

HOW MUCH COULD A MORTGAGE DEFERRAL COST YOU?

The Big Six banks are offering mortgage payment deferrals for up to 6 months to Canadian borrowers whose revenues have decreased due to the COVID-19 crisis.

600,000 Canadians have decided to take advantage of mortgage deferral assistance according to the Canadian Bankers Association (CBA).



WHY MORTGAGE PAYMENT DEFERRAL ISN'T FREE?

When you choose this option, payments are paused but interest accumulation continues.

Future payments will increase

Your lender will recalculate your monthly payments when you resume regular payments.

Interest is still being charged

The majority of banks will continue to charge you mortgage interest, even if the payments are paused. There are additional interest on any cost you don't pay during the deferral period.



WHAT ARE THE COSTS?

People who took mortgage payment deferrals for 6 months will pay up to \$2400 in extra interest costs.

Here are 2 examples of mortgage deferral costs

1st case: \$500,000 mortgage, 20 years remaining, mortgage rate of 3% & a monthly payment around \$2770.

2nd case: \$245,000 mortgage and 10 years left, mortgage rate of 3% & a monthly payment around \$2365.

	Monthly payments will increase by around		Total (balance + interest)	
	(1)	(2)	(1)	(2)
1 month	\$18	\$23	\$900	\$370
3 months	\$50	\$70	\$2750	\$1120
6 months	\$100	\$145	\$5500	\$2240

- The fewer years you have left on your mortgage, the less additional costs you will pay for your mortgage deferral payments.
- Alternative solutions: personal line of credit or home equity line of credit (HELOC) if you need small amount to handle your remaining months, temporarily.

Any questions?

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