

Examining Home Mortgage Refinancing Options a Summer Priority For Canadians

Canadians looking at their home mortgage refinancing options should note a sea change in emphasis in the Bank of Canada's policy focus that is affecting, and will in all likelihood continue to affect, Canadian mortgage markets. Well, perhaps not a sea change, but there has been a decided shift in emphasis amongst Canada's central bankers from spurring the economy through the use of rate cuts, back to keeping a wary eye on inflation.

The Bank of Canada ended a series of six consecutive cuts to its main interest rate on June 10th when it elected to leave its overnight lending rate at its current 3.0%. (The Bank of Canada's main rate is the interest rate it charges banks, credit unions and other financial institutions to borrow money for short periods. Banks and other financial institutions peg their prime lending rates on variable rate mortgages to the Bank of Canada's main rate, while the market for Government of Canada bonds – which also fluctuates in response to where the Bank of Canada sets its main rate – tends to set the price for variable rate mortgages.) Recent comments by top officials at Canada's central bank indicate that the Bank of Canada's concern has shifted from stimulating the economy to ensuring that inflation in the Canadian economy stays within the central bank's projections for 2008 and into 2009. Currently Canada's inflation rate is skirting the top of that projected range.

Bank of Canada Governor, Mark Carney, commented on the potential inflationary threat to Canada's economy from spiking energy and commodity prices in an interview with Montreal's *La Presse* newspaper at the beginning of June. Gov. Carney's comments presaged comments by U.S. Federal Reserve Chairman, Ben Bernanke, speaking from a meeting of the G7's central bankers in Spain about rising energy and commodity prices and the threat that rising inflation posed to an already slumping U.S. economy.

Despite such fair warnings, most industry analysts were caught by surprise on June 10th when the Bank of Canada opted not lower its main rate for a seventh time, as most industry insiders had expected. In the press release that accompanied the Bank of Canada's announcement that it would not further adjust its main rate, the reasons cited for the Bank of Canada's decision to stand pat were, not surprisingly, higher than expected global growth (despite U.S. market woes) and higher than expected commodity prices. This, at a time when world oil prices were setting daily records on their, as yet, unabated climb.

On July 15th, the Bank of Canada reconvenes to once again examine and perhaps reset its main lending rate. Home owners in Canada with a mortgage renewal decision to make should keep this in mind when considering the most recent comments coming from top Bank of Canada officials.

In a June 19th speech to a Calgary conference on *Commodities, the Economy and Money*, Gov. Carney observed that "the best contribution that the Bank of Canada can make to help all Canadians reap the benefits of the current commodities boom is to remain focused on achieving its inflation target." Similarly, the Bank of Canada's Deputy Governor, Sheryl Kennedy, in a June 23rd speech on "Real Estate, Mortgages and Monetary Policy" presented to the Investment Industry Association of Canada continued to hammer home the Bank of Canada's mounting concerns about inflation. "The aim of monetary policy in Canada is to keep inflation low, stable and predictable, close to our 2 per cent target for total CPI," Ms. Kennedy noted.

The most recent numbers from Statistics Canada, released June 19th, show that the consumer price index rose 2.2% in May, principally driven by a 15% rise in gasoline prices. As spiraling gas prices trickle through the economy, hiking prices for food and nearly every other item that is transported by truck, it seems likely that inflation will remain above the Bank of Canada's 2.0% target, putting pressure on them to raise their main rate.

The best advice for Canadians who are examining their home mortgage refinancing options is to speak to their mortgage broker or a mortgage advisor at their bank or credit union *before* mid-July when the Bank of Canada reconvenes to consider its lending rate. Given that inflation remains above the Bank of Canada's target and there appears to be mounting inflationary pressure because of rising gasoline and other commodity prices, it seems unlikely rates are going down in the near term. It seems more likely, rather, given the recent comments from Mr. Carney and Ms. Kennedy, that interest rates could be going up by mid-summer, making *now* the time for Canadians to examine their home mortgage refinancing options.

About the Author

If you are a homeowner in Canada with a home renewal decision to make and are considering your [home mortgage refinancing options](#), visit CanadianMortgagesInc.ca for more information from a Canadian [mortgage broker](#), or call 1-888-465-1432 for a no-fee consultation with an experienced broker agent.

Source: www.isnare.com

Source: <http://articles.exospy.com>