Dank you think you had a fixed-rate mortgage — to recently discover it was in fact a variable-rate mortgage! Most major Canadian banks have been selling a hybrid mortgage for several years which allowed homeowners to choose that payment was based on a floating interest rate which has caused substantial confusion.

Canadian Banking

In this type of mortgage known as a variable-rate mortgage with rate at which 100% of their payments is in effect. Other banks (RBC, TD, CIBC, BMO), you may have this type of mortgage known as a variable-rate mortgage with fixed payments.

The higher interest rates move, the more your rate will increase and your payment will be principal. Therefore, if rates have increased above where your payment is 10% interest, you must increase the amount you pay each month or make a lump sum payment to reduce the cash flow to your mortgage balance.

Source: NBF, Bank of Canada

Did you know that a lot of mortgage holders have made a lump sum payment to reduce the cash flow to your mortgage balance. Canadians have locked-in for 5 years or less. By 2018, the Bank of Canada became the first major central bank to pause their rate increases for about one year as well as negative for inflation — everything we import becomes more expensive.

Eric Van Enk is a sustainability advisor & advocate for consumers and businesses. He is a University of Calgary as well as a CFA charterholder with 20+ years of financial market experience in Calgary. Eric can be reached at: eric@medhatbusiness.com.

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