

ALMOST 70 PER CENT OF CANADIAN HOME OWNERS OPT FOR CONSERVATIVE FIXED RATE MORTGAGE STRATEGY ACCORDING TO NEW BMO BANK OF MONTREAL SURVEY

*Forty Per Cent Of Younger Mortgage Holders Express Concern
About The Impact Of Rising Interest Rates On Their Financial
Situation*



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ALMOST 70 PER CENT OF CANADIAN HOME OWNERS OPT FOR CONSERVATIVE FIXED RATE MORTGAGE STRATEGY ACCORDING TO NEW BMO BANK OF MONTREAL SURVEY

Forty Per Cent Of Younger Mortgage Holders Express Concern About The Impact Of Rising Interest Rates On Their Financial Situation

Toronto, Ontario – Despite a period of record low interest rates, the majority of Canadian homeowners are locked in a fixed rate mortgage product, according to a new survey conducted by Ipsos-Reid for BMO Bank of Montreal. The survey found that 68 per cent of those homeowners who carry a mortgage are in a fixed interest rate product, while only 22 per cent hold a more flexible variable rate mortgage.

The survey also queried Canadians about their opinions on the direction of interest rates and found that a high proportion see rates as increasing over the next six months. Sixty per cent of Canadians believe that rates will rise over the next 6 months with 8 per cent of the total believing that rates will increase “a lot”. Only 6 per cent believe that rates will fall during the next six months. However a substantial 27 per cent of those interviewed expect rates to “remain close to where they are today.” Among those Canadian homeowners who believe rates will increase, some 31 per cent indicate that the increase will have a negative impact on their financial decisions.

These are the findings of an Ipsos-Reid/BMO poll conducted from October 15 to October 18, 2004. For the survey, a representative randomly selected sample of 1000 adults was interviewed by

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telephone. With a sample of this size, the results are considered accurate to within ± 3.1 percentage points, 19 times out of 20. The margin of error will be larger within regions and for other sub-groupings of the survey population. These data were weighted to ensure the sample's regional and age/sex composition reflects that of the actual Canadian population according to the 2001 Census data.

Majority Of Canadian Homeowners Locked Into A Fixed Rate Mortgage Product

Approximately seven in ten (68 per cent) of homeowners who carry a mortgage are in a fixed interest rate product, while only 22 per cent hold a more flexible variable rate mortgage.

- The survey found little difference between those homeowners in the 18-34 age group and those in the 35-54 age bracket with 70 per cent and 68 per cent respectively choosing fixed rate over variable rate products. However a gap did develop between younger homeowners and older Canadians (55+) whose preference for fixed rates was only 63 per cent.
- Regionally, Quebec mortgage holders are most likely to hold a fixed rate mortgage product (78 per cent). By contrast only 62 per cent of mortgage holders in Saskatchewan, Manitoba and Ontario have a fixed rate product. Of the other provinces, 64 per cent of mortgage holders in British Columbia are in a fixed rate product, 67 per cent in Alberta, and 68 per cent in Atlantic Canada.

Sixty Per Cent Of Canadians Believe Interest Rates Will Rise

Sixty per cent of Canadians believe that rates will rise over the next 6 months with 8 per cent of the total believing that rates will increase "a lot". Only 6 per cent believe that rates will fall



during the next six months. However a substantial 27 per cent of those interviewed expect rates to “remain close to where they are today.”

Three In Ten Believe Rising Interest Will Have A Negative Effect On Their Future Financial Decisions

Among those Canadian homeowners who believe rates will increase, some 31 per cent indicate that the increase will have a negative impact on their financial decisions. Once again there were substantial differences between the age groups in their opinion on the overall impact that rate hikes will have on their future financial decisions.

- 40 per cent of those mortgage holders in the 18-34 age group said that interest rate increases will have a negative effect on their future financial decisions
- 32 per cent of those in the 35-54 age group expressed concern about the negative impact of rising rates
- Only 22 per cent of those homeowners in the 55+ age group believe rate increases will have a negative impact on their future financial decisions.

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