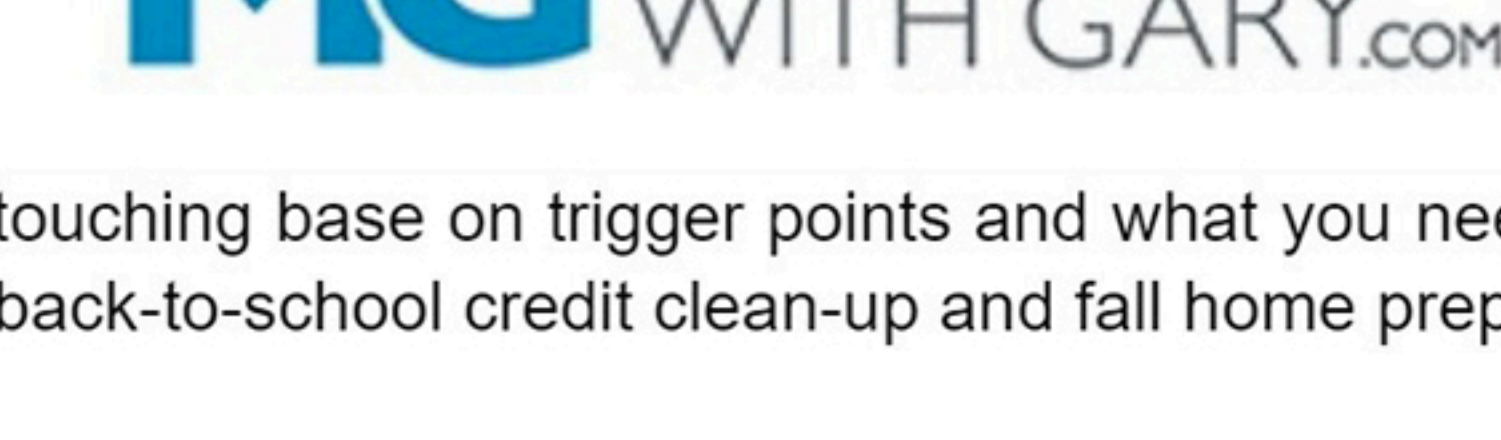


Your monthly home & mortgage newsletter

MORTGAGEARCHITECTS | September 2022 e-Newsletter



This month, I am touching base on trigger points and what you need to know, as well as providing your back-to-school credit clean-up and fall home prep tips!

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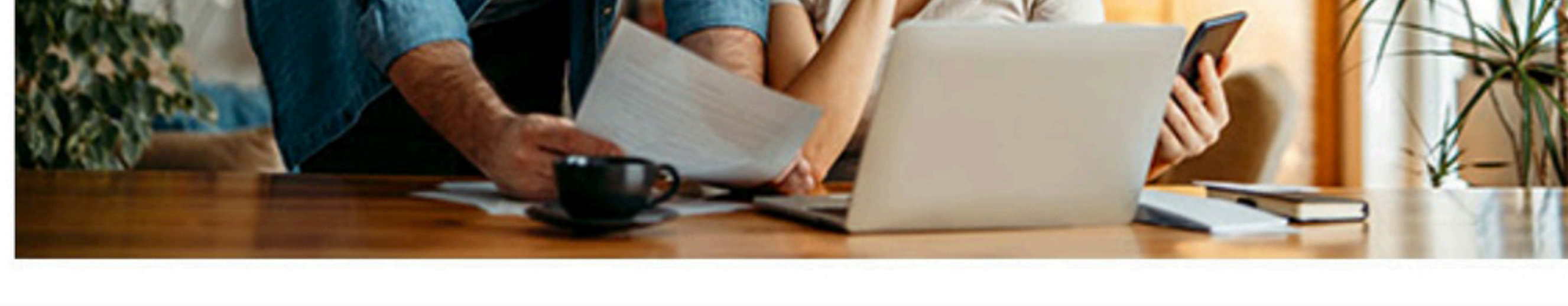
MORTGAGE ARCHITECTS

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Understanding Mortgage Trigger Points



As we move into the Fall market, there are some important things you should be aware of. While inflation has now likely peaked, we will still be dealing with the repercussions from these heightened levels for a while before things balance out. As inflation is corrected, we are also seeing home prices moving back to normal post-pandemic era. However, we are still anticipating some final rate hikes from the Bank of Canada coming into the fall.

