

Brad Brain: Homeowners, and those who want to be, take note

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Brad Brain: "COVID-19 has had such an impact on us, but it has also created some opportunities. In all the attention that is given to COVID-19, do not overlook the obvious opportunity. Lower interest rates may mean that you can reduce your mortgage costs."

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COVID-19 has affected how we do so many things. Obviously, it affects how we meet, how we eat, where we go, and what we do.

But it also has a big impact of some things that might not be top of mind until we stop to think about them. Like how do you buy a house in the middle of a pandemic? Or, how do the historic low interest rates affect those that already have a mortgage?

Recently I was talking with my friend Rob Macdonald. Rob is a veteran mortgage broker and partner in DLC Pilot Mortgage Group out of Vancouver. The DLC Pilot Mortgage Group has been serving clients for over 30 years and has funded over \$2 billion in mortgages

I asked Rob how COVID-19 has changed the way that people are able to get financing to buy a home.

He says, "There is no question that COVID-19 has had extensive effects on every industry, and that is the same for the mortgage industry. During the quarantine, there was a definite negative shift in the real estate market. In most markets, we saw a decrease in the number of listings, and therefore the numbers of sales were down. While at the same time, we did see a steady flow of clients looking to refinance their mortgage and take advantage of historically low rates. As our province pulled out of the quarantine, the markets bounced back with vengeance and now we are seeing above normal activity in mortgage applications.

"In regard to lending guidelines, we did see some significant shifts in policies with some lenders that we work with. There was an obvious tightening around income confirmation. Lenders will not be willing to approve applications where clients had received any benefits like the CERB, or emergency loans from the Federal Government. Full verification of income was done upfront, prior to an approval being granted.

"For self employed borrowers, we are required to provide evidence that there was little or no negative affect on 2020 income versus the previous year's income. Self employed income was verified by bank statements and/or interim financial statements.

"On a positive note, the mortgage industry had to implement several improvements to their process to manage workflow. Previously we still had several lenders that would not accept electronic signatures.

"Now clients are able to arrange a new mortgage, right from the application and through to the registration and funding, on a 100% virtual basis. Lawyers are permitted to witness signatures through virtual conference, and even appraisals can be completed without the appraiser setting foot in your home."

One thing that I have noticed in my financial planning practice is the opportunity that these low interest rates present. I asked Rob about what this ultra-low interest rate environment means for people who already have a mortgage.

Rob says, "Right at the onset of COVID-19, the Bank of Canada made three unprecedented emergency moves with the overnight rate in Canada. This reduced the prime rate from 3.95%, down to 2.45%, a level that we have not seen since 2009. At the same time, the uncertainty with the stock markets across the globe caused the fixed rates to also drop to unprecedented low levels. Five year fixed rates are now below 2.5%, with high ratio rates pushing the 2% level.

"While many homeowners were content with their interest rates around 3%, there is now a huge opportunity to refinance your current mortgage and save thousands of dollars in the remaining years of your term. In most cases, the penalty can be capitalized into the new mortgage, and your savings starts to accumulate. Many clients are improving their interest rates by over half of a percent. The amount of savings will depend on the amount of your mortgage, the time left in the term, and the amount of your penalty with your current lender. With some basic information about your mortgage, a mortgage professional can review your mortgage and identify any potential savings you may have."

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