

## RBC's two mortgage rates rise

### Other banks likely to follow soon: economist

BY TRACY SHERLOCK, VANCOUVER SUN AUGUST 21, 2012



Real estate for sale signs in front of properties for sale along West 10th Avenue in Vancouver, BC Wednesday, August 15, 2012.

Photograph by: Jason Payne, PNG

RBC Royal Bank raised two of its mortgage rates by one-fifth of a point each on Tuesday, and it's likely other lenders will soon follow suit, an economist told The Sun.

Helmut Pastrick, chief economist at Central 1 Credit Union, said bond yields have gone up by about 0.3 per cent in the past four weeks, and that is probably driving the increase.

"Sentiment has improved with respect to Europe and the economic outlook," Pastrick said. "The economic news was quite negative for a period of weeks and now it is somewhat less negative."

RBC's posted rate for a three-year, fixed-rate mortgage will go up 0.2 percentage points to 4.05 per cent. Meanwhile, an RBC special-offer rate for five-year closed mortgages rises to 3.69 per cent.

The rise in the cost of funds for banks will mean other lenders will probably also raise their rates, or absorb some of the cost increase to hold onto or gain market share," Pastrick said.

Kelvin Mangaroo, president of RateSupermarket.ca, a company that compares financial products, said RBC is usually first with rate changes, but that he also expects other lenders will follow suit.

"Typically, RBC does lead the pack, but we haven't seen any other announcements just yet and for now everyone else is just holding steady," Mangaroo said. "It will be interesting to see if the other lenders follow suit in the next couple of weeks."

Mangaroo said that earlier this summer a few mortgage brokers were offering a 2.84 per cent, five-year, fixed mortgage rate, which is the lowest rate he's ever seen. "Today, it's 2.99 per cent. It's still really, really good, historically speaking," he said. "I think the trend will be upwards now, rather than down, although it seems that every few months we're seeing all-time lows."

This increase should not affect the Bank of Canada's rates or the housing market, Pastrick said.

"The Bank of Canada will not be raising rates anytime soon," Pastrick said. "This increase is relatively small, so it shouldn't put too much of a dent in the housing market either."

According to data compiled by Bank of Canada, most major commercial banks have been offering three-year mortgages at 3.95 per cent since late January, and five-year mortgages at 5.24 per cent since May.

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