Canada's mortgage market showing signs of recovery

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The saga of America's housing and mortgage woes may be continuing, but in Canada the strong foundations and varied mortgage products of Canadian lenders, low interest rates and real estate bargains are sending encouraging signals.

A significant difference between the two markets, says Genworth Financial Canada president Peter Vukanovich is that the vast majority of loans in Canada are insured by either Genworth or CMHC when the down payment is less than 20 per cent of the market value. "That creates what we call a second set of eyes, which we think is a very valuable tool."

Due to a more stable environment – and perhaps in part because of historically low interest rates – 2009 has been a year of steady growth in Canada's mortgage industry.

"We haven't changed anything in terms of how people can qualify for a mortgage in the Canadian landscape; Canadian lenders have always been prudent lenders," says Joan Dal Bianco, vice president, Real Estate Secured Lending, TD Canada Trust.

"If you have (good) credit and income," says Jim Murphy, president and CEO, Canadian Association of Accredited Mortgage Professionals, "you can get a five-year mortgage in Canada for four per cent or even less. These are numbers we may not achieve again for another generation.

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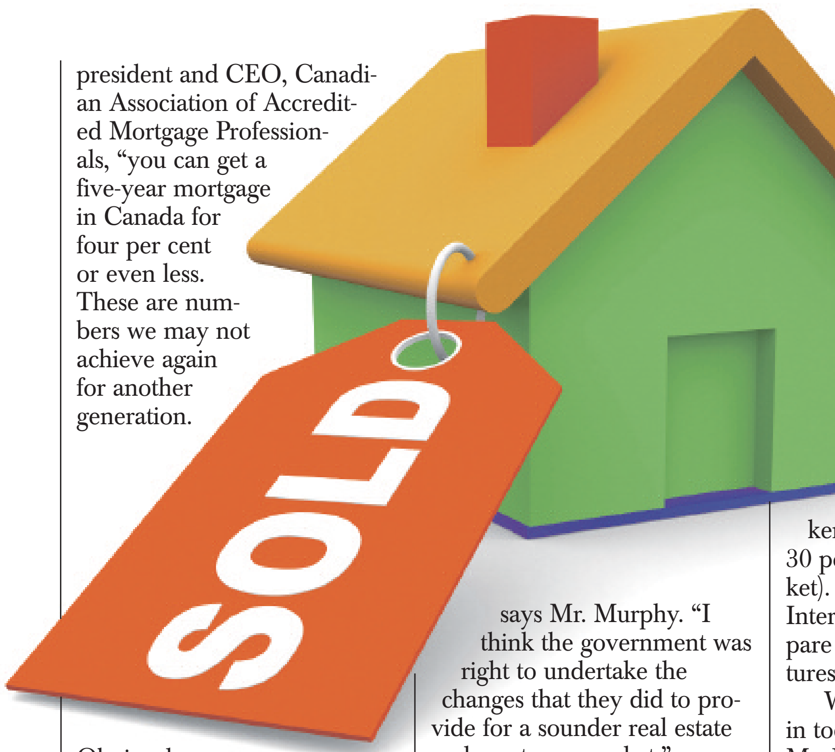

Obviously, these are difficult times; in order to be in the mortgage and real estate market, you've got to have a degree of confidence – if you have that, it's never been a better time to get a mortgage."

Changes by the federal government to lending practices, including the deregulation of 40-year amortization and 100 per cent mortgage lending, have had a marginal effect on the overall market, says Mr. Murphy. "I think the government was right to undertake the changes that they did to provide for a sounder real estate and mortgage market."

As a result of those changes, "People do have to have a five per cent down payment, and the maximum amortization is now 35 years," says Ms. Dal Bianco, "Other than that, the criteria you had to have to get a five-year mortgage five years ago is the same criteria you need to get a five-year mortgage today."

Overall, says Mr. Murphy, changes in the mortgage market over the last decade have been overwhelmingly positive for the consumer. "We have more options: more products and more lenders. Our research indicates that younger buyers are more likely to shop for their mortgages and use the services of a mortgage broker (about 40 per cent versus 30 per cent of the overall market). With the advent of the Internet, consumers can compare various mortgage features."

While there is a lot of fear in today's marketplace, says Ms. Dal Bianco, "We have to continue to remember that the Canadian market is not the same as other parts of the world, particularly the U.S. In terms of affordability, it is not very often that housing prices are coming down and rates are the lowest they've ever been – quite often, those two things move in opposite directions."

Meanwhile, Canadians facing financial challenges are well advised to contact their lenders as soon as possible to help identify solutions, says Mr. Vukanovich. "If we're the mortgage insurer, we'd also like to be part of that conversation – the earlier the better," he says, noting some of the things Genworth can do, for example, is recapitalize arrears, adding them to the mortgage principal; and adjust the amortization, so the monthly payments are lower. "Under some circumstances, we would be willing to make payments more affordable to help borrowers through the temporary hardship."

Genworth has recently released a new online tool (homeownerassistance.ca) that helps homeowners look at their situation confidentially and see potential solutions to trigger a conversation with their lender.

