SPRING 2024

alterna savings

ADVICE FOR LIFE

Market Watch:
Interest rates, inflation
& the housing market

Navigating the
homebuying market

Turn your home
equity into cash

PLUS MAKE YOUR HOME OWNERSHIP DREAMS A REALITY

HELLO!

Interest rates, inflation & the housing market

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MARKET WATCH

On March 6, the Bank of Canada (BoC) held its policy interest rate at 5%,[1] the same level it's been since July 12, 2023. The next interest rate announcement is scheduled for April 10.

According to the BoC,[2] its Governing Council members were especially concerned that shelter price inflation, which includes mortgage interest, rent and other housing-related costs, continues to keep overall inflation levels above target, even as other inflationary pressures in the Canadian economy gradually ease.

In February, inflation rose 2.8% in Canada on a year-over-year basis, down slightly from January's 2.9% gain. The prices for groceries and cellular/internet services declined, while the cost of gasoline and travel tours moved higher in February.[3]

In Canada, home sales declined 3.1% month-over-month in February (but were up 19.7% year-over-year). While sales have recently dipped, overall home prices in Canada were essentially unchanged following five consecutive months of declines. The number of new listings rose 1.6% on a month-over-month basis.[4]

Canadian stocks posted a small gain in January and Canadian bonds were modestly lower, as there wasn't much macroeconomic or market news to move the performance needle. With investors increasingly believing that the economy may achieve a "soft landing" with no recession, markets seemed ready to move higher.

In early February, markets reversed course as interest rates appeared poised to stay higher for longer, which would negatively impact borrowers. However, favourable economic data released during the month helped allay these concerns. Markets recovered and ended February in positive territory.

1. https://www.bankofcanada.ca/core-functions/monetary-policy/key-interest-rate/
2. https://www.bankofcanada.ca/2024/02/summary-governing-council-deliberations-fixed-announcement-date-january-24-2024/
3. https://www150.statcan.gc.ca/n1/daily-quotidien/240319/dq240319a-eng.htm
4. https://stats.crea.ca/en-CA/

FACT vs FICTION

Here are three common misconceptions about the mortgage process:

1. You should find a home before applying for a mortgage.

No, getting a pre-approved mortgage is usually better. A mortgage pre-approval is the first big step on your path to homeownership, locking in an interest rate for a specific period while letting you know the size of mortgage you may take out. See how much home you can afford.

2. A pre-approval means the loan is guaranteed.

There's still financial paperwork to address after pre-approval. Once you're pre-approved, lenders will go into more detail to verify your sources of income, debt obligations and employment letters.

3. You can't qualify without perfect credit.

Having good credit is valuable, but your debt-to-income ratio, employment history and income all factor into the mortgage approval process. A lower credit score isn't always a dealbreaker. Find ways to boost your credit score.

WEBINARS

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Navigating the **homebuying market.**

Spring is finally here, which means the "homebuying season" is underway. With the global pandemic, soaring inflation, rising interest rates and the threat of recession, it's been a tough few years for prospective homebuyers.

As well, existing homeowners whose last mortgage term was set when interest rates hovered at all-time lows, are in for a shock when it's time to renew. Their mortgage payments will likely be much higher, which could strain already-tight family finances. If your mortgage is up for renewal, consider working with an Alterna Mortgage Specialist to determine which term best matches your life and financial circumstances. Given that you'll probably need to set aside more money now to cover your mortgage payments, a Mortgage Specialist can help you save better while also working toward your longer-term goals.

Mortgage shopping

Let's get back to the prospective buyer. If you're looking to purchase a home and are overwhelmed by high mortgage rates, don't be discouraged. After all, your home is a long-term investment – with emphasis on "investment." Sure, a home is your sanctuary, somewhere you can lay down roots and make lasting memories.

But it's also a huge financial commitment that you hope will ultimately pay off. Historically, the real estate market has helped people grow wealth as the value of property tends to rise over time. It won't always rise in a straight line (if at all), since the economy and other factors will impact real estate values. However, while not guaranteed, it's generally reasonable to expect your home to gain in value over the long haul, so don't let currently high mortgage rates dissuade you.

