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FSCO Broker # 10259

# MortgageFocus Update

Issue: 49

March 2011



Dear Andrea,

Did anyone see where they put February? March break is fast approaching and whether you have kids in school or not it is going to affect how you get around and the crowds at the airport etc, so brace for impact.

Economically the news seems to be good coming out of the US with good job numbers and after account for government layoffs, the US unemployment rate fell to 8.9%, the lowest in almost 2 years. This bodes well for Canada as it means our exports may find a more receptive market.

The regulations change March 18th. This is the government's way of reigning debt for people borrowing at the edge of what they can afford and to discourage people from taking equity out of their homes.

Main rule changes

Maximum amortization for high ratio (less than 20% down) loans, goes from 35 years to 30 years

Maximum loan-to-value (LTV) ratio that you can refinance your house for

## In This Issue

[Your Environment](#)

[Rates & Products](#)

[Personal Service](#)

## Quick Links

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[Related Topics](#)

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**Personal Service  
& Advice with Integrity**

Working to  
Save you time &  
money,  
Bring you peace of  
mind and  
Help you achieve

goes from 90% of the value to 85%

All this to say that if you think you want to take money out to renovate in the next few years you might want to move the plan up a bit. Get the application in before March 18th in order to qualify.

The spiking oil prices are going to increase our cost of living, food, clothing, everything is tied to it in some way and I was not happy when I saw a piece that could justify \$200 per barrel oil, but as we have seen of late anything is possible.

On the plus side as "hewers of wood and drawers of water" we are certainly getting a benefit from our resource sector.

We really should not be surprised about the changes in the world. The USSR was in part brought to an end when the fax machine improved communications and opened the world to the people who cared, so it is little surprise that the internet and global media are helping to fuel changes. What we can hope is that the changes work out for the better in the long run for the people.

In the meantime all of this creates some uncertainty for how other economies, including Canada's, will react to the ripples being cast out there.

The banks are certainly not hurting as new fantastic profit margins are being made and the spreads for lending remain above traditional levels. Competition is keeping a bit of pressure on rates staying lower, but everyone enjoys the extra so it may take a bit of time to see the changes.

In the meantime it is always worth reviewing your situation, today may not be the day to make a change, but there might be a tipping point where you could save a lot of money. If you need help identifying this please give me a shout.

There is still concern about Canadian debt levels and growing consensus that housing prices may not continue to rise as they have done, again I think this will depend on the location, but the point is that at some point prices will get higher than incomes can comfortably deal with and that will put on the brakes as much as any significant up tick in rates.

If you or anyone you know are talking about renewing a mortgage, taking out equity to renovate or consolidate debt, are thinking of buying a cottage, or are considering using the equity in the house to buy a boat, then please call or refer them to me. I will make sure that you or they get the right deal.

Keep well.

your goals.

[To Learn more](#)

FSCO

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## YOUR Environment

It is funny, democracy in the US does not seem to let them regulate environmental issues as much as the "greens" might like, but they do at least provide the tools for individuals to make their own choices with some good information.



<http://www.epa.gov/epahome/home.htm>

Health Canada also offers some interesting reference materials for making our lives better.

<http://www.hc-sc.gc.ca/ewh-semt/hazards-risques/index-eng.php>

As much as many people might not like the trend to metered billing for water I think it has a place, it might make us take shorter showers, water the yard less, turn the tap off when we brush our teeth. Think of the wars fought over water and how we value it. Here are some tips on protecting one of our greatest gifts and most important resources.

<http://www.ec.gc.ca/eau-water/default.asp?lang=En&n=CD467AE6-1>

As with many new trends our behaviour is we are lucky in Canada, but when you think about saving power when turning out the light as you leave a room, do not forget to turn off the tap or fix a leaky faucet.

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### Useful and Fun links

#### Events in GTA

<http://greengta.ca/greater-toronto-area-environmental-events>

**As tempting as the high dollar is for travelling abroad, do not forget that there are some fun things here at home too.**

<http://www.ontariotravel.net/TCISSegmentsWeb/main.portal?language=EN>

Though I admit I love a great overseas adventure. I also plan to go camping for the July long weekend to one of the provincial parks. So a bit of mix and match.

If you want to find out more about credit and mortgages or learn more about getting ready to buy then contact me or go to

<http://www.great-mortgage-rates.ca/index.html>

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## Rates and Products

### Rates are making the news

Since my last big issue there have been ups and downs in the rates. On the plus side the 5 year rates have seen some downs again of late, but we are still not near where we were in January. The qualifying rate is now **MQR = 5.44%**.

