

What's Behind the Curtain?

June 2009 BC REIN™ Presentation

What's Behind
The Curtain
June 2009

Mortgage Rates

What To Do Today?



Mortgage Rates

- Bond Market Continues to Fluctuate
- Money Cheaper Now Than Ever
- NEW: Recent Notices of Fixed Rate Increases Coming Soon Without Notice
- Some Institutions Now Offering Prime +.4 on Home Owner Loans
- Where to Next...



Planning For The Future

- Human Psychology: We Are Programmed To Be In Fear. Helped Us Survive Thousands of Years Ago.
- When Times Are Good – Must Be Something To Be Afraid About
- When Times Are Tougher – It's Going To Get Worse
- Acknowledge This Genetic Programming then...



Get Back To The Facts

- Interest Rates and Inflation
- How Much, Realistically, Do You Think Interest Rates Will Increase?
- Whatever Your Belief, Have A Plan For It
- Plans Only Work Based On Reality
- What Ifs....



B.O.C. Rate To Increase by 700%!

- Today: 0.5%
- Skyrocket to 3.5%
- 300 Basis Points!




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B.O.C. Rate To Increase by 700%!

- What Would Lead To This Rise?
- What Time Line?
- What Considerations Would Be Taken Into Account?



Central bank promises year of rock-bottom rates

In move of unprecedented optimism, Carney vows to keep interest rate at 0.25 per cent in effort to get Canadians borrowing again

April 22, 2009 KEVIN CARMECHALL, The Globe and Mail

OTTAWA — The Bank of Canada is trying a new strategy to re-ignite the economy: leaving the benchmark lending rate at a record low of 0.25 per cent for as long as it takes.

In an uncommon display of optimism, Canada's central banker said yesterday that they intend to leave the benchmark lending rate at a record low of 0.25 per cent for as long as it takes.

With conventional methods of policy-making off but exhausted, Governor Mark Carney is exploring new ways to build confidence in an economy hurtled by the financial crisis and a collapse in demand for exports.

Carney's pledge by the central bank to keep the overnight target rate "at its current level until the end of the second quarter of 2010" will allow persons, lenders to set prices for mortgages, credit lines and other loans without fear that the central bank will suddenly reverse course — a degree of certainty that could boost tight credit markets.

The economist who make a living trying to decipher Mr. Carney's often cryptic messages were stunned by the central bank's decision to hold its ground in the face of any other central bank that's cut its rate such as explicit requests for interest rate cuts.

"It's unprecedented in terms of transparency," said David Reid, a currency strategist at REIN Securities in Chicago and a former economist at the Bank of Canada. "Historically, central bankers have been reluctant to share their inside thoughts so the markets don't get ahead of them."

Mr. Carney's decision to lift the demand over his thinking about interest rates is being driven by the recession, which the central bank said yesterday will be deeper and last longer than it had thought.

Facing weaker prospects, the Bank of Canada dropped its key overnight target a quarter percentage point to the lowest it can go without disrupting almost every financial institution.

The record low has now pushed borrowing costs to 4.25 percentage points since December of 2007.

But the conventional approach of dialling interest rates to spur growth hasn't been enough to reverse the downturn.

Even with a record low overnight rate, the central bank's April 13 survey of loan officers found those who said it was cheaper by 50 percentage points, the biggest margin in the history of the survey.


Canada's gross domestic product will shrink 1.2 per cent this year, compared with Mr. Carney's prediction in January of a smaller 1.2 per cent contraction, and the rebound now will come in the fourth quarter instead of the third, the Bank of Canada said.

In another example of bankers, policy makers conceded they had put too much faith in the belief that governments in the Group of 20 major economies would deliver quickly on pledges to spend new billions fighting the recession.

The indication also forced the Bank of Canada to abandon its relatively optimistic estimate that the economy would rebound to expand 3.8 per cent in 2010, lowering its estimate to 3.5 per cent.