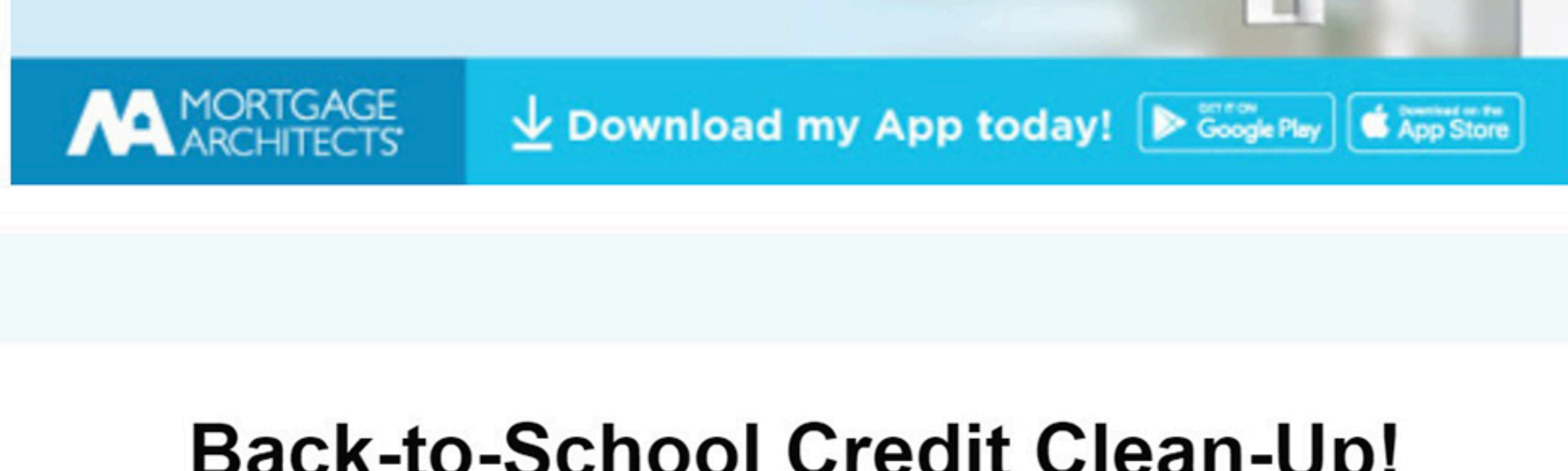
With that in mind, now is an important time to discuss what this means for your mortgage – specifically in regards to trigger points. Another increase in rates on the horizon will put many variable-rate borrowers near their mortgage trigger points – even for fixed payments.

While static payment variable-rate mortgages are not designed to fluctuate with prime, the reality is that a mortgage payment consists of two components: your principle and your interest. With the existing rates and subsequent increases expected in the fall, the amount paid towards principle has decreased with an increase in the amount of interest on a static mortgage. For instance, if you are paying \$2000 a month on your mortgage, only \$200 might be going towards the principle with the rest covering interest. An additional increase to the interest rate, means that your interest portion will spike again and may actually exceed your total payment. When this occurs, it is called hitting your trigger rate.

You can calculate your own trigger rate with the following formula: (Payment amount X number of payments per year / balance owing) X 100) to get your trigger rate in percentage. If you have reached your trigger rate, don't panic. You are certainly not alone and there are options:

- Adjust Your Payment :** Firstly, you may choose to adjust your payment amount to ensure that you still have some going towards your principal balance
- Review Your Amortization Schedule :** Consider switching your amortization schedule from 20-year to 25-year which would be ideal if you already have equity in your home. However, if you're already at your maximum amortization for your lender (ie 30-year mortgage), you would need to increase your payment.
- Switch to a Fixed-Rate Mortgage:** Many borrowers are now choosing to opt for a fixed-rate mortgage to avoid the issue of increased interest and trigger rates. Keep in mind, depending on your mortgage product, you may face penalties if you switch your mortgage mid-term. Be sure to discuss any mortgage changes with me before going ahead.
- Pay Off Your Mortgage:** The final option that is always there is for you to pay off your mortgage entirely. Though don't fret if this is not possible!

