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This article comes from a trusted source; a mortgage professional with some decades of experience. He stands to perhaps lose more than he gains from this advice, so it's worth paying attention to. He's putting his clients, and potential clients first.

More articles can be found at <http://dustanwoodhouse.ca/>

Mortgage Payment Deferral

Dustan Woodhouse / author of "Be the Better Broker" blog.

No video this week, just text. (T.G. *this one is for you my man!*) Last weeks video was shot just before 2am at the end of what was then one of the most challenging weeks I'd experienced, ever. I simply had no juice left with which to compose written sentences, let alone proof them. Then came the past week... if I shoot a video now (1am)... it may appear a bit of a rant because well... my patience is wearing thin. Hopefully the written word better conveys my message.

Short version;

The message is this; if you run **any chance whatsoever** of being laid off, of having reduced or *no* income from employment or from tenants, of having to dip into limited savings, or potentially use lines of credit or worse still – credit cards – to make ends meet... then **PLEASE take advantage of the gift of deferral** from our government. **Defer.**

Defer for one month to the full six months. Visit your lenders website (*many have made the process very simple*) and **defer**. Call (*don't call*) your lender knowing you are one of **300,000 currently calling**, and then hold for up to 8.5hrs in most cases, then have your deferral in place within minutes. And if need be do so not only with your owner occupied home, but also your vacation property, your investment property, etc. (Scotia for instance will defer up to four mortgages per client).

Please do not email me, if you just clicked the link then you understand why I cannot assist directly with calculations or the actual deferral itself.

Life Tip; *Interested in reducing stress and getting a better nights sleep?*

Long Version;

It is impossible to summarize all the changes, and arguably a pointless exercise as new policies and new programs are being (re)announced and modified with each passing day.

There is just one thing I will speak to here, and should my tone seem abrupt, well what I can say... I am tiring of witnessing professionals who should know better continue to make irresponsible and

reckless statements that scare or shame people away from an excellent program. The deferral program is the least expensive capital there is – it starts with your own money staying in your pocket, which is huge.

Re the **deferral math**: On one the hand it is complex because the true 'cost' varies depending upon mortgage amount, interest rate, remaining term, remaining amortization (amortization is different than term), and of course the lender's policy of repayment timing.

On the other hand, **deferral a is VERY simple decision**; this is money one is paying a 3%, or so, rate of interest on. This is the least expensive money you can find, anywhere.

And paying 'interest on interest' is frankly both a misdirection and utterly irrelevant in the face of the stress that many are facing in this moment. If this helps save a property, you got for it. **The actual cost?** Around \$175.00 per 100K deferred if the deferred payments are paid back over say 42 months.

The average CDN mortgage balance is \$400,000.00 – so ya, \$700.00 in extra cost (over 3.5 years) to halt ~\$2,000.00 monthly payments for six months (total of **\$12,000 in hand**) and then catch them up over the following 3.5 years... **no brainer**.

The principal portion of the payment stays with the client; a basic, yet critical fact that somehow eludes many would-be experts. This principal retention (**50% or more of most mortgage payments**) is a huge boost to monthly cashflow.

Cashflow is the goal here. Because in a crisis **Cash Is King!**

Another goal? Avoiding cashing out investments and locking in losses, just to make payments you don't actually have to make because you have **the option to defer**.

Another goal? Avoiding incurring, or eliminating current, high interest debt. IE Credit lines at 5%+ or a **credit card at 19%+.**

To defer is a gift. Accept this gift. Yes it is a gift with a minor interest expense on roughly half the mortgage payment (*the interest portion*).

But any way in which one does the real math, **to defer** is an incredible opportunity being spoken down of by professionals who should know better.

Specifically, professionals should be better at real world math. Real world math involves humans, and thus emotions, and thus stress and messiness. **To defer is to lower stress**, and that is priceless.

The argument that one is triggering '**25 years of interest on interest**' is flat out wrong and not a statement that any Mortgage Broker would make – *Why?* Because the funds can be paid back via standard prepayment privileges at just about anytime, if not already being paid back inside the existing term (this varies from lender to lender, contact your lender directly for details).

How is anyone triggering 25 years of interest? How?

They are NOT.

The Bottom Line

If this reduces stress in your life; financial stress, mental stress, any kind of stress, then take advantage of it.

Anyone arguing against this lacks sensitivity, and also the ability to mix basic math with ***basic realities*** – they themselves are living in a bubble of some kind.

In the real world this is a ***MASSIVELY*** helpful policy for tens of thousands of people.

Good job Canada!