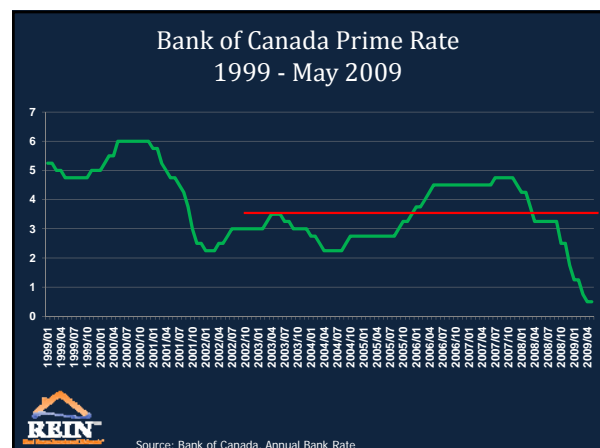
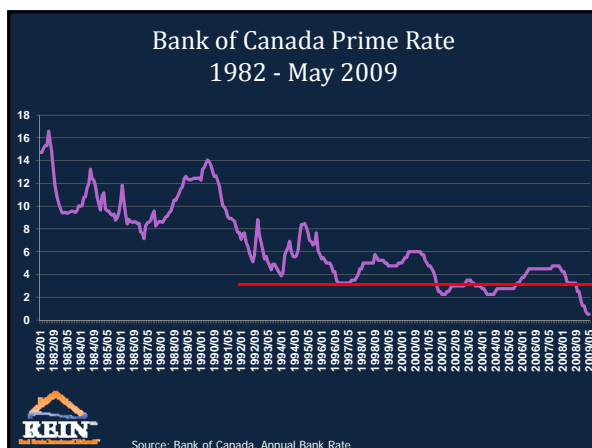
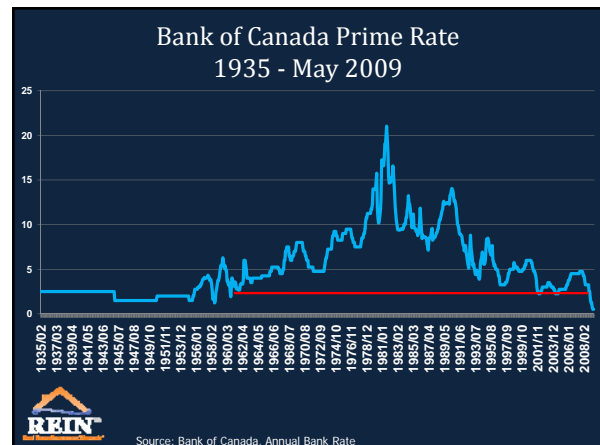
"The global recession has intensified and become more synchronous," the central bank said in the press release explaining its latest policy decision. "While more aggressive monetary and fiscal policy actions are under way across the G20, measures to stabilize the global financial system have taken longer than expected to reach."

The Bank of Canada's new interest rate for 2009 is dramatically different from the 5.5 per cent



