



2012 World Outlook Conference

Dustan Woodhouse - AMP



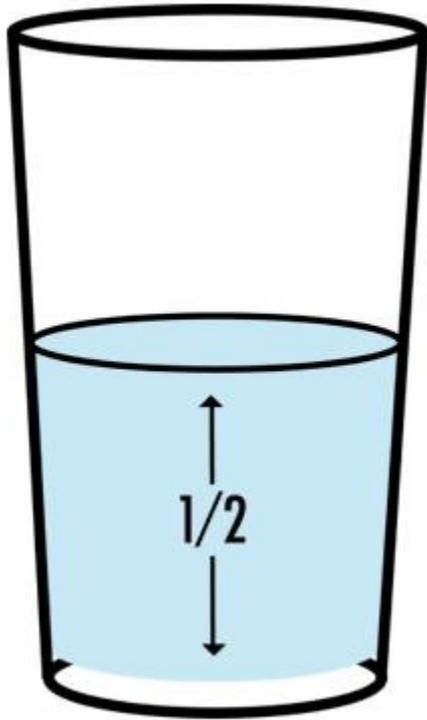
Dustan Woodhouse - AMP



- *My Goal during this presentation;*
- *For you to gain a better understanding as to;*
- Interest rates
 - Fixed vs. Variable
 - Impact of Prepayment Penalties
 - Outlook 2012 and beyond
- The fact that lending restrictions are going to continue to tighten and why that is. (are we headed the same route as the US?)
- Free & Clear? Why you may **want** a mortgage in your life.
- Options, Options, and more Options...



What am I about...



The highway of life...



Signs along the way...



Signs along the way...



DOMINION LENDING

CENTRES



Signs along the way...



powered by



A sign I was not expecting...



The start of perfect day for me...



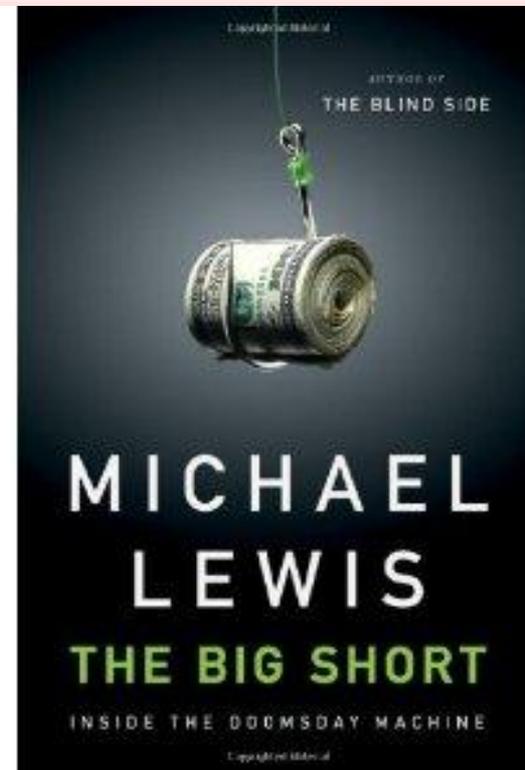
..at the end of the day.



The News Headlines...



Read books, not headlines...



