



FSCO # 10259

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The Finance Minister has announced that effective March 18, 2011, there will be new mortgage rules aimed to reduce the amount of outstanding Canadian Household debt and help maintain the long-term stability of Canada's Housing market. The changes will reduce Mortgage Amortizations from 35 years to 30 years, and limit the amount of equity a person can withdraw from their property from 90% to 85%. The Harper Government feels this will be a step in the right direction, especially when interest rates start to rise back to their pre-emergency levels.

There's no doubt that Canada's personal debt risk has increased. Overall credit levels have climbed faster than income and most agree it was wise for the government to step in and shield the economy from the minority of over-borrowers. Unfortunately, the government may have performed this debt surgery with a butcher's knife instead of a scalpel. Contrary to popular belief, not everyone is buying boats and big screen TVs with their home equity. Strong, responsible borrowers have started to use longer amortizations to maximize cash flow for legitimate reasons. Qualified self-employed or commissioned salespeople for example, can see large but normal swings in monthly earnings. 35-year amortizations lower their payments so they can save and weather slower periods. Others rely on extended amortizations to allocate monthly income to better non-debt uses, like topping up various investments and the like.

How will this affect the majority of existing clients who are carrying unsecured credit card or LOC debt? While reining in higher-risk borrowers, today's changes effectively removes choice from the majority of highly-qualified home owners including Canadians with excellent credit scores, solid employment, and reasonable debt ratios (i.e. minimal default risks). After March 18, you will not be able to access as much of your homes equity as easily as before. If you are one of the vast majority of clients who have unsecured debt as well as a mortgage, there now exists a small window of opportunity for you to commit to doing a financial check-up and review your current mortgage situation prior to these new rules coming into force.

Let's take some time to review your Financial Well-Being, and possibly lower your interest rate by consolidating debts and reduce your monthly carrying costs so any additional money can go towards retiring your mortgage sooner.

