

MORTGAGES

FOR MORTGAGE DECISIONS, LOOK BEYOND THE INTEREST RATE AND GET EXPERT ADVICE

Are you among the shoppers who carefully read the labels of items you plan to buy? It seems that more and more Canadians are making informed purchasing decisions a priority, and Paul Taylor, president and CEO of Mortgage Professionals Canada, welcomes this attention to detail. He believes the same – if not greater – scrutiny is warranted when people are obtaining or renewing a mortgage.

"People often look for the lowest interest rate, but that doesn't necessarily mean that these products are best suited for their lifestyle," he says. "While the interest rate can make a lot of difference on payments over the long term, there are other things to consider; for example, pre-payment penalties, fixed versus variable rate product, term length, and whether or not the mortgage is portable."

Let's consider young families, for example. "They have a high propensity for income growth, since they

“Products with rock bottom interest rates almost always come with higher penalties in the event of change.”

Paul Taylor
President and CEO of Mortgage Professionals Canada



are at the start of their careers. Very often, they will need to be flexible to maximize career opportunities," explains Mr. Taylor. "Their own family may grow and many have aging parents or grandparents. All this can impact their living situation."

At this dynamic stage in life, people may not fully appreciate the high likelihood of change – but statistics show that more than half of five-year fixed mortgages are broken before the term is up, he says.



Consulting with a mortgage broker to consider all market opportunities and regulations leads to better outcomes. [ISTOCK.COM](https://www.istock.com)

"Products with rock bottom interest rates almost always come with higher penalties in the event of change," says Mr. Taylor. "If there's a chance you have to move for your job or anticipate changes in your family situation, please consider these factors before inking the contract."

There are many terms and technical details that can help to determine what mortgage is suitable for an individual or a family, and this deci-

sion will impact financial plans and quality of life over a long period of time. That's why Mr. Taylor suggests getting expert advice. "People who don't deal with mortgages day in and day out are not likely to be aware of all the technicalities and regulations," he says. "The mortgage market is very dynamic. We had stress testing introduced. We have platforms talking about extended amortization and first-time homebuyers' equity plans."

In the fast-evolving landscape of the mortgage market and regulatory environment, mortgage brokers – who are independent and deal with a wide variety of different lenders – can offer a more comprehensive perspective on mortgage options, he says. "Everyone's circumstances are unique, and that's why people need to seek independent advice that considers their unique situation."

Mortgage brokers can help at every stage, believes Mr. Taylor. "Many also provide debt counselling and assist people in increasing their credit score by providing insights into how to manage payments for credit cards or other outstanding loans, which can boost their eligibility for financing."

Canadians looking to purchase a home or refinance their property should be aware that mortgage brokers can improve outcomes in almost all cases, Mr. Taylor adds.

HELP FOR REACHING THE FIRST RUNG OF THE HOMEOWNERSHIP LADDER

Becoming a homeowner in Canada can be challenging – especially in markets that have seen steep home value appreciations. Higher real estate prices not only raise the bar for entering the market, they also lead to lower rental vacancy rates and increased overall cost of living.

"The average age of first-time homebuyers is increasing because

it takes longer for people to save for the down payment," says Paul Taylor, president and CEO of Mortgage Professionals Canada, a non-profit association representing mortgage brokerages, lenders, insurers and industry service providers.

Across the country, there is political will to provide mechanisms for helping Canadians realize their

dreams of homeownership. Among the proposed platforms are increases to the limits within the First-Time Home Buyers Incentive plan and the reintroduction of a 30-year amortization.

"Both programs are designed to help people get into the market by reducing the down payment and monthly payments," says Mr. Taylor.

Where the first-time homebuyers plan relies on a shared equity model (where the government effectively owns five or 10 per cent of the property), the alternative proposal envisions extending a mortgage term from 25 to 30 years.

"In a practical sense, the results are similar, but the 30-year amortization is a simpler solution," he says.

FOCUS ON WHAT MATTERS.

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