



Fixed or variable? Mortgage advice ahead of expected rate hike

Expert says there is no right or wrong answer

Tamara Slobogean May 19, 2010 09:00:04 AM

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VANCOUVER(NEWS1130) - Whether you are picking out the perfect property or just trying to maximize your dollar ahead of expected hike in interest rates next month, you'll have to decide on fixed or variable.

Senior Mortgage Consultant Feisal Panjwani with Invis in Cloverdale, says the big question over the last six to eight months has been "fixed or variable?" He says there's no real right or wrong answer. It depends on your situation and your tolerance for risk. He says those with good equity can generally tolerate risk better.

Panjwani says in that time, the majority of first time buyers have opted for historically low fixed rates.

Three weeks ago, we saw fixed rates go from around 3.79 per cent to around 4.39 per cent because of the interest in fixed rates. With the anticipated rise in the variable rates around the beginning of June, those with pre-approved rates, locked in, are now frantically looking to find a property and close on it, before the rate hold expires.

In his office, Panjwani says of those with pre-approvals in the last 30 to 90 days, who are actively looking, many are saying there's not enough to choose from. They're still anxious to find and buy, to take advantage of the rates they have. He expects they'll see a surge of activity and a spike in completions before the end of July. After that, Panjwani figures things could take a bit of a summer holiday before the action resumes in the fall.

Panjwani says the majority of people have been expecting rates to rise. Most economists are expecting between now and the end of this year, the prime rate will rise by up to 1.25 per cent and by the end of 2011, they expect a total increase from today of three per cent. That would mean anyone on a variable, will start to see their rates increase and most of them have expected it.