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Find your perfect
mortgage option



Should I refinance?
The benefits of
changing things up

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MORTGAGES

Deciding whether or not to refinance

■ **Question:** What options do homeowners have when it comes to their mortgages?

■ **Answer:** Borrowers may find themselves in better standing after making a few tweaks to their finances.

When it comes to life, sometimes things don't go quite as planned.

Structuring a mortgage, in some ways, requires you to look into that crystal ball and hope future ambitions for your house fit in line with your mortgage contract. That said, the lending system isn't so unforgiving that it won't offer a few checks and balances to help protect your home's equity. That's where refinancing and renewing your mortgage come in.

David Stafford, managing director of real estate secured lending for Scotiabank, notes that people often focus on rates and neglect to consider the time commitments.

"Life events rarely happen at five year intervals," says Stafford. "Whether it's refinancing or renewal people should ask themselves more often—how long do I want to do this?"

He says people often lean towards a five-year term but if they're planning on going through life changes within three years, then naturally a three-year mortgage makes more sense.

"It's a term loan and generally speaking both sides are locked in," says Stafford, pointing out that "the lender has less opportunity than the borrower in most cases" to adjust the terms of the mortgage.

Why refinance?

So once you're in, you're in—right? Well, not necessarily. In most cases, mortgages offer an exit strategy, but it might cost you. One might break their mortgage for a number of reasons.

According to a survey released by the Canadian Association of Accredited

Mortgage Professionals (CAAMP) in May, "Thirty four percent of those who most recently renewed or renegotiated their mortgages did so before their term expired. The average time to pay off a mortgage is 7.4 years less than the original amortization."

Feisal Panjwani, accredited mortgage professional for **Invis—Feisal and Associates**, points out that people break their mortgages for several reasons.

"In the market we're in right now, the most common would be to get a better rate," says Panjwani. "But it's important for the borrower to be left in a better place by breaking the current mortgage."

Another common reason Panjwani comes across is homeowners looking to consolidate their debt.

"(When) rolling debt into your mortgage, likely the interest will be a bit lower," says Panjwani of the consolidated debt.

But he says one of the most common reasons

people refinance is to gain funds for home renovations.

CAAMP's survey also showed signs of this trend: "Equity takeouts amount to \$26 billion annually, with most funds used for renovations (\$9.4 billion), followed by investments (\$5.0 billion)."

Consider the variables

Regardless of your reasoning, most in the industry over a resounding "weigh your options."

"Don't focus on the rate all the time," says Panjwani. "It's not always the most important factor in a mortgage. Refinancing in the name of a lower rate or "no frills" mortgage can leave a borrower trapped in mortgage with few options.

You never know, something like portability might be more important than you think if you decide to skip out on the bustle of the city and head up the coast.

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