Also keep in mind that interest rates may have peaked for this economic cycle, and that central banks have indicated mortgage rates could begin moving lower as 2024 unfolds. It's valuable to get a pre-approved mortgage as you start the homebuying process, since it'll hold your mortgage rate for a period of time (often 90 to 120 days, but it could vary). If rates do decline, lenders will typically honour that lower rate at the time of your mortgage application. As with any major purchase, shop around to find the lender that offers the best rate for the term you're seeking, and a guarantee period that matches your homebuying timeline. Your Alterna Mortgage Specialist can offer the personalized advice you need. Using a reputable lender may help you enjoy greater peace of mind throughout the mortgage process.

Protect your home and mortgage

Just as life insurance can protect your family in case something happens to you, consider creditor insurance for your mortgage. If the unexpected happens (e.g., critical illness, job loss, disability) and you have trouble meeting your expenses, creditor insurance will cover some or all of your insured mortgage payments. Maintaining your mortgage payments not only helps you continue moving toward full ownership of your home, but it also helps protect your credit rating and future borrowing power.

Meet a MORTGAGE SPECIALIST

At Alterna, we care about finding the right financial solution that meets your unique needs. We offer competitive rates, pressure-free transparent advice and caring service. **Get advice**

QUICK FACT

Because of factors like higher interest rates, multigenerational homebuying is on the rise. According to Statistics Canada, multigenerational households have increased by 50% since 2021.[1] Learn more about Multi-Ownership Mortgages.

1. https://www150.statcan.gc.ca/t1/tbl1/en/tv.action?pid=9810013401

What if?

You could turn your home equity into cash to help manage the rising cost of living, refurbish your home or pay down debt?

It's not wishful thinking. "Reverse mortgages" have been around for decades, allowing homeowners aged 55+ to access the equity built in their principal residences (i.e., home equity is the difference between your property's current market value and the current unpaid balance of your mortgage). Through the partnership between Alterna Savings and Equitable Bank, our members may gain financial flexibility that other types of home equity loans can't provide.

Mortgages typically involve payments to make, but that's where the "reverse" part comes into play. A reverse mortgage lets you borrow up to 59% of your home's value (minimum property value of $250,000) with no mortgage payments – and you'll still own your home.

With a reverse mortgage, you can stay in your home while boosting your retirement income, covering health-related expenses or reducing debt. You're free to do what you wish with the money.

Find out if a reverse mortgage might suit your needs and circumstances. Your Alterna Mortgage Specialist can help you decide.

Did you know?

Making your home ownership dreams a reality doesn't have to be difficult. The first important step is setting aside enough money for your downpayment. A larger downpayment means a smaller mortgage, which may result in less mortgage interest you'll need to pay.

In addition to whatever savings you've accumulated, you can bolster your downpayment with one or more of the following three registered vehicles:

1. Tax-Free First Home Savings Account. This recently introduced account helps first-time homebuyers save up to $40,000 for the purchase of a home. Contributions are tax deductible and any withdrawals (including investment growth) made to buy your home are not taxable. Learn about the **FHSA**.

2. Home Buyers' Plan. First-time homebuyers may withdraw up to $35,000 from their RRSP to purchase their principal residence in Canada. You'll need to repay the borrowed amount to your RRSP within 15 years, according to the specified schedule. Learn about the **HBP**.

3. Tax-Free Savings Account. To build a bigger downpayment, you may withdraw funds from this account without needing to pay tax on it. Later (but not in the same calendar year), if you have the money and contribution room available, you can recontribute the withdrawn amount. Learn about the **TFSA**.

These accounts can help you start your home ownership plan today. Reach out to an **Alterna Mortgage Specialist** to see which accounts are suitable for your circumstances.

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Book an appointment today: **1.877.560.0100**
or find out more at: **alterna.ca**

The best advice starts with a conversation. Alterna Mortgage Specialists are highly qualified.

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