



# STRATHCONA CREDIT UNION

## NEWSLETTER

March 2004



# CHANGES AFOOT

## NEWSLETTER FORMAT

The Strathcona Credit Union newsletter and its predecessor, the PAPT Credit Union newsletter, has been accompanying the Credit Union statements into our members' homes each month for decades now. This is about to change.

Only days ago we were notified by the Desjardins Federation that as of April 1<sup>st</sup> this year most of our members statements would be mailed directly by the Federation to our members. The only extra inserts that are allowed are those from Desjardins.

Up until this month Desjardins prepared the monthly statements on their main-frame computer and shipped them with our members' cleared cheques in bulk to our Kirkland office. There, our staff verified the cheques, bundled them with the appropriate statements, and placed them in envelopes with the newsletter and any other insert (such as this month's announcement of the General Meeting), and posted them to our members.

Many of our members who use the chequing privileges on their Personal Chequing Accounts find it a big advantage to have their cheques returned to them, free of charge, every month. At our insistence Desjardins has agreed **for the moment** to allow us to continue this service and will continue to send us the cheques and statements for those members who use their chequing account. They are adamant however in their refusal to let us handle the statements of all our members that way.

We are very concerned at the loss of this method of keeping in touch with our members and with the possible loss of the service of returning cheques.

We were taken by surprise by the suddenness of the change imposed on us and cannot tell our readers much about the future of this publication except that we are urgently studying different options for maintaining contact with all our members. Keep an eye out for us—we will be in touch soon.

## NSF CHARGES

Most members are probably aware that one of the few service charges that are not included in our monthly \$1.25 rate is the penalty for NSF cheques. The new rate is \$10 for a cheque refused for clearing and returned to the Credit Union and another \$10 if the cheque must be returned by us to the member. The current rate is \$5 dollars in the first instance and \$15 in the second.

## FISCAL YEAR

There will be a General Meeting of the members of Strathcona Credit Union at 4:30 p.m. on Tuesday, April 27, 2004. This is because our fiscal year is being changed from one beginning September 1<sup>st</sup> to a calendar year in order to coordinate with other Desjardins organizations.

A General Meeting is required by law for each fiscal period. We had a General Meeting for the regular year end (August 31, 2003) in December. We completed a short adjustment fiscal period on December 31, 2003 and began a full fiscal year on January 1, 2004. It is for the fiscal period September 1, 2003 to December 31, 2003 that we are having the upcoming General Meeting.

There will be a report made by the President and the Board of Audit and Ethics and the audited financial statements for the four month period will be presented. There will not be, however, any elections for either of the Boards nor will there be a Members' Reception after the meeting

Please join us at the QPAT Building in Kirkland.

## CURRENT RATES

PERSONAL LOANS	8.75 %
CONSOLIDATION LOANS	10.75 %
LINE OF CREDIT	6.75 %
MORTGAGES	
1 year term (open)	5.50 %
2 year term (closed)	4.25 %
3 year term (closed)	4.50 %
4 year term (closed)	4.75 %
5 year term (closed)	4.60 %
TERM DEPOSITS *	
6 months	1.75 %
1 year	2.50 %
2 years	2.75 %
3 years	3.00 %
4 years	3.25 %
5 years	3.75 %

\* \$2,000 minimum. Rate subject to change without notice.

Monthly interest payment less 0.25 %. (024)

# NEW MORTGAGE RULES

## MORTGAGE PLANS

As of March 1<sup>st</sup> buying a home, particularly a first home, got easier for Canadians. The Canadian Mortgage and Housing Corporation has announced more flexible rules for acquiring the down payment for residential housing and this at a time when mortgage rates are very low.

There are two types of mortgage loans available in Canada: the conventional and the National Housing Act (NHA) mortgage. Both are provided by private lenders including the Strathcona Credit Union.

A conventional residential mortgage is typically granted by a private lender to a buyer with some equity in the property. Usually the mortgage requires that the borrower will have put at least 25% of the value into the property. It is this type of mortgage for which the interest rates are shown on the first page of this news letter.

The Canadian Mortgage and Housing Corporation (CMHC) was established in the early 20<sup>th</sup> century in Canada with a mandate to help Canadians procure and maintain good housing. The National Housing Act (passed in 1954) established a mortgage plan which allowed for lower equity on the part of the buyer.

Under NHA rules the home buyer had to have a five percent down payment and could borrow up to 95 percent of the value of the property from a participating lender. CMHC protected the lender from loss by providing the lender with mortgage insurance which was paid for by the borrower.



Under the new rules announced by CMHC last week the buyer must still provide the five percent down payment but the source of the money is more flexible. Previously the buyer had to have the down-payment in cash: now it can be “from any source” including lender incentives and loans.

But there is no free lunch. For those buyers who provide their own funds for the down-payment the cost of the CMHC mortgage will remain as it was (3.25 percent of the total mortgage is added to the loan and paid off over the amortization period); for those using

the new rules the premium is 3.4 percent. In all cases, to be eligible for an NHA mortgage borrowers must prove that they have adequate income and debt ratios to be able to pay back the money borrowed.

## INTEREST RATES



Five year mortgage interest rates are at their lowest level since the 1940s. Currently Strathcona Credit Union is offering a five-year closed mortgage at 4.6 percent. This compares to Canadian national average rates of just under five percent. According to Bank of Canada figures five year mortgage lending rates have not been this low since March of 1951. They have been higher, however: in March of 1982 five year rates averaged 19.41percent!

Payments on \$1,000 amortized over 25 years at our present rate of 4.6% would be \$5.62 per month: at one percent more they would be \$6.20 and at 6.6% they would be \$6.81. For the sake of comparison monthly payments on that \$1,000 at the 1982 rate of 19% would be \$15.98 per month.

## HOUSE PRICES

The downside for today's first time house buyer is that prices are at all time highs. The recent real estate boom has been good news for those presently owning residential housing many of whom have seen their equity increase at remarkable rates. The Canadian average of resale home prices rose more than 23 percent since the beginning of 2001.

However, Craig Alexander of the TD Bank Financial Group says, “The best news is that even with the recent rise in prices, home ownership remains affordable by historical standards”. He adds that the cost of owning relative to renting has fallen over the last decade.

If you are looking for a mortgage, look at what your Credit Union has to offer.