United States



United States



United States



United States



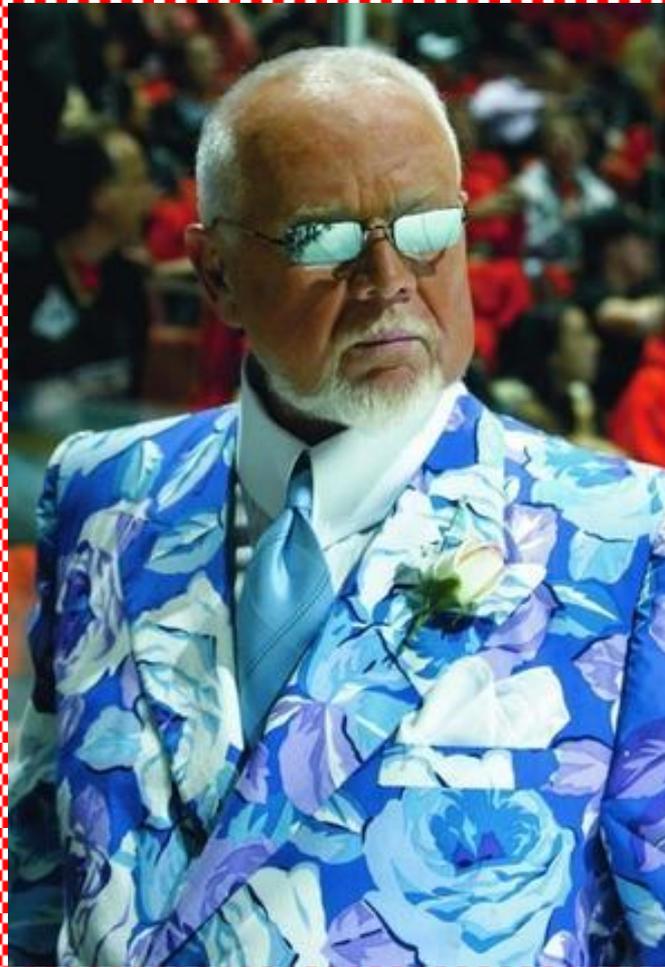
United States



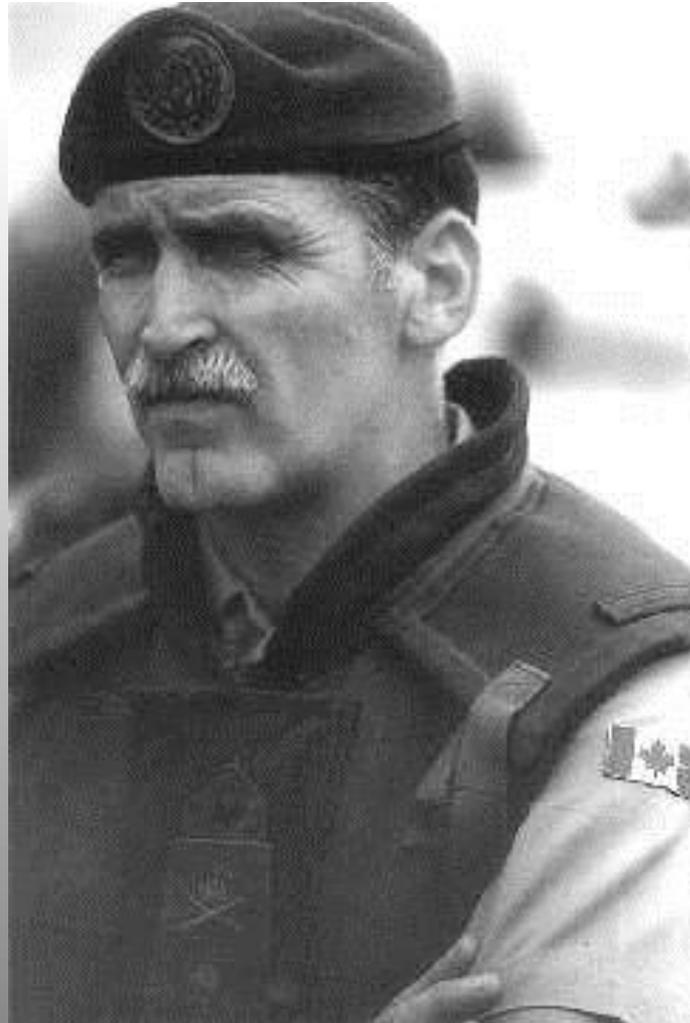
What about Canada?



Canada



Canada



Canada



Canada



Canada



Canada



- Benjamin Tal
- Deputy Chief Economist of CIBC World markets Inc.
- My Rock Star.



Canada by the #'s

- 39.2% of Canadian Homeowners are 'mortgage' free.
- The remaining 2 out of 3 homeowners with a mortgage...
- ...have a balance of \$151,630
- Average amortisation; 25 years
- At the other end of the scale >2% of CDN's have negative Equity.