"Given the low interest rates in the market, it's becoming a good time for first-time home buyers to evaluate home ownership," says Mr. Vukanovich. "It's important that they get good expert advice from their mortgage professional on whether or not this is the right time." ■

For more information, visit MortgageConsumer.ca or HomeownerAssistance.ca.

Myriad factors influence buying, mortgage decisions

Q&A with RBC Mortgage Specialist MaryAnn Pohl

Should I buy or keep renting?

So much about the decision to finance a new home depends on an individual's personal situation. If you're renting now, today's low interest rates mean it's likely that mortgage payments won't be much more than your rent. (There is a great calculator called 'Rent or Buy?' in the mortgage section of rbc.com.) Over the long term, your home will appreciate in value. And should you sell your home, you'll get a tax break on any capital gains as principal residences are not taxed. For some renters, it might make sense to wait a little longer to save enough money for a down payment. Buy a house because it's right for your finances and for you. Don't let the fear of missing out on further housing market declines drive you to a decision you may regret later.

Is now a good time to get a mortgage?

Today's interest rates are historically low. Three years ago, the best discounted five-year fixed-term mortgage rates were at five per cent and the maximum amortization was 25 years. Today, the banks can extend the amortization to 35 years and interest rates are approximately one per cent lower. What does that mean for you? A payment on a $250,000 mortgage in 2006 would have been $1,455 per month. Today your payment is $1,153 per month. And the annual income you need to qualify for that payment is more than $11,000 less! The bottom line is that your purchasing power has increased substantially due to very low mortgage rates.

What type of mortgage term should I take now?

The key for any homebuyer, whether you are a first home purchaser, a second or even third, is knowing the options available. And with so many variables affecting interest rates, it's difficult to predict with any degree of certainty which direction they will move and when. That's where a mortgage specialist's advice can help. A few years ago, it was clear that going with a variable rate mortgage could result in savings. Now, discounts on fixed rate mortgages and the narrowing spread between short-term and long-term interest rates have made the choice less obvious. The right interest term is the one you are most comfortable with. Can't decide? If you are on the fence, look at a combination-type mortgage. RBC has the perfect mortgage option called Homeline. Homeline can give you the best of both worlds by allowing you to have one mortgage with multiple fixed and floating rate segments, therefore helping to protect you from interest rate fluctuations. Here's an example: You need a mortgage of $300,000. Within that mortgage, you can now mitigate or "hedge" your interest rate risk by taking $100,000 as a two-year term, another $150,000 maturing in five years and the balance of $50,000 as a floating rate – or any combination that suits your financial situation.

What else is there to consider regarding timing to get into the market?

Lenders are eager to lend. RBC remains open for business and our credit requirements have not changed! Vendors and developers are eager for your business too. Bidding wars of the past have all but disappeared. All other professionals such as Realtors, Lawyers, Home Inspectors are hungry for your business. And finally, there are more enhanced government incentives than ever before such as the increase in the RRSP withdrawal limit. Will all these factors happen again within your "home-buying lifetime? (low rates, home prices, incentives) Will waiting for the "bottom" cause you to miss it?

What are the next steps should I decide to jump into the market?

You have said YES to making a home purchase. Now build your team – mortgage specialist, realtor and lawyer. Review Royal Bank's "8 common mistakes and how to avoid them." Get pre-approved – lock in a mortgage rate (which you can do for up to 9 months). Then shop for your new home with purpose and choose the right mortgage. ■

To learn more contact Maryann.pohl@rbc.com

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HEALTH CHECK

Federal action helping Canada's mortgage industry rebound

Amidst the tide of bad economic news, the strength of Canada's lending markets has been a gratifying revelation.

To ensure those markets stay strong despite the pressures of global economic decline, Canada's federal government increased its potential total purchase in insured mortgage pools through the Canada Mortgage and Housing Corporation (CMHC) under the Insured Mortgage Purchase Program (IMPP) by $125 billion.

"By acquiring insured mortgages at competitive market prices, the IMPP helps Canadian financial institutions raise longer-term funds and make them available to consumers, homebuyers and businesses in Canada," says Stephanie Rubec, a spokesperson for the Department of Finance. "Extending and enhancing this successful program will reassure lenders that stable long-term financing will continue to be available, helping them to continue lending to Canadian consumers and businesses."

As mortgages that will be purchased already carry government backing, they represent no additional risk to the taxpayer, says Ms. Rubec. "The competitive auction process used to purchase the mortgages is also designed to protect taxpayers by ensuring that the rate of return on the purchased mortgages exceeds the government's cost of borrowing. As a result, the IMPP will continue to earn a positive financial return for the government while at the same time filling a key gap in financing markets."

There is strong evidence, she says, that the IMPP is working to moderate the impact of the global financial turmoil on credit conditions in Canada. "During the fourth quarter of 2008, residential mortgages sold as National Housing Act mortgage-backed securities, which are eligible to be sold into the IMPP, grew at a rapid 28 per cent. Financial institutions have indicated that the program helps to reduce business and consumer lending rates."

The five-year mortgage rate, she notes, has decreased by 1.4 percentage points since last October when the IMPP was introduced, while the prime lending rate has dropped 1.75 percentage points.