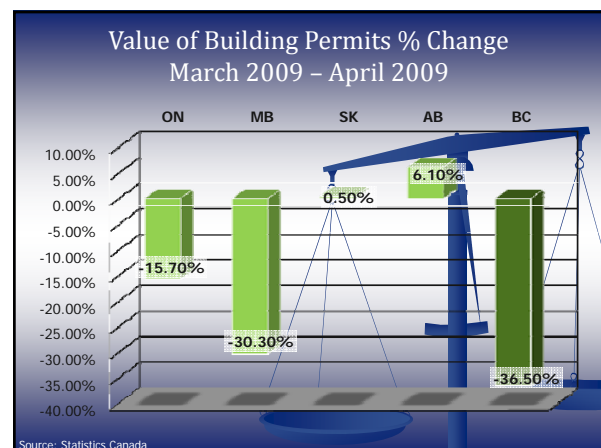
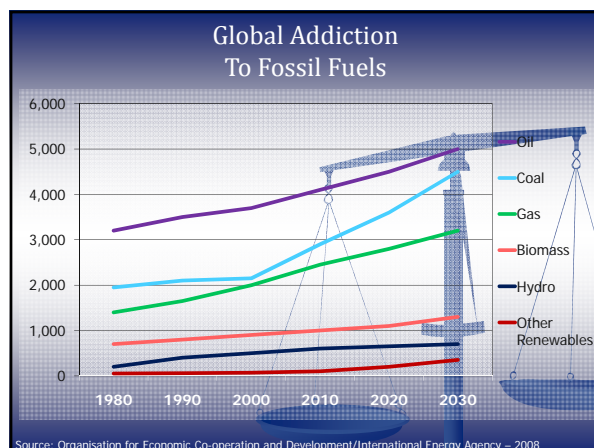
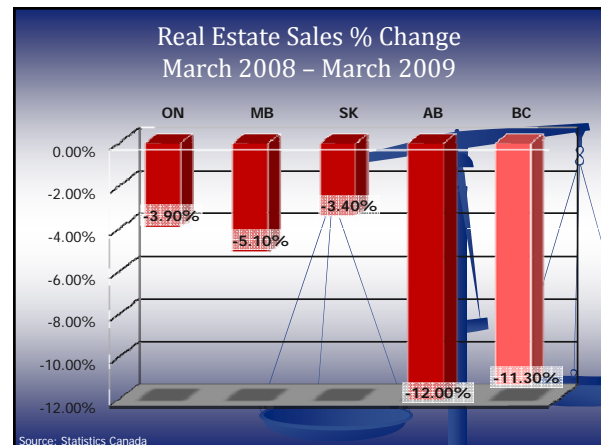
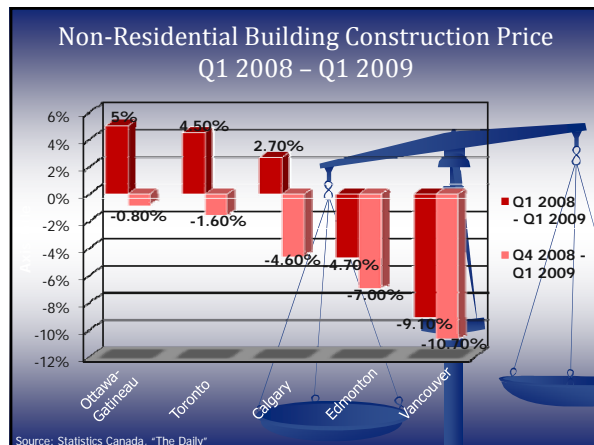
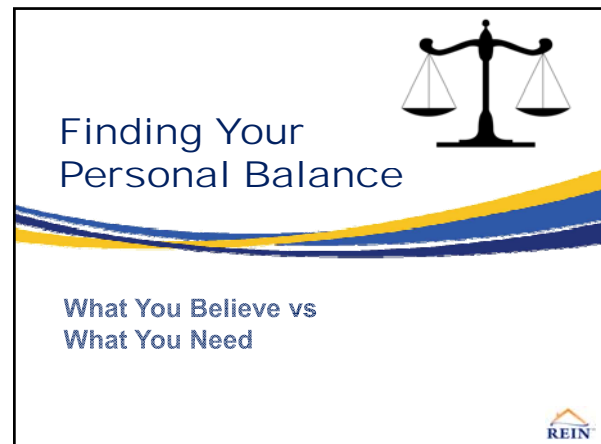
BOC Rate To Increase 300 Basis Points!

- Is This 700% Increase A Market Killer?...
- What's The Market Reality?