Alberta (in June)



Alberta



Alberta, Calgary & Edmonton

- 33% of Homeowners in Calgary are mortgage free.
- 40% of Edmonton Homeowners mortgage free.
- The average Albertan Mortgage Balance is \$220,721.00



British Columbia (in June)



Vancouver

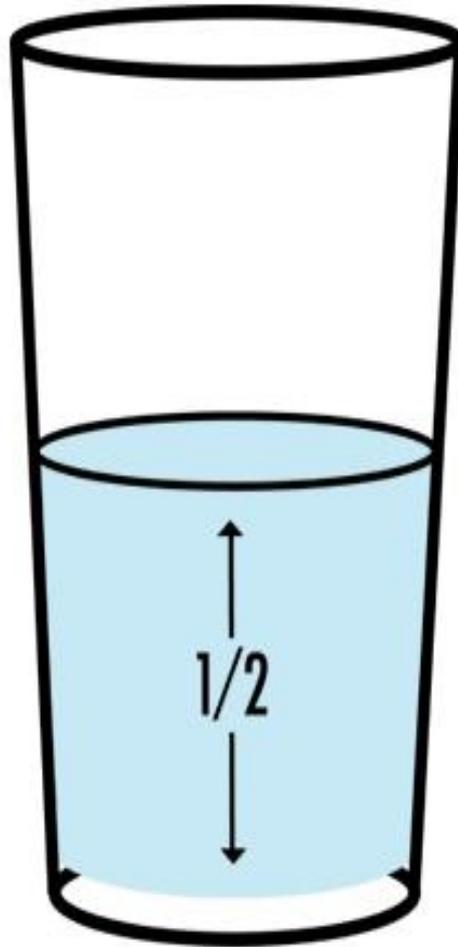


British Columbia

- 47% of Vancouver Homeowners mortgage free.
- 42% of Victoria Homeowners mortgage free.
- The average British Columbian Mortgage Balance is \$237,209.63



Sounds pretty good so far...



Interest Rates...

- Is that glass still half full?
- What moves mortgage rates...
- ...it depends on whether we are talking fixed or variable mortgages.



Variable Rate Mortgages (VRM)

- VRM Rates are dictated by Prime.
- Prime is set through monetary policy by the Bank of Canada. (BOC)
- The BOC's mandate is to keep inflation within 1% +/- of the target 2% rate.
- Ultimately the BOC largely follows the lead of the US Fed.



Fixed Mortgage Rates

- Fixed Mortgage rates are dictated by a mix of both Bond yields and the spreads that the banks determine over said yields.
- Even though fixed rates have never been lower, the spreads have never been higher.
- When the current strong flow of Capital to Canada slows (supply) we will see rates rise to attract more (demand) – and at that point fixed rates will rise.
- Although Banks can push spreads even higher if they feel the market will bear it.



Conflicting Headlines

- Rates are Up...
- Rates are Down...
- Do I go fixed or do I go variable?
- A key factor...
- Prepayment penalties.



Variable Rate prepayment.

- Prepayment Penalties are the #1 reason at least half of my clients choose a variable rate mortgage over a fixed rate mortgage.
- In a closed VRM the prepayment penalty is (99% of the time) only ever 3 months interest.
- Typically the penalty amounts to less than 1% of the mortgage balance.
- Never an Interest Rate Differential (IRD)



Fixed Rate prepayment. (IRD)

- An interest rate differential penalty is calculated a variety of ways by a variety of lenders.
- As of late, in many cases they account for about 3-4% of the total mortgage balance.
- 60% of Fixed rate mortgages are broken prematurely, often with an IRD penalty.
- Mortgages that have been written over the past few years, at historic lows, are in fact triggering IRD penalties 2-3 years later.
- The same could well occur over the coming few years.



Fixed Rate product... so inviting



Behind the curtain...



Everything is cool...



..until it is not.



Where did I sign up for this?



Now what?



Moving Forward...

- ***Engage an Expert.*** (or in this case perhaps a time machine)
- Plan ahead with your mortgage advisor.
- Specifically ask them what they have done with their own personal residential and investment mortgage(s) and ***why.***
- Recognise that with an average .85% margin on Variable rate product and a 2.00%+ premium on Fixed rate product your bank may have some bias.