"Canada's banks and other financial institutions are sound, well-capitalized and less leveraged than their international peers," says Ms. Rubec. "However, the protracted and severe credit turmoil that originated in the U.S. and spread to Europe has constrained the ability of financial institutions globally to access affordable credit.... The government is proactively responding through initiatives such as the IMPP and other measures under the Extraordinary Financing Framework to ensure that events beyond our borders do not interrupt the availability of credit in this country."

"Mortgages are available in Canada," says Andrew Moor, AMP, president and CEO, The Equitable Trust Company. "There's no doubt that what the government has done has only helped that. Considering the stresses on the global economy, mortgages are readily available at very competitive rates that are low by any historical standards."

Equitable Trust, which lends to borrowers such as the self-employed, demonstrates some of the differences between the American and Canadian markets. "Our mortgage clients who have been making their payments will have no problem renewing with us. The challenges are among a relatively small portion of the Canadian market, those who were lending at higher values than we do (a maximum of 80 per cent of market value)."

The mortgage market in Canada, says Mr. Moor, is much healthier than that in the U.S. "We're living in a completely different world, with different real estate values and accessible credit for good borrowers. People are still buying and selling real estate, and for those who need to downsize, it is definitely possible to sell your house and move into something more appropriate."

With Canada's government working proactively to ensure that our lending markets remain healthy, Canadians are also finding opportunities to lower their borrowing costs.

Mortgage rates are extremely competitive and low right now, says Mr. Moor. "It is a good idea to call your mortgage broker and find out what is available. There are some great offers out there – you might be surprised." ■

Tips help prospective buyers evaluate real estate opportunities

According to author and real estate investor Don Campbell, investors and potential homeowners should ask the following questions in order to choose a region poised to over-perform against the overall market. "Get answers to all of them," he says. "For every one you skip, you willfully increase your risks."

1. Is the area's average income increasing faster than provincial or state average?
2. Is the area's population growing faster than the provincial or state average?
3. Is the area creating jobs faster than the provincial or state average?
4. Does the area have more than one major employer?
5. Is the real estate market in the surrounding region booming more than where you're looking?
6. Will the property value benefit from a major new development nearby?
7. Has the local and provincial or state political leadership created a 'growth atmosphere?'
8. Is the region's Economic Development Office helpful and pro-active?
9. Is the neighbourhood located an area of renewal or gentrification? Or is it in a "war zone?"
10. Is there a major transportation improvement occurring nearby?
11. Is the area attractive to 'baby boomers?'
12. Is a short-term perceived problem (negative media stories, short-term layoffs) occurring that will disappear?

Source: Questions originally published in Real Estate Investing in Canada, by Don R. Campbell; used with permission.

Canadian home ownership

According to Statistics Canada, the 2006 Census revealed that homeownership had reached levels not seen since 1971. More than 68 per cent of Canadian households owned their home, with rented households slipping to 31.2 per cent.

About 25 per cent (or three million) households spent more than 30 per cent on shelter, the affordable housing threshold as defined by CMHC; among households with mortgages, that figure was only 25.7 per cent.

Homeownership continued to be highest in the Atlantic provinces, with Newfoundland and Labrador at almost 79 per cent, and lowest in Quebec at 60 per cent.

Nearly 60 per cent of homeowners had a mortgage in 2006, up from 55 per cent in 2001.

Source: Statistics Canada

This report was produced by RandallAnthony Communications Inc. (www.randallanthony.com) in conjunction with the advertising department of The Globe and Mail. Richard Deacon, National Business Development Manager, rdeacon@globeandmail.com.

EXPERT OPINION

Study reveals encouraging signs

By Jim Murphy, AMP
President & CEO, Canadian Association of Accredited Mortgage Professionals (CAAMP)

As we enter the spring real estate market in earnest, worries about how the economy will impact consumer confidence cloud an otherwise favourable outlook. In many ways, there has never been a better time to buy a home or to refinance your existing mortgage. Interest rates are at record lows.

CAAMP recently released its spring consumer research report, *The Canadian Residential Mortgage Market During Challenging Times.* The report reveals that consumer confidence is affected by the 18 per cent of mortgage holders who have seen a member of their household lose a job in the last six months. Still, the report reveals that a good proportion of Canadians have a considerable amount of equity in their homes and they are optimistic about now being a good time to purchase a home. Other statistics from the survey are very encouraging. These include:

- Over 40 per cent of all mortgage holders have at least 50 per cent equity in their homes. This number rises to 65 per cent for all homeowners when those without a mortgage are included. This is a much higher rate when compared to the U.S. Such a high level of equity provides homeowners with a cushion during uncertain economic times. Only two per cent of all mortgage holders in Canada responded that they have negative equity in their homes;

> "Over 40 per cent of all mortgage holders have at least 50 per cent equity in their homes. This number rises to 65 per cent for all homeowners when those without a mortgage are included. This is a much higher rate when compared to the U.S. Such a high level of equity provides homeowners with a cushion during uncertain economic times."

