

*Housing resales rocket in July!
Record 18.2% jump*

What is the difference between ARM & VRM?

Adjustable Rate Mortgages (ARM) change when Prime changes. This can be as much as eight times per year -- when the Bank of Canada makes its scheduled announcements. Depending on the Bank's decision, your monthly mortgage payments can increase, decrease or remain the same.

Variable Rate Mortgages (VRM) are still reliant on Prime but, depending on the lender, your monthly payment will not change as the prime rate changes. Your contribution to principle and interest will change. If the prime rate is reduced, your contribution to principle will increase.



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THE MORTGAGE *Review*

MORE GOOD NEWS!

Canada's housing market boomed in July as low interest rates and improving economic confidence sent sales of existing homes to a record for the month, despite generally weak economic conditions.

The remarkable turnaround from an almost frozen market at the start of the year has economists stunned, and while they predict activity will level out soon, the risk is continued low interest rates begin to stoke a house price bubble.

"We can't rule it out," Douglas Porter, the deputy chief economist at BMO Capital Markets, said of the possibility of a bubble. But he said the scenario was hard to fathom given the underlying weakness in the economy.

Even so, that weakness to date has not prevented a strong rebound in the existing housing market, which declined steadily throughout 2008 and hit a decade low in January.

Home resales increased by 18.2% in July compared with a year earlier, to reach 50,270 units -- the highest July sales result on record, Canadian Real Estate Association figures showed yesterday. At this pace, the housing market is on track to be even hotter than it was in 2007, which was a record year. Seasonally adjusted sales have risen for six straight months to be up 61.2% since January and are now just 1.4% below the peak in May 2007.

But despite the spectacular gain, the level of activity in the first seven months of this year remains 6% lower than in 2008 when activity had already begun to decline. Mr. Porter said some of the rise in the

month was a result of sales that had been held back from the start of the year because of the weak market conditions.

But homebuyers have swarmed back into the market because of low interest rates and more affordable house prices.

"Homebuyers recognize that interest rates and prices have bottomed out, and are taking advantage of excellent affordability before prices and interest rates move higher," said Dale Ripplinger, the president of CREA.

A five-year fixed-rate mortgage, the most popular product among consumers, is still available for under 4% at some financial institutions. Variable-rate mortgages, tied to prime, remain in the 3% range.

Peter Thompson, National Post