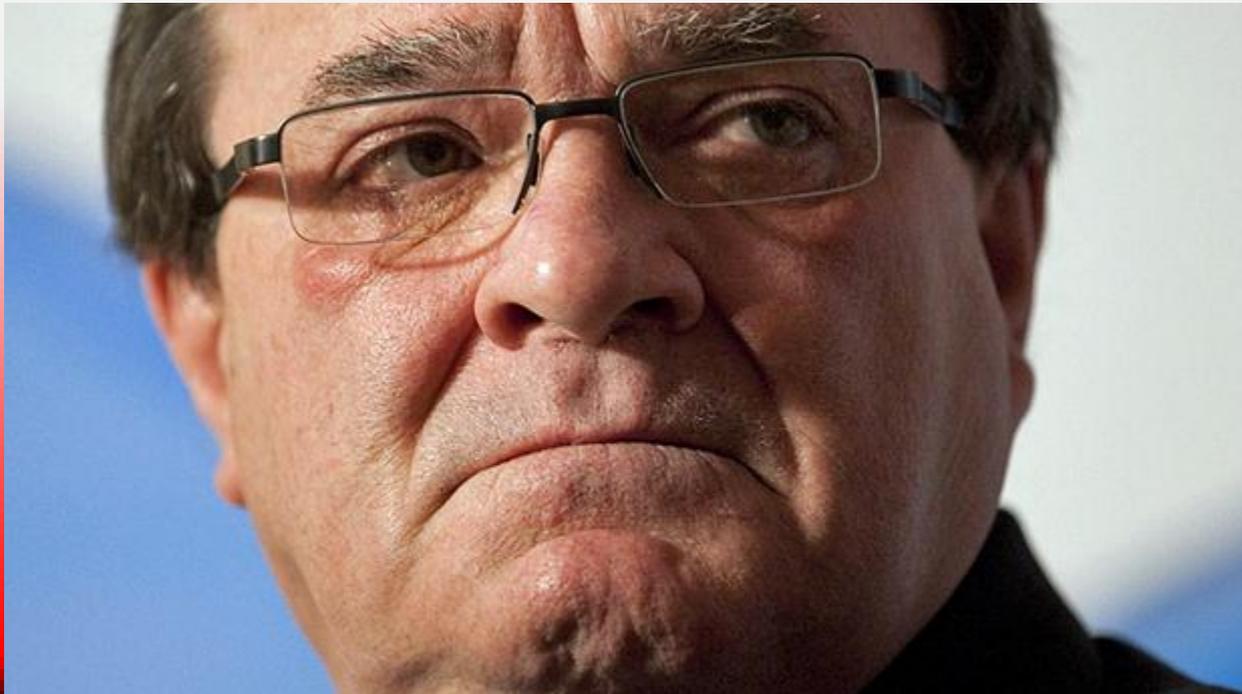


But what should I do today;

- General Terms.
- in a variable at Prime minus on your residence, with a reasonably 'low' mortgage? Most likely you should stay there****.
- Have the option to renew, refinance, or lock in investment properties at 2.79-2.99% or better? Seriously consider this, after you ***engage an expert***.
- The cost of money is unlikely to change significantly anytime soon. However the ease with which you are able to access that money likely will, and not in a good way.



What is on this mans mind...



Limited access to cash money.

PRE 2008



THE FUTURE...IS NOW



Perception of RISK...

- Since July of 2008 we have seen an almost annual tightening of lending guidelines from the Federal Government
- Yet current arrears in Canada are at 0.38%!



2012 - Still more Risk????

- Expect lending guidelines to get tighter!
- Expect entire lending programs to vanish.

- Further reduction in Max Amortisation
- Increased Equity requirements
- Increased Liquidity requirements
- Documents, Documents, and still more Documents,
- a hair sample...



Why are 'we' still worried?

One little quote from the OFSI that was teased out of a report and turned into a Bloomberg news story regarding CDN NIQ (*No Income Qualifier*) Mortgages.

"have some similarities to non-prime loans in the U.S. retail lending market,"



'Similarities'

USA NIQ OR 'NINJA' LOANS

- **No** income confirmation.
- **No** proof of 'Business for Self'.
- **No** Proof of liquid Assets.
- **No** down payment.

