

CONTACT

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First, we hope that everyone is safe and sound during this time of uncertainty. From our team's perspective, we are all healthy, safe, and working hard to ensure that everyone continues to receive the high quality uninterrupted service that we take pride in. With that in mind, we wanted to take a moment to review a critical mortgage update regarding changes in the market and how these may impact agents and/or their clients. The team here at Outline Financial are available to discuss these details with you at any time.

1. Bank of Canada –
1% Reduction, Likely More on the Way.

Fixed Rates in Canada – Why Are They Starting to
Go Up When Everything Else is Going Down?

2.

I am Locked Into an Existing Mortgage Contract,
Can I Take Advantage of Low Rates Right Now?

3. Mortgage Payment Relief – Struggling to
Make Your Mortgage Payment? You May
Have Options.

Down Payment Confirmation & Mortgage
Qualification – Critical Items to Consider:

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5. Law Firm (Closing Your Purchase) - What If I Am
Not Able to Meet with My Lawyer in Person to
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Appraisals – How Will This Market Impact
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Proposed Revisions to Stress Test Cancelled.

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CRITICAL MORTGAGE/REAL ESTATE UPDATES TO KEEP IN MIND:

Bank of Canada – 1% Reduction, Likely More on the Way

- The Bank of Canada reduced their key interest rate by 50 bps (0.5%) on March 4th and a further 50 bps (0.5%) reduction was announced on March 13th. The banks passed on the full reduction which reduced the prime rate from 3.95% to 2.95%. This will mean immediate relief for Line of Credit and Variable Rate Mortgage holders. (Note: the current overnight rate in Canada is now 0.75%).
- On Sunday March 15th, the US announced an emergency overnight target rate cut of 100 bps (1.0%) moving their target rate to a range of 0% to 0.25%. This will put pressure on the Bank of Canada to lower their rate further in the coming months. That said, there is no guarantee that the banks will pass the reduction on to the consumers as there are many factors at play.

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Fixed Rates in Canada – Why Are They Starting to Go Up When Everything Else is Going Down?

- Typically, when we see an unexpected decrease in the Bank of Canada rate, we will see an accompanying decrease in fixed rate mortgages. While fixed rates dropped to all-time lows a few weeks ago, rates are starting to creep up given lenders' growing concern about liquidity in the market and consumer default on debt repayment. While the government is doing it all it can to ensure liquidity remains in the market, there will definitely be some bumps on the road ahead. Over the short term we could see fixed rates continue to increase, a reduction in the discounts offered to new clients on variable rate mortgages, and possibly even an increase/reprice on existing lines of credit.



I am Locked Into an Existing Mortgage Contract, Can I Take Advantage of Low Rates Right Now?

- We have had a number of scenarios recently where existing clients are able to capitalize on current rate environment and where interest rate savings are much greater than costs of breaking the existing mortgage. Please do not hesitate to reach out to us to discuss your situation! Hopefully this will provide some offset to the losses experienced in the stock market.

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Mortgage Payment Relief – Struggling to Make Your Mortgage Payment? You May Have Options:

- Mortgage insurers including CMHC and Genworth are working on a number of tools meant to relieve some of the stress for clients in financial hardship. This applies to clients who purchased their home and paid mortgage default insurance. Some of the options that may be available include: deferral of mortgage payments; re-amortization of the loan/mortgage; capitalization of outstanding interest arrears and other eligible expenses; and special payment arrangements.
- We are also hearing from all banks and other lenders that they are also working on ways to assist clients who may not qualify for the above relief from insurers. Banks want to do everything in their power to allow Canadians to stay in their homes and ride out the storm. While more details will follow over next few days, we already know that banks are allowing clients in hardship to capitalize some mortgage payments where they don't have to pay monthly installment and interest is added back to the loan.



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Down Payment Confirmation & Mortgage Qualification – Critical Items to Consider:

- **Down Payment Confirmation:** With the stock markets dropping close to 30% in a matter of weeks, people may find that the down payment they thought they had access to in their registered (for first time home buyers) or non-registered accounts may be significantly lower. If you have already purchased a home, please make sure to review your current investment statement to ensure sufficient funds for closing including estimated closing costs. For those that are looking to purchase, we are on standby to help you assess how a reduction in your savings may impact your purchase options. Let's all hope the market comes roaring back, but it is always best to be prepared for any outcome.
- **Impact of Taking on Additional Debt:** In this time of hardship, many people may be forced to draw on secured or unsecured lines of credit, credit cards, etc. If you are looking to refinance or purchase, drawing additional debt can have a significant impact on your affordability. For a conservative rule of thumb, \$590 of additional monthly debt expense equates to \$100,000 of mortgage qualification (i.e., for monthly credit card debt, a lender will use 0.03 times (x) the credit card balance, for a car lease they will use the actual payment amount, etc.). For a detailed analysis or to set up a plan, please contact us at any time.
- **Impact of Reduced Income and/or Rental Revenue:** In these challenging times, you may be faced with a change in circumstances such as job loss, lower wages, additional debt, or reduced rental income. We have a number of tools that we can use to help you model out the impact of these changes whether you are looking to close an existing purchase, purchase a new property, or refinance. Please call or email us to discuss.

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Law Firm (Closing Your Purchase) - What If I Am Not Able to Meet with My Lawyer in Person to Sign Mortgage or Purchase Closing Documents?

- We are finding that most lawyers and lenders are making accommodation for remote signing. Clients are able to sign documents electronically while reviewing information on a video conference with the lawyer. Please speak to your lawyer specifically on what is possible in your case.



Appraisals – How Will This Market Impact Purchase and/or Refinance Appraisals?

- If you have a deal in place that is pending closing and subject to a satisfactory appraisal, it is our recommendation that you proceed with the appraisal as soon as possible. There are two main concerns here:
 1. Ability of the appraiser to safely go and inspect the property. We have already had some feedback with appraisers rejecting orders where the home is occupied by people who have travelled within the last 14 days and are self-isolating.
 2. Change in home prices: If we do experience a slow down or change in the market and you wait a couple of months for the appraisal of the property which you bought today, it can definitely impact what the appraiser can/will use as comparables for your property valuation. That being said, every case is different so always check with your mortgage professional for their advice with your specific circumstances.

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Proposed Revisions to Stress Test Cancelled

- On February 18th, we wrote an article about the proposed changes to the stress test:
www.outline.ca/stress-test-on-the-move-facts-vs-fiction

On March 13th, the government announced that they are suspending this change. This effectively means that people will still need to qualify for their mortgage based on the average (mode) of the Big Six Banks 5-year fixed posted rate, which at the time of writing this email is 5.19%.

In addition of the announcement about suspending the stress test change, the government also rolled out a number of initiatives to help the banks continue to lend during this unprecedented period of uncertainty. A brief and good article about this can be found at the following:
<https://betterdwelling.com/canadian-bank-regulator-halts-stress-test-changes-and-dividend-hikes/>





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The logo for Outline Financial. It features the word "outline" in a bold, lowercase sans-serif font, with a blue circular graphic element to its left. Below "outline" is the word "FINANCIAL" in a smaller, uppercase sans-serif font.