- On average, mortgage consumers are receiving a 1.68 per cent reduction on posted mortgage rates. A recent trend in the 12 months between the spring of 2008 and the spring of 2009 is that 36 per cent of all mortgages taken out were variable. Today in Canada, 28 per cent of all outstanding mortgages are variable. Clearly, consumers and mortgage professionals were predicting lower rates, which is why variable mortgages have become so common. Most variable mortgage holders are able to enjoy the benefit of lower overall rates while also having the option of locking into a fixed mortgage if interest rates should rise;
- Some one per cent of all mortgages are now amortized for periods over 25 years, which has assisted with housing affordability particularly in high-cost centres such as Toronto and Vancouver. Last summer, the federal government announced it would not allow mortgages that had amortizations of 40 years or longer. Mortgages that are amortized for 30 or 35 years are becoming more common;
- Adding to the positive news is the fact that some 72 per cent of mortgage holders who renewed their mortgage last year saw a reduction in their rate. The CAAMP report indicates that 73 per cent of mortgage holders who renew their mortgage in the next 12 months are likely to see reductions if current rates hold;
- Some 15 per cent of mortgage holders took out equity in their homes last year with an average $42,500 added to their mortgage. Most Canadians use equity takeouts for debt consolidation;
- Finally, some 30 per cent of all mortgages or mortgage renewals taken out in Canada were done so through a mortgage broker/agent. For new mortgages taken out in the last year, this figure rises to 46 per cent. CAAMP recommends that mortgage consumers use the services of an Accredited Mortgage Professional or AMP when obtaining their mortgage. The AMP is Canada's only national designation for Canadian mortgage professionals. AMP members are committed to increasing mortgage industry standards through professional growth and continuing education.

Some 72 per cent of mortgage holders who renewed their mortgage last year saw a reduction in their lending rate.
PHOTO: ISTOCKPHOTO.COM

There is no question that we are in uncertain economic times. However, for those who have mortgages or are renewing their mortgage, they will find themselves doing so in a declining interest rate environment. ■

For more information, visit www.caamp.org or www.mortgageconsumer.ca.

TODAY'S BEST DEALS

Real estate markets across North America signal opportunity

At home and away, a 'buyer's market' may translate into dreams realized and opportunities seized.

"A buyer's market provides those in a buying position a wonderful opportunity to negotiate the deal that we want," says Don Campbell, author of Real Estate Investing in Canada 2.0.

As always, a prudent approach is key to success.

"Buyers must ensure they have a long-term outlook on the property they will be buying, because the next 18 months will prove to be very rocky both economically and in the real estate market," says Mr. Campbell. "If a person is confident in their employment and they have identified a region in which they wish to live, now is the time to start looking, investigating – and being very selective."

Mr. Campbell has identified a number of regions that he expects to outperform the overall Canadian market, including St. John, N.B.; Kitchener-Waterloo, Cambridge and Barrie-Orillia in Ontario; Edmonton, Calgary and Red Deer in Alberta; and Surrey, Maple Ridge and Abbotsford in B.C. "The job of an investor is to uncover regions that will over-perform the average over the coming five- to seven-year window, based on the economic fundamentals that support the market."

For Canadians who dream of a home in the sun, the current market in California, Florida and Arizona may seem irresistible. But buying a property outside the country can be much more complex than buying at home. For example, property taxes may be significantly higher for non-residents, it may be difficult to get insurance, and if the plan is to rent the home for part of the year to reduce expenses, owners can find themselves grappling with a rental income's withholding – and sales taxes.

Obtaining financing can also be more difficult for non-residents, says Doug McLarty, FCA, managing director of McLarty & Co, who owns a recreation property in Sarasota, Fla.

> "Buyers must ensure they have a long-term outlook on the property they will be buying, because the next 18 months will prove to be very rocky in the real estate market. If a person is confident in their employment and they have identified a region in which they wish to live, now is the time to start looking."

"There are also taxation and compliance issues; normally, you would have to file a U.S. tax return for rental property," he says.

While it can be very difficult to arrange financing without local references and credit history, dealing with an international bank can offer significant dividends. At HSBC, which operates in 86 countries, for example, "When we have a client with an HSBC Premier account, we can transfer (his or her) credit history, and we can also pre-approve a mortgage from Canada," says Amani Sawaya, vice president, Private Banking.

"Usually, when you're a non-resident, lending terms are different. In the U.S., for example, our clients are given the same treatment as U.S. residents, in terms of their mortgage. It can solve a lot of the problems non-residents would otherwise have buying property outside of Canada," she says. That service can also extend to opening a bank account, pre-approved line of credit and a MasterCard in the destination country.

"When the client reaches their destination, everything will be ready. We understand that it is very difficult to move, so we want banking to be easy."

With the right advice and financing in place, the current economic environment may be one that many Canadians look back to as a time of great opportunity.

"Recessions are like big reset buttons for the economy," says Mr. Campbell. "Whatever your goal, don't change it just because the market cycle has changed: change your strategy to respond to the market." ■

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MAKING YOUR HOME SWEET

Mortgage products and other incentives encourage renovations

The 2009 federal budget brought great news for homeowners, say experts. Not only does it make ownership easier for first-time buyers but also provides cash incentives for existing home-owners to start those long-planned renovations.

In fact, Ottawa may have put the sweet back in the notion of creating a Home Sweet Home.

