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# MortgageFocus Update

Issue: 24

December 2008



Dear Andrea,

The snow was coming down the other morning and my son looked out the window and eyes and his face lit up. He was convinced Santa was coming that night. It was a wonderful way to start the day.

The news is full of doom and gloom, and yes the auto sector is taking a hit and the stock markets are reeling at every piece of news, but if you look around you there are still a lot of people working, things are happening and life carries on. If someone was going a little overboard before, maybe reigning in the spending is a good idea. Saving money is important one would never want to be so on the edge that a blip sends you into freefall. But if you are working, your basics needs are being met and you and your family are happy then it is time to count your blessings and stop worrying. It is winter here in Canada and people out there are dealing with the cold, not enough food and issues with shelter that has heat. A 15-25% drop in an RSP fund they do not need for 20 plus years is pretty minor in comparison. If you can please think about giving up a few coffees, one gift, a trip to the spa or whatever you treat yourself with and give to those who have even less you may actually find you feel better for several days, or longer, than you would for having that special coffee or facial.

So now that I have suggested you give it away I would like to point out that the banks are starting to make serious inroads into interest rates but more on that later. Investment advisors or Warren Buffett will tell you now is a good time to invest. You will never be able to pick the absolute nadir in the pricing of firms, but if it is a solid company something is bound to come back after the madness has passed.

Whatever you do with your money at this time, make it count and keep the long term perspective in mind as well as the short term basic management. Houses are selling, businesses are busy, kids are running around, and life in Canada is pretty good.

I am grateful for many things and there are times when it is important to remember every item on that long list and keep things in perspective.

There is snow on the way, sun in the sky (maybe behind a few clouds today) and it is a great day. Please enjoy it and take time for yourself and others to share it.

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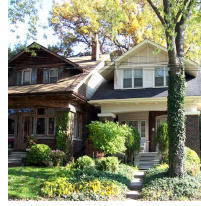
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# What is happening in the lending market?

## Rumours and news discussed

### OK, Bad News First (again)



There was a piece on 60 Minutes last night that talked about the US sub-prime crisis. Some pundits have been saying the worst is over, this one was saying we are only about 1/2 way through. This means that we have until 2012 before the bad stuff shakes out of the system.

Here is a link to this and other related stories  
<http://www.great-mortgage-rates.ca/news.html>

The new crisis is sparked by other types of lending, one of which was crazy teaser rates. On the plus side Canada's teaser rates have never been so dramatic, you might get 6 months or 1 year at a lower rate on a 5 year deal, but the increase was never very dramatic and the qualifying rules have never been as lax as they were in the US. So take heart.

Now, there is the psychological impact here in Canada in that buyers may be thinking they can get a lot more for a lot less. (See the Globe article) this is leading to buyers holding off on their purchases, so the market is going to see a continued slow down and sellers are going to have to make some serious adjustments in their expectations, this is never easy.

The other piece for the Toronto crowd is the C.D. Howe report on the effects of the Toronto :and Transfer Tax. the gist of it is that it has slowed things down.

### NOW, The Good News

House are still selling, rates are coming down, and financing is still possible. There are a lot of people that are still working and the depression level despair is not there, so belt tightening may be taking place, but everything is not at a stand still.

Rates, well if you have a mortgage coming up for renewal or you are buying, the rates have not been this good in a long time. More on rates in the next section.

There are a lot of houses for sale right now, so that means prices will come down, a bit, and you have time and choice if you are buying. Toronto prices have dropped and may continue to drop, but we are not looking at the Florida level freefall where \$2 million plus condos are going for under \$1 million. So if you are looking for that deal, go to Florida. Toronto is a stable city with a range of industries and on going immigration that supports a strong housing market. Neighbourhoods that were nice to live in last year are still great neighbourhoods. Schools that were good last year are still desirable schools, so many of the drivers for price are keeping a level of pricing stability that will help both buyers and sellers in the long run.

If you are selling, patience and a good realtor are going to be key to your success. If you trust your realtor, listen to them. If you do not trust the realtor, find one you do. Not the one that is going to tell you what you WANT to hear, but the one who has a good handle on the market and is

not in a rush to sell your house just for the commission, but one who can give you a reasonable analysis of the value and what to expect.

They say the stock market is near the bottom, so it may be a good time to buy, or if you are holding, maybe we will see signs of increase, the exception may be anyone lender holding some of the mortgages that are about to default in this new wave.

Easy times these are not, and we have some rough roads ahead but generally I feel optimistic that things will work out. It may take a bit of time, but every life has its ups and downs. We have a good thing going here in Canada and I am grateful every day for the many blessings we share.