- *No problem...*

- ****46% of US lending at peak.*

CDN NIQ MORTGAGES

- **Proof** of no taxes owing to CRA.
- **Proof** of Business for self.
- **Proof** of liquid assets***.
- **Proof** of down payment from own resources, 90 days History and no 'gifts'.
- **Excellent Credit.**
- Minimum 10% down for insured, however Chartered bank minimums are 35% down.
- Less than 5% of CDN lending.

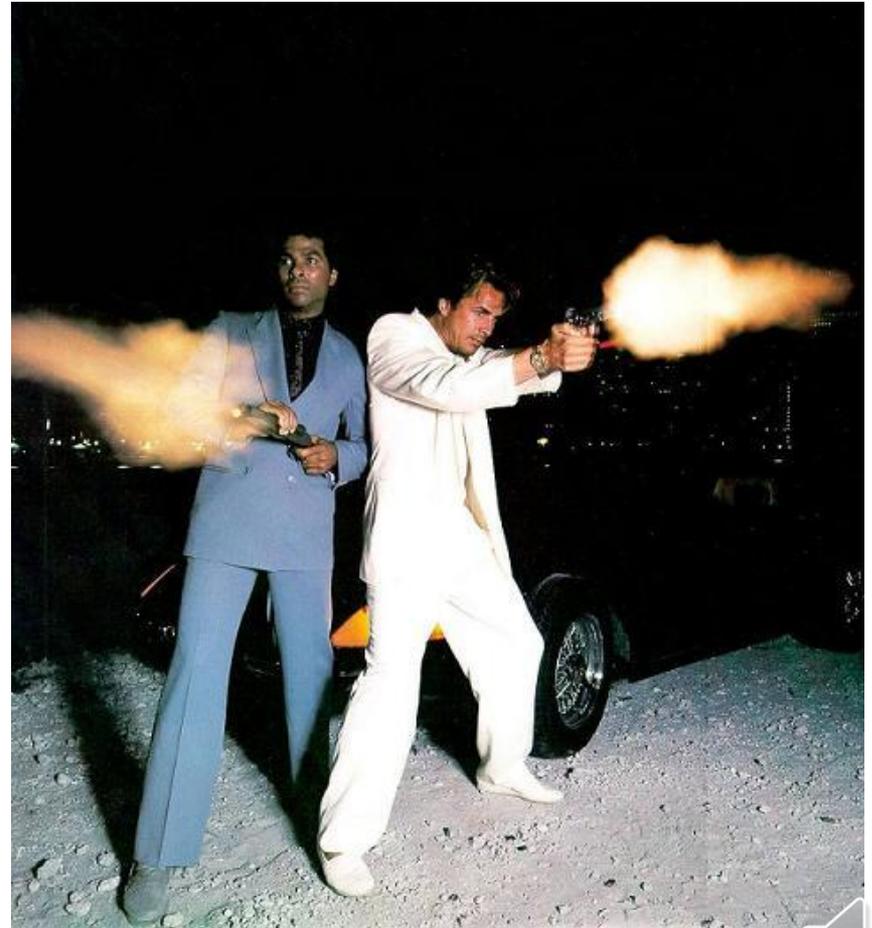


'Similarities'



The Vice closes tighter...

- *Money has never been cheaper...*
- *...but it has never been tougher to access.*
- *It will get tougher still.*



Too conservative?

- Indeed we CDN's are very conservative. Keep that in mind when you are listening to the news, the news I told you to stop tuning in for.
- Most of us are all pretty similarly programmed.
- For all the talk about crazy Vancouver prices, half of us here do not even have a mortgage.
- The Albertans are working towards the same.



My main concern.



Home Equity Line of Credit (HELOC)

- Am I suggesting that you retire with debt?
- My suggestion that *you not be mortgage free when you retire* is a play on words. i.e. a HELOC is technically a 'mortgage'.
- I am suggesting you set up a **HELOC**. (that you may never access)



Why a HELOC?