"It is an ideal time to start those home renovations you may have been putting off," says Jamie Golombek, managing director, tax and estate planning at CIBC Private Wealth Management. "I know anecdotally of numbers of people who immediately brought forward renovation and addition plans once the tax credit was announced."

Charles Lambert, managing director of mortgages at Scotiabank, says, "It is indeed a great time, not just because of the federal tax credit, but also because in the eight years I have been in this job, mortgage and loan rates have never been lower."

The federal government's intent was to use a significant tax credit of up to $1,350 and loan rates in the four per cent range as a one-two punch to help fuel an economic recovery. Homeowners can benefit greatly, say experts.

The 15 per cent non-refundable tax credit is a case in point, they say. Any qualifying home renovation or alteration that is of an "enduring" nature and is "integral" to the dwelling qualifies as long as it was undertaken after January 27 and before February 1 next year. The credit applies to any

Homeowners can now qualify for a 15 per cent non-refundable tax credit on qualified renovations. PHOTO: ISTOCKPHOTO.COM

expenditure above $1,000 and up to $10,000, Mr. Golombek explains.

To work out the value of a credit, subtract $1,000 from the total value of the work done and multiply by 15 per cent. While only one family member will likely claim the credit, it can be shared in full or part with other family members. If two families share ownership and each contributes to the cost of the renovations, each can claim the credit, he says.

"It is likely one of the most exciting personal tax measures in the 2009 budget for many Canadians," Mr. Golombek says.

And when it comes to financing the cost of those renovations, there has never been a broader range of options or better interest rates," says Mr. Lambert.

"If the project is relatively small, it might even go on a credit card. Scotiabank's new Momentum Visa card offers a cash back on total spending option," he says. "That would give an extra savings for small jobs."

For larger projects, there are lines of credit or increased home mortgages, he says. Currently a secured Scotiabank line of credit can be arranged for as low as one per cent above prime, which sits at 2.25 per cent. Scotiabank's current featured five-year mortgage bears a 4.15 per cent interest rate.

"We also have our Scotia Total Equity Program (STEP), which allows customers to borrow up to 80 per cent of the value of their home either through a mortgage, a line of credit or a combination of both," Mr. Lambert says.

"The best first step is to sit down with your financial adviser and discuss what option best suits individual circumstances," says Mr. Golombek. ■

MORTGAGES

TODAY'S BEST DEALS

Paying down your mortgage offers retirement upside

One of the perennial questions asked of financial advisors is about the best use of a tax refund: Is it best to make an early RRSP contribution or an extra payment against our mortgage? Should we save for retirement or pay off our home?

But the two goals aren't mutually exclusive. Retiring mortgage-free, says Chris Eynon, a financial advisor with Rogers Group Financial in Vancouver, is an essential element of the retirement plan. "The home is an asset that will provide shelter throughout life. It may serve as the principal residence or provide income to pay for a different type of shelter later – such as an independent retirement or assisted-living facility – by selling the principal residence. If my clients own their home, it will effectively be their long-term care insurance."

In 2008, the average refund was approximately $1,440. Many mortgage agreements allow for an additional payment of up to 15 per cent of the mortgage value each year; making an additional payment of $1,440 (on a $250,000 mortgage at five per cent over 25 years) will allow you to pay off your mortgage three years and four months early and realize interest savings of $27,936.44. (Try the calculations yourself at mortgage calculatorcanada.com.)

> "The home is an asset that will provide shelter throughout life. It may serve as the principal residence or provide income to pay for a different type of shelter later – such as an independent retirement or assisted living facility – by selling the principal residence."

Financial advisor Chris Eynon considers paying off a mortgage debt is of paramount importance, noting that in retirement the asset can then serve as both a dwelling and a source of financial security. PHOTO: KK LAW

Assuming that you bought your home at age 35, that would mean being mortgage-free at about age 57. If you then invested your newly available cash flow (the former monthly mortgage payment of $1454.01) plus the annual top-up ($1,440) into your RRSP at an average annual yield of five per cent, you will add an additional $184,150 to your retirement savings by age 66.

Making an additional annual payment of just $5,000 translates into interest savings of $69,305.23 and shortens the amortization schedule by eight years and seven months. Invest as described above and you'll add more than $340,000 to the retirement nest egg.

If tax refunds or extra cash aren't in your foreseeable future, consider choosing a shorter amortization schedule or biweekly payments. The monthly payments on the mortgage example above are $1,454.01, but when the amortization is decreased to 20 years, the monthly payment increases to only $1,642.81. The interest paid over the life of the mortgage is reduced from $186,204.30 to $144,275.25, a savings of almost $42,000.

Relatively small changes in your payment schedule can make a big difference, and it all adds up to a more comfortable retirement.

"Paying off your home is of paramount importance," says Mr. Eynon. "You don't want to have to worry about debt in retirement." ■

TODAY'S BEST DEALS

Want a great mortgage? Maintain a good credit rating.

When applying for unsecured credit, such as credit cards and personal line of credit, a good credit rating will ensure you qualify for the best rates, potentially saving you thousands of dollars in interest over a lifetime.