**If you want to find out more about mortgages or learn more about getting ready to buy then contact me or go to [www.great-mortgage-rates.ca](http://www.great-mortgage-rates.ca)**

### **Andrea Meynell**

Mortgage Agent

416.486.1113 in the GTA  
Outside the GTA call 1.877.486.1113  
[Andrea@great-mortgage-rates.ca](mailto:Andrea@great-mortgage-rates.ca)

## Rates and Products

### Deals offered daily

The rules are indeed changing daily. Even the mortgage insurance companies are continuing to revise their guidelines, so we are being protected from major catastrophe at this end. Regulation has its place. For those who were on the margins and may have just been able to qualify before, may find it difficult now, but if they were on the margin it was a risky bet to begin with. Does this make them any happier that they are now cut out of the market? I am sure it does not, but it may save them in the long run. If you do not like the terms you are offered, assuming you are trying to push the envelope, then maybe you should reconsider. Getting a deal that is that expensive may tell you more than anyone else was will to tell you about your risk of default or bankruptcy, but if you insist, the deal is available.

Rates have dropped a lot in the last couple of weeks alone. Not only did the bank of Canada drop its rate by 75bps, and the banks drop their prime lending rates by 50bps, but the mortgage rates are starting to plunge.

The differences this time. The banks did not match the Bank of Canada drop, citing that their cost of borrowing is not reflected by the Bank rate. Also, not all lenders are dropping their mortgage rates at the same time, not to the same degree this makes it even more crucial to shop around and see what you can negotiate.

I have found that some lenders are willing to walk away from deals, if markets change too much, and sometimes understanding what deals they will take changes daily based on their portfolios and risk tolerance, so staying on your toes is key. Hiring someone to do the work for you is one way to go about it, the other is to stay on the phone, and search the web. So have back-up plans on the go at all times.

Now for the  
**BIG DEALS.**

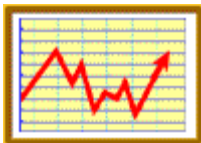
The deals that are happening are in the shorter term products, the traditional 5 year is coming down, but the a **1 year at 4.00%** or a **4 year at 4.89%**, are looking very enticing to most of my clients. If global markets remain problematic then rates may not go up much in the short to medium term. The exception to that is if you think inflation will hit or not and brings rates up again. Pundits being what they are I have heard both, so follow the one you believe and make your bets accordingly.

Posted **5 year rates** are still around 6.75%. This is very high relative to the bank rate, but it is also no indicator of what you can get. Rates seem to vary **between 5.24% and 4.99%**.

**Other things remain the same**

Is credit tightening up? Yes. Deals are harder to find in many categories, but for the most part if your credit score is good the money is there. What I have heard though is that some banks are backing out of deals they made a while ago as their criteria change, so if you have not signed yet there are no guarantees, so do your homework.

As I mentioned last month some lenders are still competing so there are deals to be had. If you have good credit and a good income and the bank starts with the posted rate, then **walk away**, they are **not** serious about your business. Why deal with someone who is going to make you work for it?



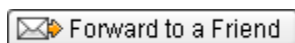
Remember there is a lot to consider when you are getting a mortgage and rate is only part of it. Make sure you are comparing apples to apples, and if you have not been happy with the cost and options of your last mortgage and it is coming up for renewal then now is the time to get the mortgage that lets you manage **your money** the way **you want**. Whether that means having the option to pay it down incredibly fast, or pay interest only while you get a new business started. There is choice out there.

Want someone to do all the work for you and just have to make a choice between a couple of excellent alternatives, at **NO CHARGE** when you qualify for regular mortgage financing?

Working with someone that **wants** to get you the best deal, one that is tailored to your financial and lifestyle needs and is going to make you comfortable with that your choices are what the best have to offer and that you are getting a good deal. I handle your file personally and I am not tied to bank hours. I know that 9 times out of 10 I can offer a better alternative. Sound appealing? **Call to learn more.**

Andrea Meynell, MBA  
Mortgage Agent  
416.486.1113 / 1.877.486.1113  
[Andrea@great-mortgage-rates.ca](mailto:Andrea@great-mortgage-rates.ca)

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**Life is like a game of cards. The hand that**

**is dealt you represents determinism; the  
way you play it is free will.**

Jawaharal Nehru

My goal is to help people find the right mortgage and the best rate and remove perceived obstacles to getting them the loan they need or want.

I am honest and will take the time to educate my clients about the market, the process and their choices.

You give me the greatest compliment when you send those you care about to me for their Mortgage needs. I am 100% committed to providing you and those you send to me the highest quality of service and dedication to their needs.

**Sincerely,**

Andrea Meynell, MBA  
Mortgage Agent  
Assured Mortgage Services  
TEL/ FAX: 416-486-1113 or 1-877-486-1113  
EMAIL: [andrea@great-mortgage-rates.ca](mailto:andrea@great-mortgage-rates.ca)  
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