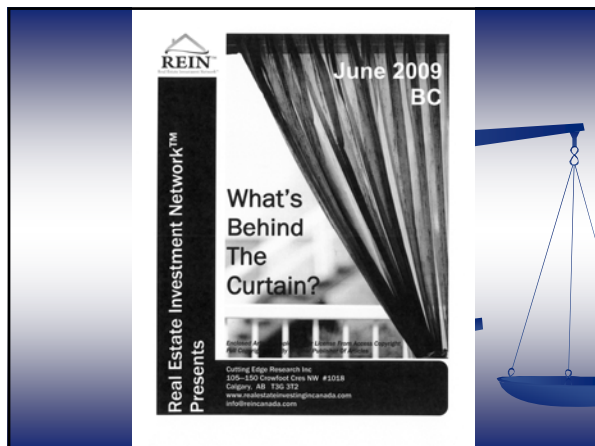
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10,000 Housing Starts
= 19,340 Jobs



Source: Altus Group Report: Time is Right – Alternative to Development Changes



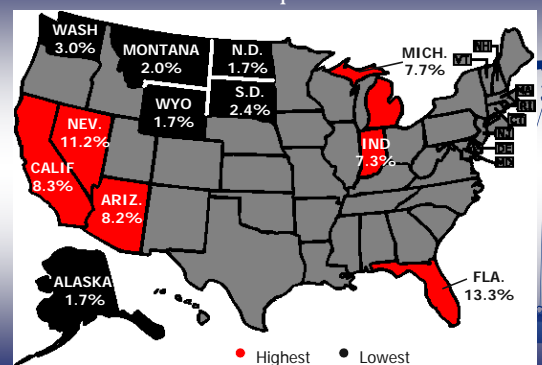
800,000

The number of properties that received foreclosure filings in the first quarter of 2009, according to RealtyTrac.

37%

The portion of homes too damaged to qualify for standard mortgage financing, according to Campbell Communications.