While the best mortgage rates aren't reserved for those with solid gold credit, a good credit rating is essential for approval. If you're thinking about buying a home and fear you might not measure up, it's time to get some help.

"It's important for people to know what their score is, and how to maintain a good score," says Paula Roberts, Accredited Mortgage Professional with The Roberts Group.

"One of the simplest things people forget to do, for example, is make their minimum payments. Rather than paying a minimum payment of $10 on time, they'll pay $100 next month. That's not good: lenders want to see that you're paying as agreed, based on your credit agreement," she says.

Another simple strategy that can help boost your rating, says Ms. Roberts, is to ensure you don't exceed 75 per cent of your maximum credit limit. "If someone spends $1,000 a month and their limit is $1,000, they'd be better off to get a limit of $1,500 or $2,000."

Recently, she says, the rating process has changed to recognize the fact that consumers shop around. "Until recently, every time you applied for credit, it negatively affected your score. You might go to five different car companies, and it might look like four turned you down. Now if you have the same type of trade looking at your credit in a 30-day window, it no longer affects your score."

Also important, she says, is maintaining an individual credit history rather than using a secondary card on a joint account, and checking your credit rating regularly. (See sidebar.)

If you've run into payment challenges, protecting your credit rating requires a proactive approach, says Laurie Campbell, executive director, Credit Canada. "People tend to put their heads in the sand, but if you know ahead of time that you're going to have a problem with minimum payments, contact your creditor immediately."

For unsecured debt, consider a consolidation on a line of credit while your credit history is still good, she says. "You may be able to reduce the amount of interest you're paying significantly, avert payment problems and keep your credit rating intact."

If there is a possibility that you might not be able to make your mortgage payments, says Ms. Campbell, contact your lender. "There may be an opportunity in your mortgage agreement to miss a payment, or make other arrangements."

A realistic view of the situation and the willingness to make difficult decisions may ultimately be the best tools. "Chances are your creditors really want to work with you, but if this may be a long-term problem – you've lost your job and there's nothing in the foreseeable future, for example – you may need to make some big decisions. If your home costs are unsustainable, you don't want to wait until you're behind in your payments before you put it on the market. ■

At a glance: Tips for keeping your credit rating healthy

- Make your minimum payments on time; if at all possible, try to pay more than the minimum.
- If you can't make your minimum payment, call your creditors and explain your situation.
- Don't exceed 75 per cent of your maximum credit limit.
- Check your credit rating regularly. (Free credit reports are available by mail through Equifax Canada or TransUnion Canada, or you can order online by paying a small fee.)
- If you see financial challenges ahead, consider consolidating higher-interest debt on a lower-interest line of credit – before you get into trouble.
- If you foresee difficulty making your mortgage payments, contact your lender and, if your mortgage is insured, the insurer (CMHC or Genworth Canada).
- Be willing to make the difficult decisions – like selling your home or dramatically reducing your expense – before you're behind in your payments.

For more information and tools to help keep your credit rating healthy, visit creditcanada.com and crediteducationweekcanada.com.

TODAY'S BEST DEALS

Choose the right mortgage for you

While many home buyers might look at the profusion of choice in today's mortgage market and face confusion about the mortgage best suits their needs, Tracy Redies says take heart. The reason there are so many choices is so borrowers can assemble the perfect mortgage to meet their individual needs.

"It is no longer about finding the best interest rate; it is about creating a mortgage that is right for you," says Ms. Redies, Vancouver-based executive vice-president, personal financial services and wealth management at HSBC Canada Bank. "We want our borrowers to find a mortgage that not only exactly meets their needs today but into the future as well."

Finding the right mortgage starts with sitting down with your banker or financial adviser, explaining your circumstances and then making a best guess as to what the future might hold, she says. Young couples may well be able to afford a mortgage while both are working, but what happens should the wife decide to take time off to raise a family? What are the chances of inheriting money in the future? How fast will incomes increase?

Ms. Redies offers some basic advice to those seeking mortgages. First, consider an early repayment option. HSBC has mortgages that allow for extra annual payments up to 20 per cent of the face value of the mortgage, she says.

Buyers are wise to speak to their banker and a financial adviser to help them choose a mortgage that suits both short- and long-term objectives. PHOTO: ISTOCKPHOTO.COM

Second, consider making weekly payments instead of monthly ones. Weekly payments will reduce the principal of the loan much faster and can save thousands in interest over the life of a mortgage.

HSBC has also introduced a new HSBC Smart Savers Mortgage. It applies to anyone who has both deposits and an HSBC mortgage. The bank reduces the interest rate on this type of mortgage based on the amount of savings linked to it.

"If you have a $300,000 HSBC five-year term Smart Savers Mortgage at 4.59 per cent amortized over 25 years and $45,000 in deposits, your interest rate on the mortgage can be reduced to 3.9 per cent," Ms Redies explains. "Your first goal should be to pay off the mortgage faster, and this mortgage allows you to do that without liquidating your savings."

Some bank websites also provide valuable information and practical aids to help decide which mortgage is best for individual needs. Canadian Imperial Bank of Commerce, for example, has a dedicated web page (www.cibc.com/ca/mortgages.buying-your-first-home.html) offering relevant information, including an automatic calculator to show how big a mortgage an individual can afford.

