

The most important rates in the U.S. & Canada

By Taylor Schleich

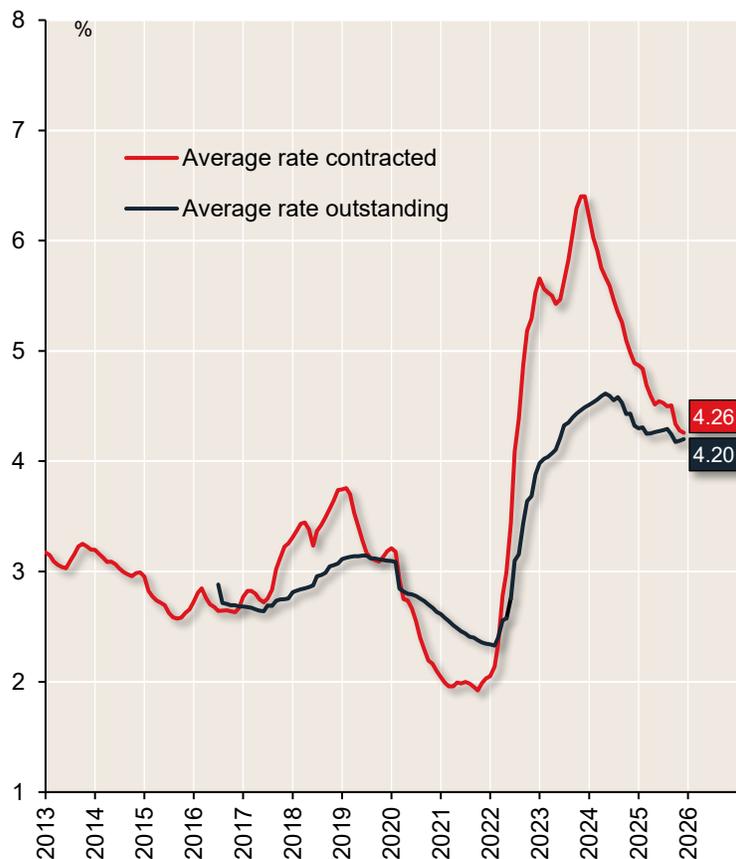
Earlier this week, we highlighted Canada’s sluggish housing market and contrasted it with rising mortgage activity ([link](#)). We noted that following earlier Bank of Canada rate cuts, contracted mortgage rates have moved lower over the past few years and are now roughly equal to the average rate on the overall mortgage stock. In other words, there’s not much of an aggregate payment shock ahead. Those renewing a low-rate mortgage from the pandemic will be roughly offset by those renewing higher-rate mortgages advanced during/after the 2022-23 hiking cycle.

South of the border, recent data on the U.S. housing sector revealed that the bellwether 30-year mortgage rate fell to its lowest level since 2022. Not surprisingly, the White House pounced on the opportunity to highlight improving affordability and cited Trump’s directive for Fannie Mae and Freddie Mac to purchase \$200 billion in MBS ([link](#)). The

Mortgage Bankers Association noted that recent declines in borrowing costs have led to more refinancing applications, a trend that could continue if rates continue to trend away from peak 2023 rates. However, most homeowners are not paying the elevated rates from a few years ago. Indeed, the average rate on outstanding mortgage debt stood at just 4.24% at the end of last year, up less than 1%-pt from all-time lows registered during the pandemic housing boom (and not too far from today’s average rate on Canadian mortgage debt). Americans are understandably reluctant to cede ~3% borrowing costs but over time, this slow and gradual ‘recouping’ to higher rates will inevitably continue. That’s in contrast with Canada’s shorter duration mortgage market, where the process is already complete. If the Bank of Canada were to lower interest rates further, the ‘stimulative’ effect would be felt much more quickly.

Canada’s mortgage rate reset is effectively done...

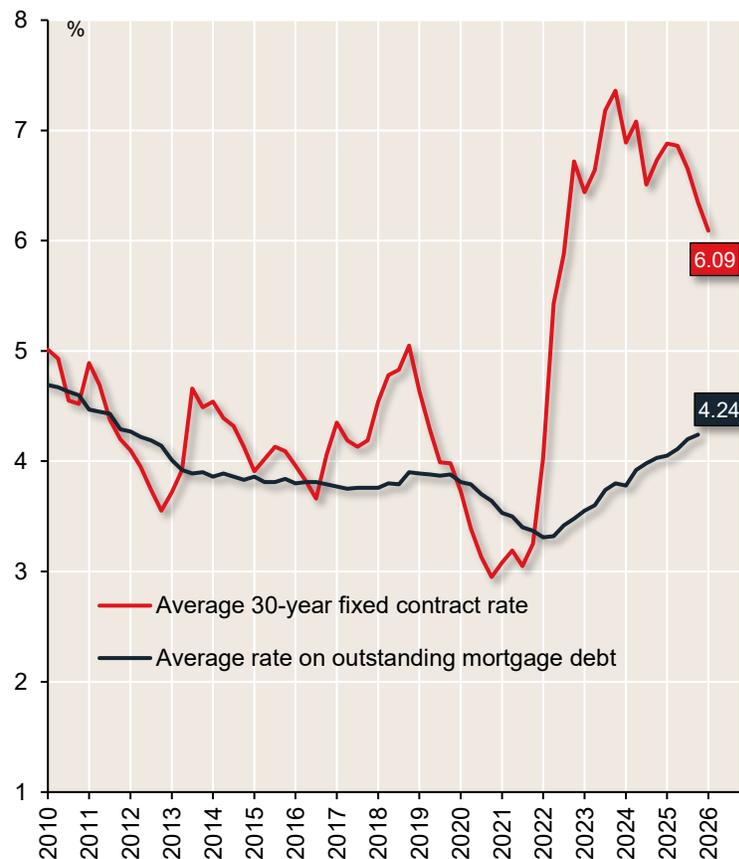
Average contracted mortgage rate vs. average rate on outstanding mortgages



Source: NBC, BoC | Note: Includes both insured and uninsured mortgages.

...while U.S. homeowners cling to low COVID rates

Avg. contracted 30Y mortgage rate vs. avg. rate on outstanding mortgages



Source: NBC, MBA, BEA | Note: Contract rate is quarterly averages expect latest



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