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# MortgageFocus Update

Issue: 23

November 2008



Dear Andrea,

No doubt now, winter is here. North of Toronto apparently got enough snow to go skiing, so that makes it official.

The trends I am noticing of late is the the obsession many people have with minding their budget. People are taking a step back and rethinking everything in light of the financial markets and their own industries and work/employment prospects. People that are ready to buy are taking their time to find the right place, and trying to work out whether they can go in low and still get the deal. The Banks are getting tougher with mortgages for people on the borderline, and self-employed people are not getting the same level of credit they did 9 months ago.

I am also getting asked a lot about rates, surprise surprise. Well these days it is anyone's guess, but the 5 year fixed rates have been inching down a bit, but more on this later.

What I do notice is that despite the global doom and gloom the economists continue to say that although Canada is being hurt by all the chaos, our "sound fiscal management" over the last several years has made a real difference, as has our regulatory environment and basic instinct as Canadians, for the most part, not to get to crazy with debt. Now some would argue we paid a heavy health care and infrastructure cost by not spending before, but one could also argue that if a government wants to create jobs and stimulate the economy that infrastructure is a good way to do it. Will they? To be determined, the current minority party is certainly taking a much different stance than one would have thought from their election pronouncements, but the future will tell.

Do I know what will come, no, only what I read, but life carries on and people will move, renew mortgages, buy cars and cottages, go on holiday and refinance their homes to do renovations. In other words, in some form or another, scaled back or otherwise, the world has not changed so much and life does not continue.

Plan to Enjoy it!

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# Refinancing - Pros/Cons and What can it do for me?

**Things to think about and why it may be a good idea for some people**

## **OK, Bad News First**



The downsides to refinancing:

1. There will be new legal costs as a new mortgage amount needs to be registered
2. Depending on your current mortgage, there will probably be a penalty. The standard penalty is about 3 months interest equivalent. The exception to this is if you are lucky enough to be in an open mortgage product or your mortgage is up for renewal anyway.
3. Depending on the deal you got the last time, your interest rate may go up a bit, or if you are lucky, it will drop.
4. There is paperwork to do and decisions to be made, so it takes time and serious thought and budget planning on your part, though I can help a bit with the numbers, the final decision of whether you can make it work is up to you.

That is not so bad when you get down to it..

## **NOW, The Good News**

### **Why Refinance**

- The usual suspect is that credit card or other debts that cost more, 12-24%, instead of the +/- 5% on the mortgage. It is a big cost savings for a lot of people and depending on the level of debt is well worth the above costs, these can sometimes be repaid within months.
- Want to buy a boat? If you have ever tried to get a boat loan you know it can be tough, plus the rates are not always as good, if you have equity in your home it can be an easier solution for many
- Need money for children's education, or other expenses that currently are outside your cash flow's ability. Or you do not want to cash out investments that have gone down in recent markets.
- Home Renovations - this is the biggest reason for a large number of people and here is why.

### **Home Renovations vs. Buying a new house.**

#### **Is it just a matter of space?**

The cost of moving to a new house involves selling yours, which incurs legal fees, realtor fees, and buying a new home incurring land transfer taxes, moving costs, and probably some renos when you move in, or at the very least paint.

If you like your neighbourhood then moving can sometimes take you further from where you want to be, unless you are lucky enough to get the bigger house down the street.

Renovating a house you have lived in for a while means you can fix the flaws, leverage the good stuff and add the one thing that made you think you needed to move. Depending on what that is, it can be a lot less than

the move, or even if it is the same, or a bit more, you get what you want instead of maybe needing to change something at the next place, where there is no guarantee there are not other issues to deal with. Working with what you know can be better than the surprises at the other end.

## Refinancing

Refinancing can be done at any time, you do not need to wait for the renewal date, although if the renewal is coming up it is the best time to do it as it saves you the 3 month interest penalty.

It is easy and most lenders are happy to take over an existing mortgage, especially for renovations as you are increasing the value of the property, and as a current mortgage holder you have a track record of managing the payments.

If your credit is impaired then the world is getting a little harder for you. A number of lenders have left this side of the business which means the lenders that are still willing to lend to poor credit borrowers are charging more, and being really fussy about which properties they will lend against. For example being in Windsor right now with poor credit may mean you are at risk of losing your home. If it is a matter of survival it may be worth it, but if you have dropped your score below 550, watch out, and focus, focus, focus on getting the debts paid and making the minimum payments, at the very least, so you can get that score up again.

**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**

OK ,now some firms that had the worst exposure have now disappeared, or will soon, and regulators are letting firms with a reasonably solid footing buy up companies in trouble that would have violated anti-competitive rules only a year ago. Desperate times call for desperate measures and the governments have to spread the cost and the risk beyond their own holdings, but at least actions are being taken to make sure things do not get worse.

On the plus side all of this means that there is some liquidity coming back into the market, but by no means are we out of the woods. The pundits are calling for the Bank of Canada rate to drop again in December. The banks may be slow to make the change, but it does mean that people with variable rate products could see some serious savings. If you keep up your existing payments you can make some significant inroads into principle repayment. Also, with the stock markets still on a roller-

coaster ride it is better place for your money than the mattress and it will make life easier in the long run.

The hope that developing nations such as China and India would keep the world out of trouble are not quite working out. It would seem American consumerism is too big an engine to replace overnight, but the new norm may protect us from similar problems in the future as people and companies realign themselves.

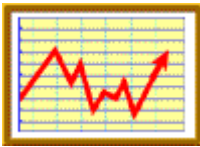
NOW for the **BIG DEALS**. For those of you who own, or can afford to own 20% or more of your home and want to go **variable** there is still one deal out there at **PRIME (4% today)**, it does not get any better.

The other deals that are happening are in the shorter term products, the traditional 5 year is coming down, but the a **1 year at 4.35%** or a **4 year at 4.99%**, are looking very enticing to most of my clients, because there is a good chance that next year rates will be lower again, and that it will be quite a while before they go up in a significant fashion.

Posted **5 year rates** are still around 7.20%. 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 5.99% and 5.55%**.

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 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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## Energy and persistence conquer all things. Benjamin Franklin

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)  
WEB: [www.great-mortgage-rates.ca](http://www.great-mortgage-rates.ca)

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