> Young couples may well be able to afford a mortgage while both are working, but what happens should the wife decide to take time off to raise a family? What are the chances of inheriting money in the future? How fast will incomes increase?

Fill in details including your income and expected down payment, property taxes, condo fees (if any), plus the size, term and rate of the mortgage desired, and press the calculate button. Within seconds the software does the math, presenting the upper loan limits available.

Want to compare mortgages? CIBC has 11 different options and an online tool that allows website visitors to compare four at a time.

"The important thing is to know what best suits your needs not just today but into the foreseeable future. That is where financial advisers at almost any bank can help," Ms. Redies says. ■

MORTGAGES

ADVICE

Your first home – what you need to know

Buying that first home can be a complex and often stressful experience. There is simply so much you need to know and so many choices to make along the way.

Increasingly, lenders and others involved in the mortgage industry are creating new ways to help Canadian homebuyers navigate successfully through the process. They are providing tips, information and check lists to ensure that new condo, townhouse or bungalow becomes a true dream home.

"Information that makes home buying less challenging is especially vital in these trying economic times," says Peter Vukonovich, president of Genworth Financial Canada, which has provided mortgage insurance to Canadians for almost 40 years. "We have made it possible for more than a million Canadians to buy a home with less than a 20 per cent down payment," he says.

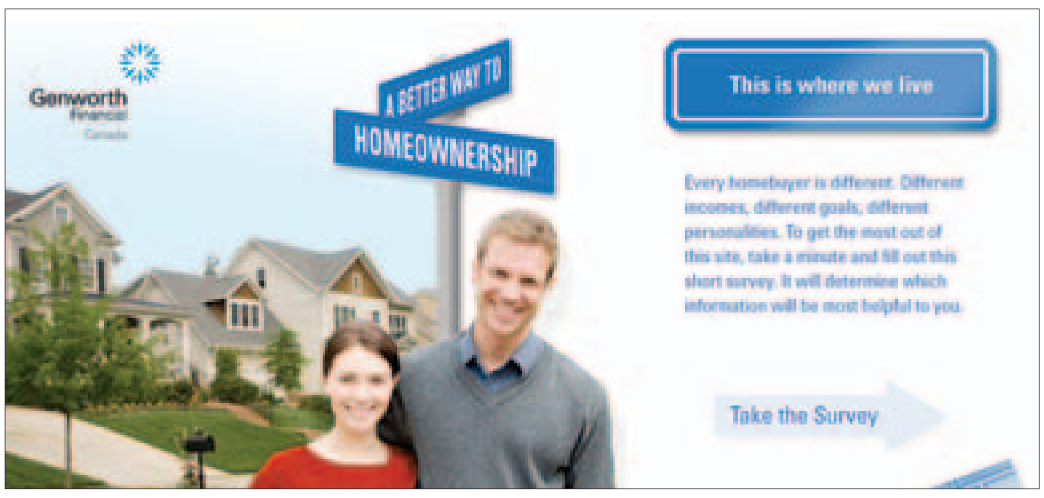
"We have also helped them through troubled times when trying personal circumstances made keeping up with mortgage payments difficult," he says. "Helping homebuyers realize their dream is an integral part of what we do."

For example, Genworth's www.homeownership.ca website, offers buyers a valuable one-stop resource centre. Canadians can test their mortgage knowledge, seek expert advice, work out the pros and cons of renting versus buying and find a host of useful links.

The website receives an average of 20,000 visits a month these days as Canadians investigate such topics as the difference between condos and detached homes.

Genworth also offers a homeownership assistance program, which helps owners facing financial troubles work with Genworth and their mortgage lenders to resolve difficulties making payments. The company has helped thousands of homeowners stay in their homes since the inception of the program in 1995. Homeowners are encouraged to contact their lender or call 1-800-511-8888 for more information.

In April, the company also launched www.myhomeplanner.ca, a new online resource that provides such must-haves as a personalized calendar of tasks for buyers to follow through to the closing day of their transaction. As well, interactive tools help buyers determine what they can afford and whether to rent or buy. There is even a library of articles by industry experts with tips and advice for novice buyers.



Genworth Financial is among the Canadian institutions helping arm buyers with valuable home-buying information. PHOTO: ISTOCKPHOTO.COM

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Scotiabank is another valuable resource. The lender provides a wealth of information and tips to homebuyers, especially those new to the housing market, says Charles Lambert, managing director of mortgages.

"The first home can be a real challenge; there is so much that must be taken into account if you are to make the right decisions," he says.

The www.scotiabank.com website has two pages of links to tips and information to smooth the process, including everything you need to decide what kind of mortgage best suits individual family needs. There is even a quick mortgage calculator, which gives a ballpark figure for the size of mortgage an individual borrower can afford.

There is even a link to the Genworth website, helping close the loop.

"Perhaps the best advice I can give to first-time buyers is to start by doing your research at a site like ours, know what questions you need to ask and then sit down with a professional adviser to go through the details," Mr. Lambert says. ■

Mortgage insurance: products offer peace of mind, security

Dave Minor likes to ask homebuyers a simple question. You insure your home against catastrophic loss such as fire, he says. But do you take the same care when it comes to a personal tragedy such as death or critical illness?

