BMO FIRES SECOND SHOT IN NEW MORTGAGE WAR

Just as a "spring surge" in housing sales is being seen some areas, major banks have begun slashing rates in what could herald the opening salvos in a new mortgage war.

Scotiabank fired the first round, cutting its 10-year mortgage rate to 3.69 per cent.

Bank of Montreal (BMO) replied by lowering the rate on its five-year fixed-rate mortgage to 2.99 percent from 3.09 percent. The rate is for mortgages to be paid back in 25 years or less. This is the same rate that BMO offered, albeit for a short period, in the spring of last year. Commentators said this was the lowest-ever rate advertised by major Canadian bank for that type of mortgage. The BMO move spurred some lenders to bring mortgage rates down to their lowest on record.

BMO said that its new low rate would help save borrowers money by locking in for five years, a period in which other rates will most likely go up. According to a BMO statement,"Our message to Canadians is simple: go fixed, go five, lock-in now at a terrific rate and become mortgage-free faster with a shorter 25-year amortization."

The real impetus, however, is likely for banks to get a larger share of a shrinking mortgage pie. According to reports from Barclays Capital and the Royal Bank of Canada, the value of mortgages held by banks, while still increasing, have slowed in the past few months. The decrease in mortgage growth is linked to tougher federal restrictions on mortgage insurance and lending.

The lower mortgage rates being offered today tie into what is traditionally the strongest home buying season, which has apparently already started in the Lower Mainland.

Noting that February housing sales were up 48 per cent compared to January, the president of the Fraser Valley Real Estate Board is expecting a spring surge in the market.

"We're seeing signals that the stand-off between buyers and sellers over the last six months is coming to an end," said Ron Todson. "Business has picked up in the last month with increased traffic at open houses, sellers quicker to accept offers and homes selling on average two weeks faster than they did in January."

The Greater Vancouver Real Estate Board saw a 33 per cent decline in sales compared to a month earlier, but Board presient Eugen Klein said there are a subtle signs of recovery. "Our members tell us they saw more traffic at open houses last month compared to the previous six to eight months," Klein said, adding, "With a reduction in the average number of days it's taking to sell a home, February showed some subtle indications of a changing sentiment in the marketplace."

> "Check competing rates before you sign up for a new mortgage."