

Hello again,

We're seeing the Canadian dollar increase and there are some predictions that it could be level with the \$US in 2 or 3 years. I'm not sure that's going to happen but it should be interesting to watch.

So what does this mean for mortgage rates?

The truth is that no one knows if this will affect rates. We do know that inflation concerns have a direct affect on rates. And that's what we should be paying attention to.

The Bank of Canada wants to control inflation. They do this by increasing the Bank of Canada rate and this directly affects the bank prime rate and our variable rate.

Inflation means things with cost us more. However, recent reports indicate that inflation may not be as big of a concern to the Bank of Canada as was indicated a few months ago. This is good news for us. Less inflation means less possibility of rate increases. We still expect another 0.50% increase on the variable rate this year but this should level off later in 2006 and we should see a drop in the variable rate in the first half of 2007!

Don't speculate on the interest rate market. Stay with the plan. Being in a variable rate mortgage is still our best bet for paying the least for our homes over the long term as studies have indicated.

But we all have different budgets and comfort levels. If the fluctuations and increases are keeping you up at night, then you may want to consider locking into a fixed term. Just make sure you choose a term of at least 7 or 10 years. 5 years is too short of a term and the rate difference is only 0.15% to 0.34%.

The message for 2006 is that rates are still at historical lows and it's a good time to borrow money. Consider this for your RRSPs. Talk with your Financial Planner or Accountant. If you need help in this area, let me know. I have a great team of experts that are helping my clients.

I'm enclosing a report by the CIBC's economist. A good read.

And by the way, I'm still in a variable rate mortgage and have no plan to lock in....

Feel free to pass this email along to anyone that you think might benefit from my services....

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Thank you. Wishing you well in 2006!

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