Either could suddenly rob you of the ability to meet mortgage payments, or leave your family in dire financial straits, he says.

"In these challenging economic times, perhaps you can't protect the security of your job but you can take steps to protect the security of your home," says Mr. Minor, vice-president of TD Insurance.

Mr. Minor says "credit protection" products including mortgage life insurance and mortgage critical illness insurance offer solutions.

Life insurance will pay off the balance of a mortgage in case of death. Critical illness insurance will do the same if a policyholder is diagnosed with diseases such as cancer or serious afflictions such as acute heart attack and stroke.

The cost, he says, is well worth the security such insurance plans provide. Premiums are based on 10 different age groups and on the size of the mortgage measured in $1,000 increments. Homeowners in the 31 to 35 age group, for example, would pay 13 cents per $1,000 of the principal for life insurance and 14 cents per $1,000 for critical illness insurance.

"While mortgage life insurance has always been pretty steady, what we have noticed is that critical illness insurance is on the rise," says Mr. Minor. "I think it is because homebuyers are becoming increasingly aware of the devastation a critical illness can bring on a family."

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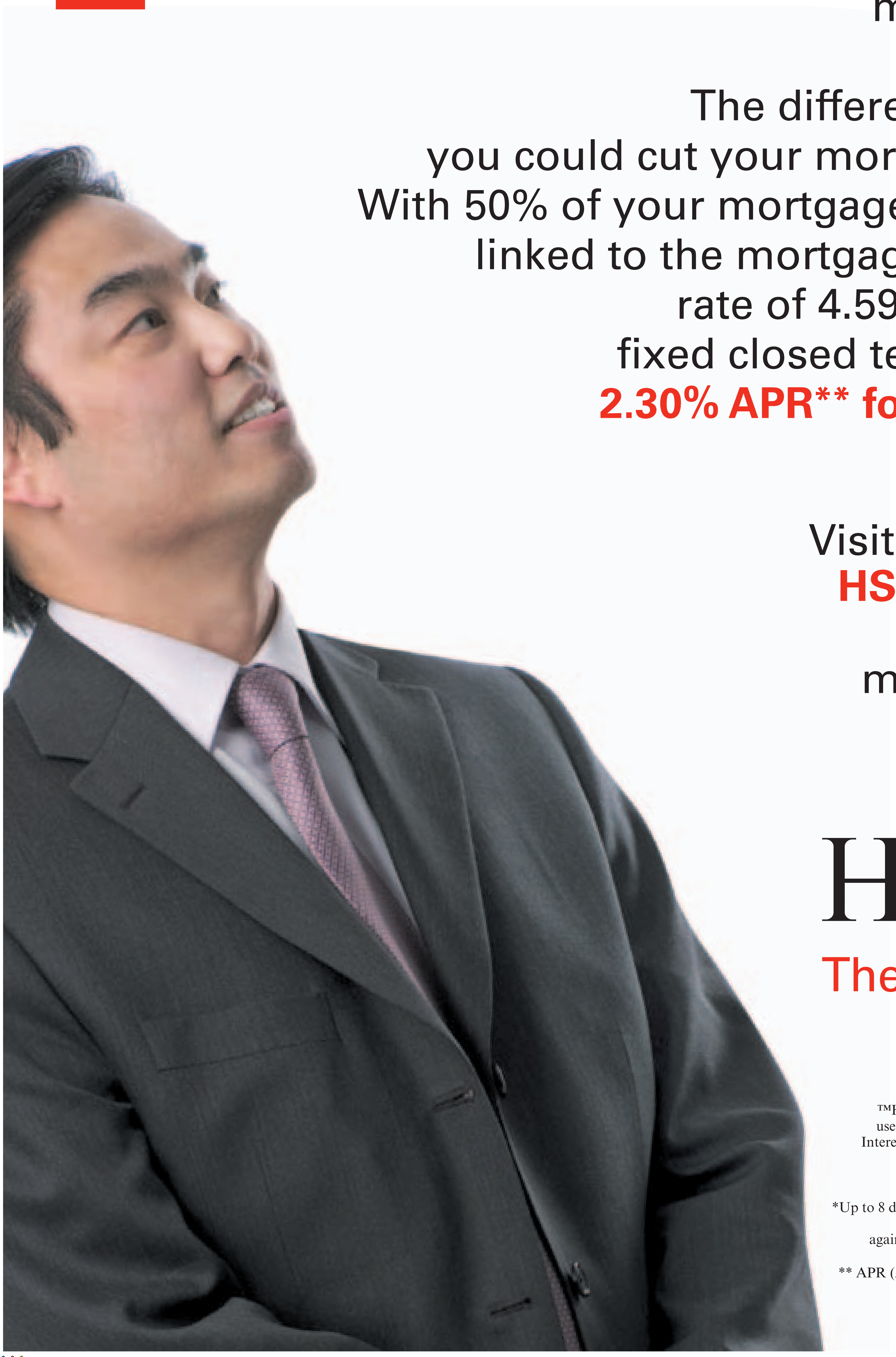

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