

Is Your Variable Rate Mortgage Still Working for You?

We've all seen the [interest rate increases](#) in the news. The Bank of Canada has raised its overnight benchmark rate three times over the past twelve months to the current 1.75%, and analysts predict there may be more hikes to come. If you have a variable rate mortgage or line of credit, you may have already noticed the impact the rising rates make to your monthly payment.

What is the prime rate and why should you care?

 The [prime rate](#) lets financial institutions know how much it will cost them to borrow money, and it's set by the Bank of Canada, based on the benchmark rate. Financial institutions in turn use the prime rate to set their own interest rates for variable rate loans and lines of credit, often prime plus one percent. When the prime rate goes up or down, your mortgage rate will go up or down by the same amount—and today that means the direction is up.

For example, if you have our Primeline (line of credit attached to your mortgage), 16 months ago the prime rate was 2.7%, so your interest rate was 3.7%. The current prime rate is 3.95%, so the interest rate on a Primeline product is 4.95%. The difference can make a significant dent in your pocketbook.

Is there anything you can do?

Yes! This is a great time to pay down any variable rate debt you have. It's also worth your while to talk to an expert about your options to reduce your risk of not being able to afford your monthly payments. A customizable and flexible product like our CreditMaster® mortgage allows you to have a combination of fixed and variable rate products. You can also convert one large product to two or three smaller products that total the same amount, just for the cost of a \$50 title search.

How does CreditMaster® help?

Our experts can help you offset the risk of a variable rate mortgage. Imagine you have our Primeline line of credit attached to a variable rate CreditMaster® mortgage of \$195,000. After sitting down to do an assessment of your risk tolerance with one of our experts, you may want to do something like move \$100,000 to a fixed rate mortgage for five years, minimizing risk exposure.

Donna Davis, Assistant Manager, Lending Services at our Ryan Road Community Branch has this advice:

"Don't wait, explore your options now. The prime rate has increased by 1.25% in just over a year, and I don't think we've seen the end of it. Come in and talk to us sooner rather than later so we can help keep your finances on track."

