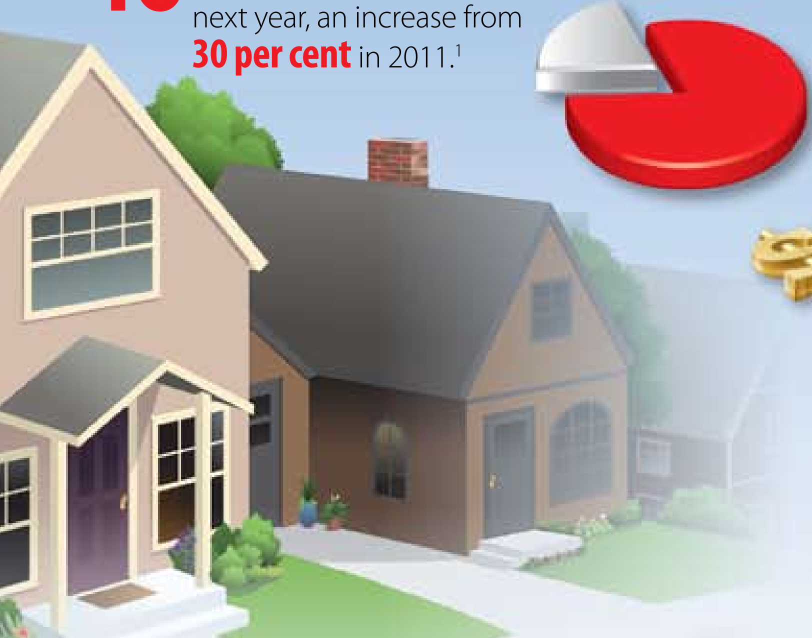
What Will 2013 Hold for Mortgages?

Last year was an eventful year for the mortgage industry in Canada. When the Canadian government revised mortgage regulations in July, many potential homebuyers and experts began to speculate about the impact of these changes on the housing market. Over the past few years buyers have enjoyed historically low interest rates on mortgages for longer borrowing terms. The new regulations shortened the maximum amortization period for mortgages to 25 years. What will 2013 hold for mortgages? We'll have to wait to find out for sure, but for now here are a few predictions.

PEOPLE EXPECT RATES TO STAY THE SAME IN 2013…

46 per cent of Canadians feel that mortgage rates will stay the same next year, an increase from **30 per cent** in 2011.[1]



HOWEVER, INTEREST RATES WILL STILL BE NEAR HISTORIC LOWS.

Interest rates, particularly fixed rates on **5- and 10-year mortgages**, are at record lows.[3]

Discounted mortgage rates have fallen more than **5 percentage** points in the last 20 years.[4]

BUT RATES MAY RISE SLIGHTLY.

According to the Canada Mortgage and Housing Corporation, rates may begin to rise moderately in early 2013, with the five-year posted mortgage rate of between **5.1 per cent** to **5.9 per cent**.[2]

The Bank of Canada is expected to keep its key interest rate at one per cent until July 2013. The Central Bank's key rate influences mortgage and other interest rates.[3]

THE INTEREST RATE OUTLOOK DEPENDS ON INTERNATIONAL INFLUENCES.

A recovering U.S. economy combined with increased household debt and tightened mortgage rules creates a more conservative economic outlook in Canada.

Sources: 1. Royal Bank of Canada, April 5, 2012
2. CMHC
3. Financial Post, July 3, 2012
4. Globe and Mail, May 24, 2012

Want a clearer picture of our local mortgage market? Contact me today for more information.