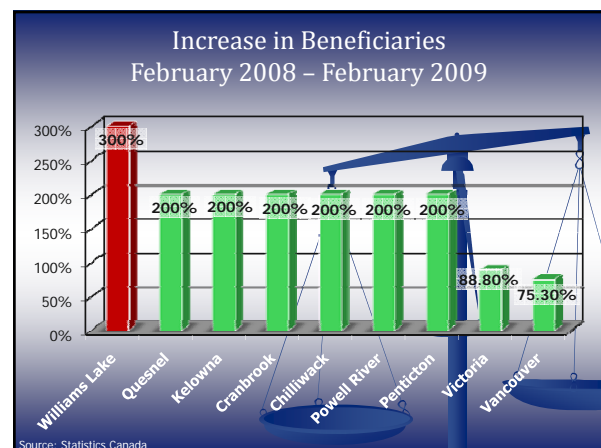
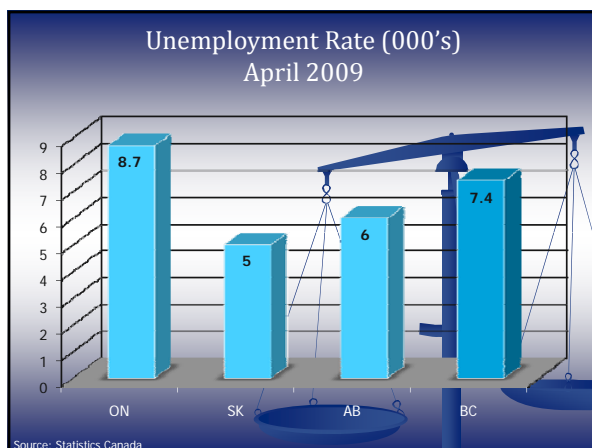
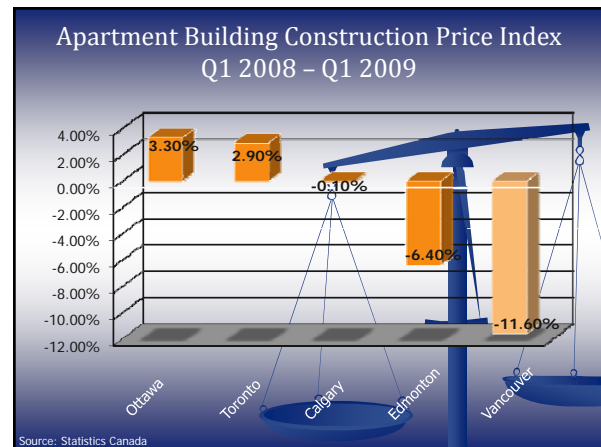
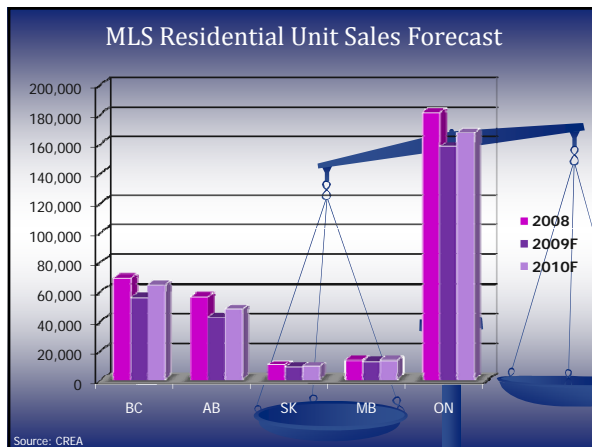
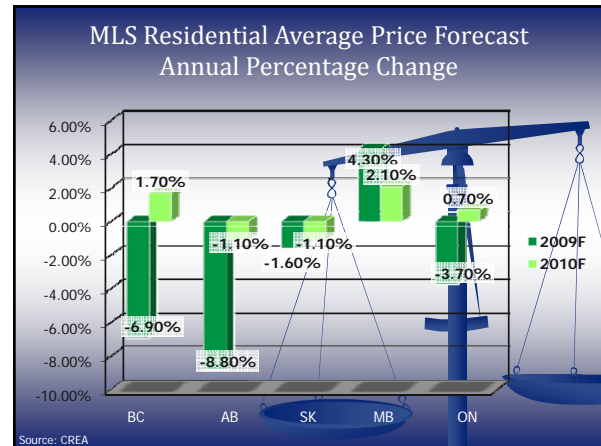
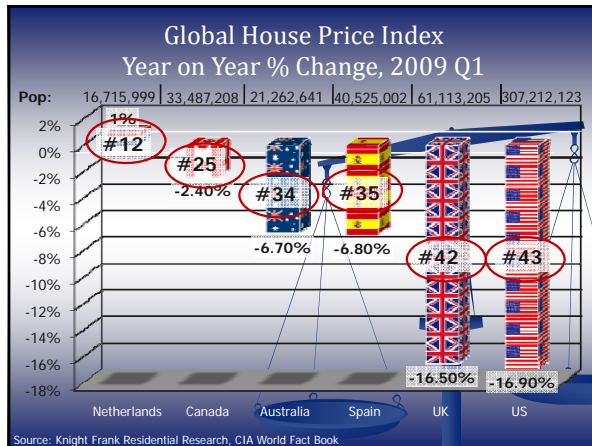
Percentage of all Mortgage Loans that are Seriously Delinquent



Source: The Business Week, Mortgage Bankers Association

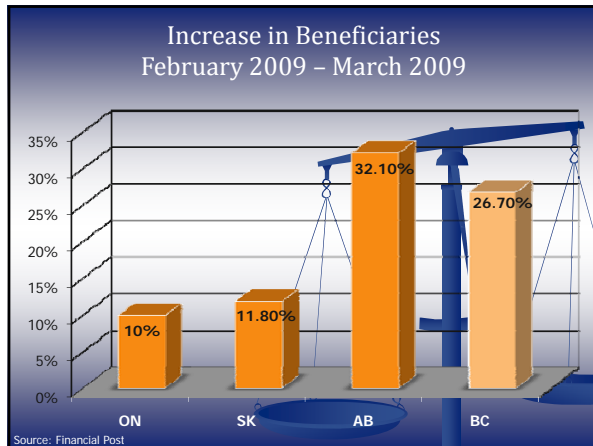
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Upcoming REIN™ Events



REIN™ July Workshops

June 30th Toronto (Tues.)

July 9th BC (Thurs.)

June 14th Edmonton (Tues.)

June 15th Calgary (Wed.)