While I understand words like "inflation" and "trigger rates" can be scary, as your dedicated mortgage professional I am here for you. I would be happy to discuss any concerns you have or help explain in more detail how these changes may impact your mortgage and what your options are.



Back-to-School Credit Clean-Up!



It's time to go back to school... for your finances! The fall is the perfect time for a credit clean-up so that you are ready for the holiday spending season – and anything else the year can throw at you!

When it comes to cleaning up credit, there is no better time than now to recognize the importance of your credit score and check if you are on track with your habits. To get started with your credit clean-up, there are a few things you can do:

- Pull Your Credit Report:** For most of us, our credit score is something we only think about when we need it. However, if you are unsure of where you stand, this is a great time to find out! The Fair Credit Reporting Act lets you get one free credit report every year through Equifax or TransUnion. Pulling your own credit report results in a "soft" inquiry on your report and will not affect your credit score. [Click here to get your free credit report today!](#)
- If You Find Errors, Dispute Them:** When doing your annual credit score review, it is a good idea to go through line-by-line and confirm no errors. If you find any errors, report and dispute them immediately as they could be affecting your score.
- Consolidate Your Loans:** One of the best tips for managing your credit and working towards future financial success, is to consolidate your debt. Consolidating debt means reducing multiple loans to a single monthly payment, which typically has a lower interest rate allowing you to maximize spend on the principal amount.

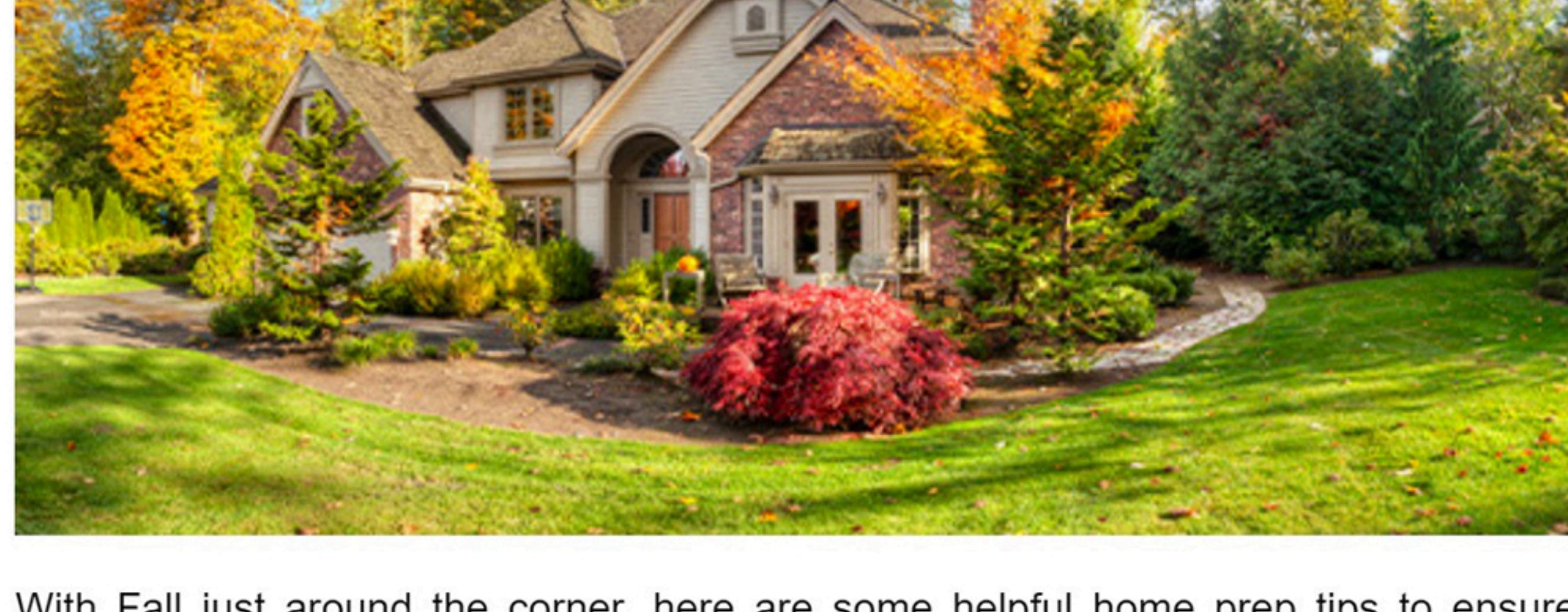
Once you have put the effort into cleaning up your credit, you will want to keep it that way! A few tips for maintaining your credit and maximizing your financial future include:

