

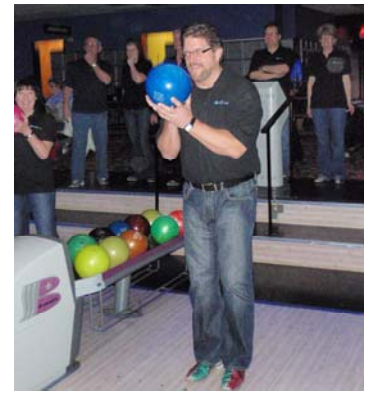


# Universal Mortgage Architects

The Greg Nowik Team

Sharing your mortgage moments

Summer 2009



## Is it time for an Economic Turn-Around?

After the financial crash that occurred in October of 2008, "Black October", our economy has seen many changes. A recent Globe and Mail article stated that "the global economy has stopped its steep slide and is on the verge of making the long, slow climb back towards stability," according to the world's leading central bankers. The European Central Bank President Jean-Claude Trichet believes that we are nearing an inflection point in the economic lifecycle, meaning that a fundamental change in trend could be nearing. While deep cautions are still warranted, data indicates that the pace of global economic decline has certainly slowed. "The D word was in the air. Now, it looks like we're still in recession, still contracting, but a great many steps have been taken look like they're beginning to moderate the picture." Eric Lascelles, an economist for TD Securities, is still warning that we may not be out of the dark yet, however, he does believe that Canada's decline is "around the absolute worst point of decline," meaning that a turn-around could be just around the corner.

## Bowling with the Greg Nowik Team

In preparation for a team workshop, the team spent an evening bowling in Nanaimo. We were joined by Mortgage Architect's Meini Ickert. I think it was safe to say that some of us were "better" bowlers than others.

## Unemployment Rates

For Canada, the unemployment rate was 8.6 in June 2009, 0.2 percentage point higher than the previous month and 2.5 percentage points higher than a year earlier. The United States unemployment rate for June 2009 was 9.5%, 0.1 percentage point higher than the previous month and 3.9 percentage points higher than a year earlier.

### On a lighter note...

Canada's birth rates are dropping dramatically, particularly in B.C., and soon the immigration won't be able to fill the labour gap alone. The first of the baby boomers turn 65 in two years, and Statistics Canada believes that a record number of individuals will bow out of their jobs, to embrace retired life. BC Business magazine states that "the growth of the economy depends on two things: the percentage of the population that works and the average worker's productivity level." It has been suggested that by 2021, about one in five workers will be over the age of 55. So while unemployment is of concern today, tomorrow it could cease to be of concern. (BC Business, May 2009)

## BC Housing Affordability & Sales

The average residential real estate prices dropped 11% in Metro Vancouver between January 2008 and January 2009. Liquidation sales in January & February 2009 unloaded 396 Lower Mainland condos and town houses, with discounts averaging 30-35%. Robert Hogue, senior RBC economist states that "encouraging signs are now pointing to a rebound in market activity. Sale of existing homes have picked up, from historic lows during November 2008 to January 2009, and prices have showed hints of leveling off after a general decline last year." New home construction rose for the second straight month in June, also indicating that perhaps the worst may be over.

**Fun Fact:** Hornby Island houses one of five B.C. distilleries, called Island Spirits Distillery. While their gin and vodka have been flying off shelves in Alberta, B.C.'s Prohibition-era policies, dating back to the 1920s, are posing problem to the team at Island Spirits Distillery and their Phrog label alcohol. Whopping taxation and the Crown-operated Liquor Distribution Brance (LDB) hold complete control in our province, making it near impossible for these "artisan distilleries" to promote and sell their high quality alcohol. - BC Business, May 2009

cont...



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## What do Historically Low Rates Mean...

Prime is at 2.25%, and mortgages rates have certainly dropped, meaning that it's just that much easier to buy a home. Lower rates decrease that margin between your current home and your dream home. Decreased rates and housing prices also make it easier for a handful of hopeful home-owners who couldn't afford a home in the previous year. Many Canadians are asking and waiting to see if rates go lower. Realistically, mortgage rates are already at historic lows. Currently we have a **5 year fixed term rate at 4.39%**. House prices have become more reasonable, meaning that the home of your dreams may not entail that large mortgage that it would have required last year. It turns out that this "economic turmoil" is creating **outstanding opportunities** for Canadian homeowners or prospective homebuyers. In addition, with tradesmen discounting services and retail locations advertising "once-in-a-lifetime sales", it is a great time to look into that renovation that you may have wanted to do last year. Let's compare some mortgage rates, to get the big picture. Comparatives are calculated using a rate of 4.39%, a 5 year term, and a 35 year amortization.

Mortgage Amount	Monthly Payments	Comparative Calculations
\$200,000	\$928.07	The 5 year posted rate is 5.85%. A \$200,000 mortgage at 5.85% is \$1110.98/month. This is a \$182.91 increase in monthly payments, by just holding a mortgage with a posted rate.
\$270,000	\$1252.89	Due to a drop in housing prices by approximately 10%, a house that required a \$300,000 mortgage 5 years ago may only require a \$270,000 mortgage today. Looking at a rate of 5.75% compared to today's 3.75%, one finds a <b>\$394.11 decrease</b> in mortgage payments per month.
\$300,000	\$1392.10	Comparing a \$300,000 mortgage 5 years ago at 5.75%, with today's \$300,000 mortgage, we find a <b>decrease of \$254.90 per month</b> . ( $\$1647 - \$1392.10 = \$254.90$ )
\$355,577.75	\$1650.00	Five years ago, a mortgage for \$300,000 meant a \$1647 monthly mortgage payment. Today, for \$1650/month, you can hold a \$355,577.75 mortgage. ( <b>\$55,577.75 difference</b> )

It is important to remember utility costs, taxes, etc, which is where your mortgage planner can package advice and explain your options. Please [click here to visit our website](#) for current rates.

## Did you know...

While mortgages brokers used to be the lenders of last resort ten to fifteen years ago, 30% of all mortgages in Canada today are secured through mortgage brokers. Having worked with the Greg Nowik Team, you are likely familiar with the options that become available when using a mortgage broker. You know that we don't just deal with the major banks, but also with banks that specialize in mortgage lending. We save the client time and aggravation by providing a "one-stop shop"; we go through budgeting tools to help our clients increase their assets, pay down their mortgage faster, and have fun.

## I am "AMP" certified.

What does this mean? The Canadian Association of Accredited Mortgage Professionals (CAAMP) introduced "AMP" certification four years ago. An Accredited Mortgage Professional must have: two years of industry experience, an entry-level certification course, and 10 hours of continuing education every 12 months, to stay current. It is important to know that your mortgage broker and their team are knowledgeable, trained, and familiar with issues and the market. The president of CAAMP, Jim Murphy believes that "in any kind of economy, it's important for potential homebuyers to realize, and utilize the new brand of mortgage professional." (Victoria Times Colonist, April 2009)

## Investment Opportunity

For all you outdoor lovers, we have a once in a lifetime investment opportunity for you. Salmon Beach is located on the shores of Vancouver Island's Barkley Sound, and is one of the last remote, accessible, recreational property developments. With properties starting at \$59,900, this gem of an investment will go quick. Please [click here](#) for more details.

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