There are lenders though that are finding niches where they hope to build business. The 3 year fixed has been quite competitive and when you look at the statistics that say most people refinance or move in about 3 years it is a product that many people should consider as it can save a ton of money in penalties and rate risk to break an existing mortgage.

So if you are considering renovating or making other changes in your life, I know looking at rates is key, but even more important it looking at what your plans are for the foreseeable future.

5 year Variable - Prime less 80 bps (prime = 3.00% today - so rate is **2.20%**)

3 year Variable - Prime -80 bps or **2.20%**.

With the recent rate increases, variable is looking more enticing for some, and it can still be a great option, keep in mind though that economists are

still calling for mid year Bank of Canada rate increases, though the world may have a different plan.

1 year - 2.64% - POSTED - 3.50%  
2 year - 3.25% - POSTED - 3.75%  
3 year - 3.42% - POSTED - 4.35%  
4 Year - 3.84% - POSTED - 5.14%  
5 year - Range 3.89% - 4.14% - POSTED - 5.44%

Cannot Decide which way to go?

The 50/50 offering

The 3 & 5 year 50/50 products offer a great compromise and you can lock in the variable at the going rate at the time you make the decision. For some it is a hedge, while the variable is lower extra payments can be made on the fixed side and should prime rise and take the variable portion higher than the fixed then the extra payments can be made there, all the while paying off your mortgage faster than ever. Call to learn more.

	Fixed	Variable	Effective Rate
3 Year	3.42%	-80 bps	2.81%
5 Year	4.14%	-70 bps	3.22%

The 3 year is hard to beat.

Home Equity Lines of Credit still range +/- Prime to plus 1% -  
Contact me to learn more

Longer terms are available and one lender has a 7 year that is less than the 5 year posted. 5.00%

CALL NOW IF YOU HAVE ANY QUESTIONS 416.486.1113

People ask me why an agent/broker over going to a bank, another reason is that I try to look at the whole picture. What are your goals and objectives and then try to find the right fit to help you achieve them. Need more room for pre-payment privileges because you know you are getting a big bonus and you want to pay down the mortgage now then getting the lender that gives to the most room to do that might be key to saving money. Know the difference and make a choice. I give you that choice.

DID YOU MISS OUT ON THE LAST RATE INCREASE? COULD A RATE HOLD HAVE HELPED? DO NOT MISS THE NEXT ONE

Get notification as soon as I know. If you follow me on Twitter, LinkedIn, or Facebook, you got the warnings I did about rate increases coming and it would have given you some time to decide if you wanted to act before the rates changed, whether to renegotiate your mortgage early, get a rate hold

because you are shopping or get the refinancing in now for a project you are planning in the near future.

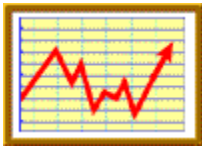
The average person does not have that advantage unless they are keen watchers of the markets.

Get the advantage.

Contact me if you want to learn which deal is right for you and then get the best rate. I will give you the information you need, there is no pressure, mortgages are a big financial decision and you have to be able to sleep, so making the right choice is key.

*Other things remain the same*

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?



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.*

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#10259



**"It was one of those March days when the sun shines hot and the wind blows cold: when it is summer in the**

light, and winter in the shade."

~

Charles Dickens

## NEWS ITEMS

The newspapers have some great pieces that really can help consumers make some better informed choices. The Toronto Star has moneyville.ca and the Globe and Mail has a great Personal Finance section both of these are in the papers and online. There are many other sources out there including Yahoo Canada Finance CMHC and others, so if you want to do a little research before talking to others do not forget to check out these and other sites.

If you ever thought you might retire in the US, read this.

## **Thinking of a little cross-border real estate shopping?**

By Preet Banerjee | Updated 2 March 2011  
Globe and Mail

The loonie is above parity with the U.S. greenback, and U.S. real estate is under water. You wouldn't be the first person to think a due-diligence trip is in order to snap up properties costing as low as half their pre-meltdown price.

But before booking your flight, take a look at the tax implications.

"It's important for the Canadian to have a clear understanding of what their overall objective for buying the property is," says Terry Ritchie, a financial planner with Transition Financial Advisors Group, and co-author of *The Canadian Snowbird of America*. His firm specializes in cross-border financial planning.

If the property is being used for personal reasons, there are generally no annual U.S. or Canadian income-tax implications until the real estate is sold or rented out.

