



CREDIT UNION

*Be true to your money.™*

APRIL - JUNE 2020

# Quarterly Newsletter

## Making Decisions about Mortgage Deferrals

In an effort to help Canadians who are faced with uncertainty and financial hardship, financial institutions are offering up to 6 months of mortgage payment deferrals for homeowners. Since for many of us, our mortgage payments are the biggest financial obligation we have each month, it's easy to understand how this can provide some much-needed relief for many Canadians.

We know that making this decision is not easy, and as your financial advocate we want to help you understand what it can mean for you. Deferring your mortgage does not mean that financial institutions will not be calculating interest during the deferral period. While your payments are put on hold, interest will continue to be accrued on your balance. Dependent on your circumstances and even your financial institution, the expectation of how long you may have to pay back that interest may be different. Since the interest amount that is accruing and adding to what you owe on your mortgage is very much dependent on your balance, it's easy to see that interest can add up quickly, even with a low mortgage rate.

Is there another option? For many, rather than deferring mortgage payments, it may make more financial sense to borrow the same amount in a personal loan, and to continue to pay your mortgage. While the rate may be higher, the interest you will pay will be calculated on a lower balance. We have put together an example of a member who has decided to take a 6-month deferral on their mortgage.

Our member, Taylor, has a \$350,000 mortgage with a 5-year fixed interest rate mortgage rate of 2.95%, amortized over 25 years. Currently, Taylor has just started her second year of her 5-year term and pays a fixed amount of \$1,650.65 each month. Normally, over the six months Taylor would have paid \$4,990.61 in interest and the balance would have decreased by \$4,913.29. What happens next is dependent on which option Taylor takes. Taylor's final decision will be dependent on her circumstances after weighing all the factors.

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### Member Assistance

416.314.6772 | 1.888.516.6664 | [help@rapportcu.ca](mailto:help@rapportcu.ca) | [rapportcu.ca](http://rapportcu.ca)



Taylor takes advantage of the 6-month mortgage deferral program. At the end of the 6 months, the total amount of interest that has been accumulating totals \$5,051.70 and Taylor's mortgage balance has increased to \$345,439.63, essentially taking her back to the first six months of her 5-year term. To make up for the deferred interest, Taylor is required to pay back that interest over the next 12 months. This means monthly payments will increase by \$415.88 over the next 12 months. To repay the principal and not extend the length of her mortgage and pay additional interest, Taylor could take advantage of increasing her monthly payment up to 20% or make a lump sum payment.

What happens if Taylor decides to borrow \$4,991 over 2 years to cover 6 months of interest payments?

In this case, Taylor continues to pay the principal payment each month of about \$820.00 and uses the loan to pay the interest portion. Monthly payments on the personal loan are \$224.59 (variable interest rate of 7.5%). At the end of the 2 years, Taylor will have paid a total of \$476.87 in additional interest and her mortgage balance has continued to decrease as planned.

Taylor elects to borrow enough money to make 6 full months of payments on time. Monthly payments on the \$9,903.90, 24-month fixed term loan at 7.5% are \$445.95. At the end of the 2 years, Taylor will have paid \$799 in additional interest and continued to lower her mortgage balance.

**That's why our message to all our members during this uncertain time is for you to reach out to us before you make any big financial decisions.** Whether we are your mortgage provider or not, your credit card provider or not, your investment advisor or not, we want to help you make the best possible financial decisions now, to lessen the impact on your long-term financial wellness. We are here to answer your questions, provide guidance and offer solutions. We are all in this together.

### Information for Members with insurance with The Personal or a credit card with Collabria

Our industry partners have ways to help our members concerned about meeting their financial obligations. In order to understand your choices, we ask that you contact them directly using the information below.

**MEMBERS WHO HAVE POLICIES WITH THE PERSONAL INSURANCE COMPANY CAN CONTACT THEM DIRECTLY**  
<https://www.thepersonal.com/rapport> or call 1-888-476-8737

**MEMBERS WHO HOLD A COLLABRIA FINANCIAL CREDIT CARD CAN CONTACT THEM DIRECTLY**  
[https://www.collabriacreditcards.ca/affiliate\\_rapport-credit-union](https://www.collabriacreditcards.ca/affiliate_rapport-credit-union) or call 1-855-341-4643

### Fraud Prevention

It's hard to believe that at a time like this, fraudsters are taking advantage of our fear and vulnerable citizens. Yet, the list of COVID-19 scams continues to grow. We urge our members to take special care to ensure that you do not fall for one of these scams. Rapport will never send you an email asking you to confirm or

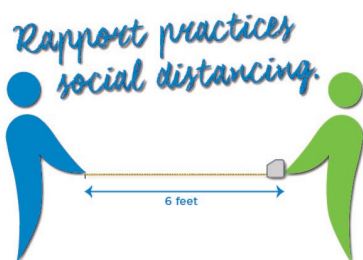
provide your account information. We already know it. If you need to update your contact information such as cell phone number or email address, please contact Member Assistance at **416 314-6772** or **1 888-516-6664** or call your branch directly.

There are several ways these fraudsters try to gain access to your information or in some cases offer to sell you cures, supplies, or even ask for donations for COVID-19 relief efforts. Do not provide information to anyone who emails or texts you or respond to websites that request your personal information.

To get up-to-date information, tips on avoiding and reporting fraud please visit:

**CANADIAN GOVERNMENT'S ANTI-FRAUD CENTRE WEBSITE:**  
<https://antifraudcentre-centreantifraude.ca>

**THE COMPETITION BUREAU:**  
<https://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/03662.html>



Visit [rapportcu.ca](https://rapportcu.ca) for the latest COVID-19 updates and Rapport's efforts to protect the health and financial wellbeing of our members, employees and their families.

We are all in this together.

