

Coast Capital Savings mortgage offers unique set of options

Product lets homeowners miss a payment or pay off larger amounts

By James Kwantes, Vancouver Sun November 10, 2010

Coast Capital Savings is upping the ante in the competition for mortgages in B.C., with a flexible mortgage that blends variable and fixed rates.

The credit union, B.C.'s second largest, is also letting homeowners prepay up to 30 per cent of the principal annually and skip one monthly payment a year, no questions asked. The latter feature applies only to mortgages in good standing, said Lawrie Ferguson, chief marketing officer with Coast Capital.

"We wanted to give people a little bit of room here," Ferguson said. "Life goes on, and once in a while people need a break because of things that happen."

The "user-friendly" product brings Coast Capital's focus on innovation into the residential mortgage space, Ferguson said, citing the firm's introduction of Canada's first no-fee chequing account.

"While we thought we had competitive mortgage products, we didn't feel we had something truly different and innovative," she said.

The credit union's mortgage book is \$6 billion, or 60 per cent of total assets of \$10 billion, said Norm Krannitz, vice-president, treasury.

The blended half-and-half rate, priced at the mid-point between current variable and fixed rates, lets homeowners hedge their bets on the direction of the prime rate.

For example, instead of a five-year fixed rate of 3.45 per cent or a five-year variable rate of 2.2 per cent, the half-and-half rate is 2.8 per cent, splitting the difference. If the prime rate goes up by one percentage point during the five-year term, the half-and-half rate would increase by half a percentage point.

On prepayments, the big Canadian banks have annual limits ranging from 10 to 20 per cent of the original mortgage principal. Customers who find that they need the money after making an extra payment on the mortgage can withdraw a minimum \$500 without laborious approvals or extra fees. Other financial institutions either charge a fee or require a much higher minimum withdrawal.

Feisal Panjwani, senior mortgage consultant with Invis-Feisal & Associates in Cloverdale, said the simplicity of the blended rate and the flexibility of the prepayment option are good features.

"I really like the idea that they're thinking out of the box," said Panjwani, who deals with more than 40 lenders including Coast Capital.

He expects the move will lead to other lenders' introducing mortgages with more flexible terms.

Coast Capital sent out 30 butlers into the streets of Vancouver and Victoria Tuesday morning to launch its "You're the Boss Mortgage," touted as the most flexible in Canada.

Thirty-eight per cent of B.C. residents have a residential mortgage, and the average outstanding mortgage amount is \$187,000 compared with \$143,600 nationally, according to a report by the Canadian Association of Accredited Mortgage Professionals. Eighteen per cent of Canadian borrowers take equity out of their home annually, and the average amount withdrawn is \$46,000.

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