- Create options for tomorrow;
 - With today's low rates
 - Utilise lending programs that may not exist in 5 years....or 5 days.
 - 'Bubble' house prices????
 - Your current Employment/Business position
 - To Create Options for your family.
 - position yourself to help your kids with a down payment – not to have to co-sign their entire mortgage. i.e. help out all three kids, not just your favourite.
 - The 50K proof of 'liquid assets' rule.
 - Write an all cash offer on a new property without have to have sold your current one. (downsizing...maybe)



HELOC stats

- 25% of HELOC's in Canada have a Zero balance.
- 79% of Canadians with a HELOC said they were quite confident of their level of knowledge about the product.
- Yet when quizzed further;
 - Only 55% had reviewed the loan documents with a loan officer
 - 11% admitted they didn't even read the documents
 - Only 12% consulted with a lawyer prior to inking the arrangement.



HELOC

- There are a wide variety of features, benefits and ***key distinctions*** between various lenders products.
 - There is typically no set up or annual cost for my clients.
 - The National Bank HELOC affords you up to 99 independent accounts.
 - Some lenders HELOC products restrict the offerings within.
 - Options, Options and more Options to be navigated.

Engage an Expert to find the Right HELOC



Banking in 2012 and beyond.

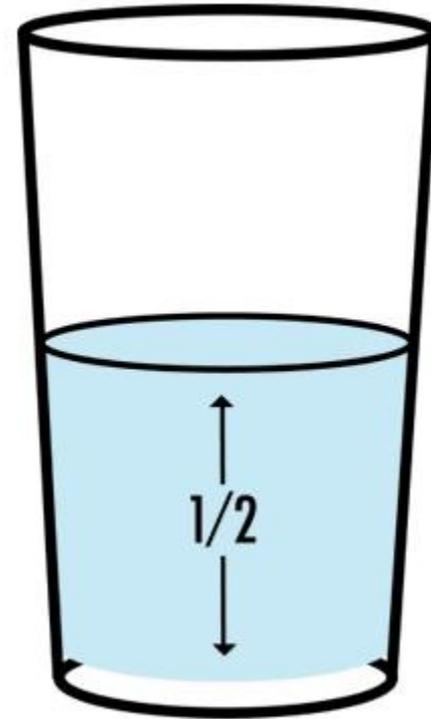
- Gone are the days of a 'special' relationship with your branch manager. That person has been downsized, moved laterally, or sent to the US to run the expansion there.
- In the banking world there is a growing shortage of experienced quality staff.
- The concept of having a relationship with your bank is history, and if you still have some semblance of one, soon it will likely be gone.
- **Engage an Independent Expert.**



Maybe one who looks like this...



Or perhaps this...



Final thoughts...

- Am I here to push debt on you? No.
- I am here to get you asking questions, lots of questions. Hopefully of the right people.
- Access to capital is a low priority when you need none, and it can become an impossible task to access it when you do need it.
- Change is the only Constant in life.
- I am not the final word on any of this, I am just a part of your balanced approach.



www.enRICHedAcademy.com

ORDER NOW

\$149.95
+
Shipping



Dare to Care

WWW.DARETOCARE.CA

DWAYNE PEACE



Conclusion.

- I try to *engage experts* wherever I can;
 - A professional accountant
 - The Pool chemical guy
- ...even hanging Christmas lights



Thank you!

Dustan Woodhouse

Accredited Mortgage Professional

www.ourmortgageexpert.com

dustan@ourmortgageexpert.com

Phone: 604-351-1253

Fax: 1-877-797-8692



powered by



Consumer Debt.

FROZEN?



THE TRAP REMAINS SPRUNG!



With the banks profiting at the rate that they do on these products...

CREDIT CARD DEBT

- \$27,000.00 @ 19% yields ~\$411.50 per month in interest.
- The bank has their principal back in 6 years, and from their forward it is all gravy...
- For the remaining 121 years it takes to pay that balance off via the minimum payment.

MORTGAGE DEBT

- \$166,175.00 @ 2.99% yields ~\$411.50 per month in interest.
- It is 19 years before the bank gets back its principal which is earning the same as 27K over in the credit card division.
- The Bank is paid off in full over 30 years, 23 if we are dealing with the typical CDN.