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Mortgage Specialist Says Low Interest Rates Come at High Cost

04:00 EST Friday, December 12, 2008

VANCOUVER, Dec. 12 /CNW/ - Canadian homeowners being lured in by low interest rates could end up paying more in the long run, specialists say. Earlier this week Canadian homeowners rejoiced as interest rates plummeted to a 50-year record low. While the rates are good for the interim, mortgage specialists say taking a variable rate today comes with a higher level of risk than in the past.

"If prime goes back to what we have seen only a year and a half ago, many homeowners in closed variable mortgages at today's prime-plus rates will be in a vulnerable position. What was once prime minus 9/10th of a percent is now prime plus 6/10th at a minimum," said Mike Averbach, of Averbach Mortgages. "We recommend seeking out the best possible fixed rate mortgages available instead. This will help save homeowners money long term."

The prime rate has dropped 1.5 percent over the last three months, tempting many homeowners to choose variable mortgages, but Averbach encourages homebuyers to first consider all their options. Options such as open variable rate mortgages, one-year fixed terms, or a low five-year fixed term should also be considered and can currently be found at less than 5 percent.

"It's important to talk to your mortgage specialist and ensure the plan you choose fits you as a person," advises Averbach. "Make sure the lender they are working with guarantees the best fixed rate upon conversion from a variable if and when that time comes to lock in."

For additional tips or mortgage advice visit: www.averbachmortgages.com.

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