

Don't panic: message from Vancouver mortgage broker on impending interest rate hike



By Kyle Benning and Janet Brown CKNW

WATCH: The Bank of Canada could raise interest rates as early as mid-July. Who would higher interest rates benefit and who would they hurt?

A Vancouver mortgage broker is advising homeowners to anticipate a change in their monthly payments in the wake of a possible Bank of Canada interest rate hike next week.

Angela Calla said the average Canadian will have to pay about \$50 more per month, but that those who already have higher interest rate mortgages are in a better position.

“So having a variable rate mortgage is a luxury, and if you do lock into a fixed-rate mortgage, you are locking into a mortgage that does have higher exit costs and you will pay more interest.”

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But Calla said while interest rates are likely to begin climbing, she expects the growth to be gradual and said there's no reason for homeowners to panic.

That's because the federal government has told Canadians to prepare for the increase, which should soften any financial blow.

“Even if you have a million-dollar mortgage you can expect that payment to go up \$150 a month. We've been talking about interest rate hikes for seven years. So psychologically this will have more of an impact than it will monetarily,” she said.

Calla also says those who are already paying a higher than minimum payment are in a better position.

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But other experts say the expected hike could mean trouble for some Canadians.

“I think there will be some very difficult situations out there,” said Licensed Insolvency Trustee with Sands and Associates Blair Mantin.

“You can imagine if rates go up a quarter point or a half point that’s a massive increase in a folk’s monthly mortgage payment.”

Mantin said the best advice is to look at your budget now rather than later.

“Really taking a hard look at what’s the stress test capacity that’s available there”

He also suggested setting up an emergency fund to withstand any rate increase.

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