

B.C.'s Plummeting Home Values Affect Eligibility for Lower Interest Rates

19:37 EST Tuesday, February 24, 2009

VANCOUVER, Feb. 24 /CNW/ - With interest rates at an all time low, mortgage brokers are being inundated with calls from optimistic homeowners looking to refinance at lower rates. Unfortunately a 10 to 15 per cent plunge in B.C.'s real estate market over the past year means refinancing to take advantage of lower interest rates is impossible for some. A recent study by independent broker firm Averbach Mortgages found only two out of 10 clients actually qualified for refinancing.

"If you purchased your property with 10 per cent down or less in the last couple of years, you're out of luck," said Mike Averbach with Averbach Mortgages. "Every day we are contacted by homeowners who want to take advantage of the lower rates. What they need to consider is how much they owe on their mortgage and what is their current home value?"

A combination of decreasing home values and over financing has left many homeowners in a position of negative equity, making them ineligible for lower interest rates. Homeowners who purchased with 15 per cent down or more could still be eligible for the lower rates, but Averbach cautions them to look into the cost benefit. Legal fees and penalties for breaking mortgage agreements can outweigh the benefit of switching to a lower interest rate.

"There's no point in getting our clients all excited about greater savings when in fact it can cost them more to break their current terms," he explained. "A good broker should be able to suggest what is the most equitable in each situation."

Vancouver homeowners interested in refinancing, should contact their current lender to find out if they are eligible for the lower rates and if refinancing will result in savings.

For more information, visit: www.averbachmortgages.com

For further information: Mike Averbach: mike@averbachmortgages.com or (604) 710-2550; Justin Blacklock: justin@averbachmortgages.com or (604) 707-6339