



Don't let your mortgage automatically renew

(NC)—When's the last time you thought about your mortgage? Do you know your rate? Do you know when your term is up for renewal? Do you know what happens if you don't renew your mortgage? Many Canadians don't. It's no wonder when it comes time to renew a mortgage, many people fall into the auto renewal trap.

An Angus Reid survey, commissioned by ING Direct found that more than a quarter (27%) of Canadians with mortgages that have come up for renewal allowed their mortgages to automatically renew – meaning they didn't perform the same due diligence upon renewal as they did when they first got their mortgage. Letting your mortgage automatically renew often means you missed an opportunity to save money.

The same survey found that 40% of Canadians waited until 30 days or less before their closing date when they first applied or got pre-approved for their mortgage. Exhibiting the same behavior at renewal time leaves little time to exercise your options. Most big banks send out mortgage renewal letters around 30 days before you need to make a decision, which doesn't leave much time to negotiate or shop around for a better rate.

Canada's big banks also typically offer their posted rates to clients upon renewal. Their posted rates are about one per cent higher than what the average Canadian normally gets. On an average \$200,000 mortgage with a five year fixed term, amortized over 25 years, a one per cent difference could save you roughly \$10,000 in interest over that period (calculated using average current five year fixed rates of 4.24% versus 5.24%).

How to avoid the traps

- Know your options and exercise them. Remember that you are in control of your mortgage at renewal time, not your lender. It's your opportunity to make changes to your mortgage that will save you the most money over the long term.
- Don't wait until the mortgage renewal letter arrives in your mailbox. Pay attention to your mortgage term and when it's coming up for renewal. You can usually check your renewal date online.
- Start shopping around for rates at least 120 days before your mortgage comes up for renewal. Rate guarantees, offered by most banks, mean you will get the bank's lowest rate for a set period of time, usually 90 to 120 days, and if the rates go down during that period, you automatically still get the best rate.

Knowing and avoiding these traps will help you take control of your mortgage and save your money.

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