Tax reporting kicks in when the property is used for investment purposes. Landlords must file a U.S. income-tax return every year and can deduct any reasonable expenses from the rent they receive, says Mr. Ritchie. If you and your spouse are joint owners, then you

both must file a return by June 15 of the year following the rental activity.

You'll also have to think about the cost of depreciation on the property, which is mandatory under U.S. tax laws. "In many cases, when depreciation is factored against the other expenses, most Canadians might see a net loss for U.S. tax purposes," Mr. Ritchie says. Loss or not, you still have to file a return.

Once you sell your real estate, you may also have to file a state tax return, depending on where it is. You could also face a 10 per cent federal withholding tax on the proceeds, though that may be reduced. You can claim a reduction or an elimination of the tax entirely, for example, if you sold at a loss. You'd have to file separate forms to get that money back from the government.

And it doesn't end there: Your estate may also need to pay U.S. estate taxes. However, most of us won't have to worry too much about this as it generally only applies if your worldwide estate is over \$5-million individually or \$10-million as a couple.

Mr. Ritchie's last bit of advice is to "make hay while the sun shines."

The loonie is rising. As of noon yesterday, it was worth about \$1.03 U.S., its highest position in three years.

The combination of a high loonie and low real estate prices might be as good as it gets, so seize the opportunity now and avoid the temptation to speculate on future currency and real estate price moves.

But I caution you to find a professional well versed in cross-border real estate investments or you could find your sunny southern investment parade being rained on by the tax and administrative headaches.

U.S. prices, then and now

Median market value for a home in four U.S. markets adjusted to Canadian dollars:

Fort Lauderdale

Dec. 1, 2006: \$399,451

Dec. 1, 2010: \$172,500

New York City

Dec. 1, 2006: \$553,966

Dec. 1, 2010: \$457,178

Upper West Side, New York

Dec. 1, 2006: \$1,081,606

Dec. 1, 2010: \$917,098

San Francisco

Dec. 1, 2006: \$901,911

Dec. 1, 2010: \$680,788

Seattle

Dec. 1, 2006: \$516,195

Dec. 1, 2010: \$349,690

Sources: Zillow.com, Bank of Canada

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**CMHC Housing market Outlook and other reports available through CMHC or selected items through**

<http://www.great-mortgage-rates.ca/link.html>

**Or contact me for ideas about where to get information**

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**Bank of Canada**

**The last announcement 1 March did not see any changes in the rate.**

**Bank of Canada maintains overnight rate target at 1 per cent**

OTTAWA - The Bank of Canada today announced that it is maintaining its target for the overnight rate at 1 per cent. The Bank Rate is correspondingly 1 1/4 per cent and the deposit rate is 3/4 per cent.

The global economic recovery is proceeding broadly in line with the Bank's projection in its January Monetary Policy Report (MPR),

although risks remain elevated. U.S. activity is solidifying and remains supported by stimulative fiscal and monetary policies. Ongoing challenges associated with sovereign and bank balance sheets will limit the pace of the European recovery and are a significant source of uncertainty to the global outlook. Robust demand from emerging-market economies is driving the underlying strength in commodity prices, which could be further reinforced temporarily by supply shocks arising from recent geopolitical events.

The recovery in Canada is proceeding slightly faster than expected, and there is more evidence of the anticipated rebalancing of demand. While consumption growth remains strong, there are signs that household spending is moving more in line with the growth in household incomes. Business investment continues to expand rapidly as companies take advantage of stimulative financial conditions and respond to competitive imperatives. There is early evidence of a recovery in net exports, supported by stronger U.S. activity and global demand for commodities. However, the export sector continues to face considerable challenges from the cumulative effects of the persistent strength in the Canadian dollar and Canada's poor relative productivity performance.

While global inflationary pressures are rising, inflation in Canada has been consistent with the Bank's expectations. Underlying pressures affecting prices remain subdued, reflecting the considerable slack in the economy.

Reflecting all of these factors, the Bank has decided to maintain the target for the overnight rate at 1 per cent. This leaves considerable monetary stimulus in place, consistent with achieving the 2 per cent inflation target in an environment of significant excess supply in Canada. Any further reduction in monetary policy stimulus would need to be carefully considered.

**The next announcement will be**

**12 April 2011 - Interest Rate announcement**

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Working with people everyday on some of the biggest financial decisions they will make means listening and trying to understand goals and objectives. My goal is to give the advice that best suits those objectives. I provide context for the advice and provide options for clients to choose from, in the end the goal is a happy client.

Save time

Get options

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,

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**Special  
Gift  
Offer**

Gift certificates to RONA or Canadian Tire for all loans that close.

Offer Expires: Something is always on the table

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