- Pay Your Bills:** This seems pretty straight forward, but it is not that simple. You not only have to pay the bills, but you have to do so in full AND on time whenever possible. Paying bills on time is one of the key behaviours lenders and creditors look for when deciding to grant you a loan or mortgage. If you are unable to afford the full amount, a good tip is to at least pay the minimum required as shown on your monthly statement to prevent any flags on your account.
- Pay Your Debts:** Whether you have credit card debt, a car loan, line of credit or a mortgage, the goal should be to pay your debt off as quickly as possible. To make the most impact, start by paying the lowest debt items first and then work towards the larger amounts. By removing the low debt items, you also remove the interest payments on those loans which frees up money that can be put towards paying off larger items.
- Stay Within Your Limit:** This is key when it comes to managing debt and maintaining a good credit score. Using all or most of your available credit is not advised. Your goal should be to use 30% or less of your available credit. For instance, if you have a limit of \$1000 on your credit card, you should never go over \$700.

NOTE: If you find you need more credit, it is better to increase the limit versus utilizing more than 70% of what is available each month.

Whether you qualify for a mortgage through a bank, credit union or other financial institution, you should be aiming for a credit score of 680 for at least one borrower (or guarantor). If you are ready to start your home-buying journey, or are looking to refinance your existing mortgage, I'd love to help review your credit score and financial information to get you the most from your money.

Fall Home Prep!



With Fall just around the corner, here are some helpful home prep tips to ensure everything continues running well into the colder months!

- Use Portable and Ceiling Fans:** This time of year it is important to clean and inspect your gutters (replacing as needed) to ensure they are working properly as the rain and snow season hits. If they are clogged or damaged, it could result in a flooded interior and damaged exterior so don't wait!
- Avoid the Stove:** In the Fall and Winter, many homeowners are spending extra money on their homes due to drafts, but it doesn't have to be that way! Do a check on all exterior doors and windows to confirm if they are properly sealed. To do this, simply close a door or window on a strip of paper. If the paper slides easily, you need to update your weatherstripping.
- Keep the Curtains Drawn:** In Canada we are no strangers to chilly evenings! To ensure you are comfortable throughout the colder months, be sure to have your furnace inspected by an HVAC professional. They can check leaks, test efficiency, and change the filter. They can also conduct a carbon monoxide check to ensure air safety.
- Maintain the Air Filters:** This one is easy to ignore thinking it will be fine, but it could easily turn into a bigger issue. When water gets into existing cracks during the colder months it will freeze and expand, causing the crack to become even larger.
- Swap to Energy Efficient Lighting:** Since your garden will not need attention until the Spring, it is a good idea to shut off and drain all outdoor faucets and sprinkler systems. Depending on where you live, you might also want to cover them to prevent freezing during the Winter months.
- Change Your Batteries:** It is a good idea annually to check that all smoke detectors and carbon monoxide devices are working. While you're doing your Fall and Winter home preparations, this is a good time to test your existing gadgets.



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