. In this case, if you choose to move before the mortgage term is up, make sure your mortgage has a good portability option so that you can transfer it from your existing home to your new home. If there's a chance you may sell your home and not purchase a new one,

you should be going for an open mortgage.

Portability

This feature is an absolute must if you might be moving within the term of your mortgage. It allows you to 'port' your mortgage - or move it - to your new home without any fees. If your new home is of a greater value than your previous home, the difference in the cost will be offered at the current rate, and the two rates will be proportionally blended into one rate. This saves the complications of acquiring a second mortgage for the remaining portion.

Many lenders do, however, have certain requirements on how a mortgage can be ported. To avoid any hidden fees, make sure you understand the guidelines before signing on the dotted line.



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If you've ever had an unpaid bill go to a collections agency, you know what a hassle they can be. These companies are paid according to the bills that they collect on - and they'll often go extreme lengths to make that money.

As an example, I heard of one person who received a call from a debt collection agency who had the right name - but the client's wrong address. The client had actually never lived at the address in question, or anything even close to that address. So he told the collection agency that they had the wrong person. The individual on the other end of the phone insisted that he did, but as the disagreement progressed, ended up yelling at the client and eventually hanging up the phone (or getting cut off, or something).

The client suspected it was a fraudulent call of some sort and, since he never heard from the collections agency again, he didn't think anything of it. Until he went to apply for a mortgage - and realized that his credit score was terrible, thanks to an overdue utility bill that he had missed in his move from Vancouver to Toronto four years earlier. That must have been the charge that the debt collector was calling about - but he had never named the charge, the company or any other information aside from the debtor's incorrect address.

The debt collection agency broke a number of rules in the above scenario. While the rules governing debt collection agencies vary from province to province, these are the basics you should be aware of:

1. A debt collections agency can only contact your home between a certain set of hours - usually 7am to 9pm or, in the case of Alberta, 10pm.
2. Debt collections agencies can't make more than three unsolicited phone calls in any period of seven consecutive days.
3. A collector must give you the name of his agency, the name of the creditor who is owed the money, and the balance of the bill. They can't ask for more than what is owed, or request a form of payment that will end up costing you money.
4. In many cases, the collector must first send you a request for the funds in writing before they can initiate a telephone follow-up. If you haven't received the original written request, they must send you another one - and hold off on phone calls for another five days.
5. A debt collector can't threaten or harass you in any way.

For more information on your consumer rights when it comes to debt collecting, visit your province's local Consumer Protection Offices, or the Consumers' Association of Canada <http://www.consumer.ca/1653>

Fixed or variable? That is the question...

This is probably one of the most common questions asked by potential and existing homeowners. With so many factors to consider - from personal finances to the economy - the answer can change from year to year, and mortgage to mortgage.

Right now, if you're looking at a 5-year mortgage, chances are if you go variable, you're likely going to see some rate increases in the coming years. That being said, the global economy can shift at any given second, and something unexpected could occur that would force the government to stand pat when it comes to interest rates. The thing is, you never know!

What you do know is how much your household can safely afford - and how much risk you're likely to tolerate. The new mortgage rules state that, to qualify for a variable rate mortgage, you have to be able to afford the current 5-year fixed rate. So right away that should give you a little bit of breathing room. The lowest 5-year fixed rate available right now is 3.65%. With that rate, the monthly payment on a \$100,000 mortgage would be \$507.22.

With the Bank of Canada's overnight rate sitting at a record-low 1% right now, variable 5-year interest rates are sitting at 2.25%. The monthly interest rate on a \$100,000 mortgage at that rate would be \$435.61. Many economists predict that between now and the end of 2012, variable rates will increase to about 4.75%, which equals a monthly payment of \$567.46.

The thing is, nobody knows for sure if or when a rate hike will happen - so either way, you're taking a gamble. You could be missing out on months of a 2.25% interest rate or, if rates start to hike right away, you could come out ahead with a 3.65% fixed. In the end, you have to make the decision that makes the most sense to you - and that you feel most comfortable with.



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