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Wishing you and your family a Happy Holiday Season and a wonderful 2019

Why Less Down Payment Can Lead To A Better Interest Rate



The days of assuming low mortgage debt loads means less of a credit risk to the lenders and banks are in the past. Banks and lenders now consider those with less of a down payment and who have obtained mortgage default insurance (through CMHC, Genworth, or Canada Guarantee) to be the prime lending candidates.

This means that if a borrower puts down less than 20% down payment and therefore pays the default insurance premium to have their mortgage insured against default for the lender, they are willing to, then in turn, provide a lower interest rate to the client. Conversely, those who obtain a mortgage with no default insurance, and therefore no mortgage default protection for the lenders, receive a higher interest rate.

With the rule changes to the mortgage market that started in 2016, there are now 3 levels of mortgages: insured, insurable, and uninsured.

An insured mortgage follows the subsequent guidelines- home value under \$1 million, less than 20% down-payment, a maximum amortization of 25 years, and is not a single unit rental property. In this category, the borrower pays the insurance premium which is added on to the mortgage amount and amortized over the duration of the mortgage.

The next category is known as insurable mortgage. It follows similar guidelines to insured mortgages in that the home value cannot exceed \$1 million and a maximum amortization of 25 years. However, in this category, the borrower has more than 20% down payment and the property can be a rental with 2-4 units. In this scenario, the lender pays the insurance on your behalf and therefore your rate is higher than the previous scenario of borrower paid insured mortgages.

The last category is an uninsurable mortgage. This is a mortgage with a home valued over \$1 million, an amortization of 30 years, a mortgage that is (or has been) refinanced, and single unit rentals. This is the highest rate category as the lender is not able to obtain the insurance.

This results in those who have less than 20% down payment receiving the best interest rates. This is reverse way of thinking from the traditional mortgage rate scenarios which rewarded borrowers with more equity and down-payment better interest rates as they were seen as less of a credit risk. In today's market, less risk means having default insurance or the ability to insure the mortgage.

OTTAWA: ONE OF CANADA'S REAL ESTATE ANOMALIES

Members of the Ottawa Real Estate Board (OREB) sold 1,165 residential properties in November 2018 compared with 1,232 in November 2017, a decrease of 5.4%.

"Even though home sales are down this month compared to a year ago, this is simply a reflection of the lack of inventory that we have been experiencing all year. Unit sales would have been higher if only we had the selection and supply," states OREB's President. "Every REALTOR® I know has active buyers waiting for an opportunity, but many potential Sellers are in the same situation – and have no option but to stay put," he adds.

"Condominium sales continued to lead the way in November which included a higher average price percentage increase than single-family residential sales this month," he adds. "Robust sales over the last two years have stabilized the oversupply that previously existed in our condo market. Given that the rental market is as tight as it is, the condo market is not necessarily being driven by lifestyle choice but more often is purely about fulfilling accommodation needs."

"When you look at what's happening in real estate markets across Canada, Ottawa's market performance is the polar opposite. Our market fundamentals are very strong, and we have experienced steady growth for many years, and indeed decades."

The average sale price of a residential-class property sold in November in the Ottawa area was \$429,039, an increase of 2.6 % over November 2017. The average sale price for a condominium-class property was \$285,764, an increase of 11.1 % from November 2017.

"With our average home prices lower than the national average and our high employment levels, there is no doubt that Ottawa is one of our country's most ideal locations to live, work, play, and raise your family."

Call today for real estate advice and information!

FUN CHRISTMAS FACTS



Rudolph the Red-Nosed Reindeer was invented by Montgomery Ward copywriter Robert L. May in 1939, as a way to lure customers into the store.



Alabama was the first state to declare Christmas an official holiday, in 1836. It wasn't declare a national holiday in the United States until 1870.



Children in **Brazil** often receive gifts from the Magi on Three Kings Day, or Epiphany, as well as from Papai Noel on Christmas Eve. With no use for chimneys in the tropical climate, they believe Papai Noel enters via the front door, and travels



In **Austria**, farmers traditionally chalk the initials of the Three Wise Men on the archway above stable doors.

via helicopter rather than a reindeer-drawn sleigh.



In the **Czech Republic**, Santa doesn't come on Christmas but on St. Nicholas Eve, which is December 5. That night, Czech children are excited to watch for Svatý Mikuláš (as he's known in the local language) to show up. He normally arrives accompanied by one or more



Puritan **Oliver Cromwell** made Christmas illegal in England from 1647-1660, claiming it was immoral to hold a celebration on one of the year's holiest days.

angels and one or more devils. He asks the kids if they've been good all year and also asks them to sing a song or recite a poem, then gives them a basket of presents, often containing chocolate and fruit. If they've been naughty, the devil might give them a lump of coal. As in the Netherlands and other European countries, St Nicholas' Day is a separate holiday from Christmas. Christmas cards, which originated in England, were first sent in the 1840s.



Nova Scotia leads the world in exporting three things: lobster, wild blueberries, and Christmas trees.



Russia was never really big on Christmas customs during the Soviet era. Nowadays, their version of Santa Claus is known as Ded Moroz (Grandfather Frost). He delivers presents to children a midnight on New Year's Eve with the help of his



In January of 2003, after a decree of authorization by President Hosni Mubarak, Christmas was observed as a national holiday in **Egypt**. This marked the first time in the nation's modern history that a

Christian holy day was formally recognized by the Egyptian government.

granddaughter, the Snow Maiden.

