



Bank of Canada...What does it do?

We hear about the Bank of Canada in the news almost everyday. And we all hear the terms "overnight rate" and "prime rate" and inflation, but what are they really?

The Bank is a Crown Corporation but is not a government department and conducts its activities with considerable independence compared with most other federal institutions. For example, Mark Carney, the Governor is appointed for a 7 year term by the Bank's Board of Directors, not by the federal government. It is involved in monetary policy. It is not involved in "Fiscal Policy". Fiscal policy is the use of government expenditures and revenue (taxation) to influence the economy. It is headed by the Prime Minister and he shares or delegates responsibility to the Minister of Finance and the Department of Finance.

The Bank of Canada is our nation's central bank. It does not offer banking services to the public. Its principle role is "to promote the economic and financial welfare of Canada". It has 4 responsibilities. They are:

Monetary Policy: it is concerned with how much money circulates in the economy and what it is worth.

Bank Notes: The Bank is Canada's sole bank note-issuing authority and is responsible for producing and distributing Canada's bank notes.

Financial Systems: The Bank does not directly regulate financial institutions (banks, credit unions, and similar organizations). But it does routinely provide liquidity to them. It is also involved in the financial markets (money, bonds, equities, derivatives and foreign exchange). It also has influence on interest rates via the target for the overnight rate.

Funds Management: The Bank manages the accounts of the Receiver General. It manages the government's foreign exchange reserves. It provides debt management to the government by providing stable low-cost funding to the government by selling securities, such as treasury bills and bonds.

The Bank aims to keep inflation at the 2% midpoint of an inflation-control target range of 1% to 3%. Inflation is the year over year increase in the CPI (Consumer Price Index) the most relevant cost of living measure. Keeping inflation at 2% helps keep our economy stable.

The Bank carries out monetary policy by influencing short term interest rates. It does this by raising and lowering the target for the overnight rate. The overnight rate is the interest rate at which major financial institutions borrow and lend among themselves.

Since November 2000, the Bank has set a system of 8 fixed dates each year on which to announce whether or not it will change the target for the overnight rate (also referred to as the Bank's "key interest rate" or "key policy rate").

Changes in the target rate usually lead to moves in the PRIME RATE and can also influence other interest rates in the economy, such as fixed mortgage rates.

The Bank of Canada does not set the prime rate; individual financial institutions set their own prime rate. A change in the prime rate usually occurs the day after an announcement. Financial Institutions usually adjust their prime rate to reflect changes in the target overnight rate. If it goes down a .25%, prime goes down by .25%, etc. Variable rate mortgages are based on Prime. The link below is the Bank of Canada's announcement schedule, should any variable rate mortgage holders like to watch for upcoming potential changes.

<http://www.bankofcanada.ca/monetary-policy-introduction/key-interest-rate/schedule/>

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NEWSLETTER

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PEARLS OF WISDOM...

*When the world says
"Give up," Hope
whispers, "Try it one
more time"*

Author Unknown

APPLY FOR MORTGAGE
FINANCING
NOW.
CLICK HERE

**Apply
Now**

What's the Difference?...

Property Transfer Tax

This is a tax that is payable on the purchase of all real property in BC. The calculation is based on 1% of the purchase price up to \$200,000 and 2% of any amount above \$200,000. Most first time buyers are exempt from this if they meet certain criteria.

You qualify as a first time home buyer if:

- you are a Canadian citizen, or a permanent resident as determined by Immigration Canada,
- you have lived in British Columbia for 12 consecutive months immediately before the date you register the property, or you have filed 2 income tax returns as a British Columbia resident during the 6 years before the date you register the property,
- you have never owned an interest in a principal residence anywhere in the world at any time, and
- you have never received a first time home buyers' exemption or refund.

Property Requirements

- the fair market value of the property is not more than the qualifying value of \$425,000 (only if purchasing an existing home),
- the land is 0.5 hectares (1.24 acres) or smaller, and
- the property will only be used as your principal residence.

If the property does not meet all of these requirements, you may still qualify for a partial exemption.

Property Tax & Home Owner Grants

Property taxes are a yearly tax attached to every property. The property tax account stays with the particular property regardless of whether the owner does or not. Taxes are billed and mailed in late May and covers the calendar year from January 1st to December 31st. Payment of taxes are due the first working day each year after the Canada Day holiday in July. *New home owners are liable for all outstanding property taxes*

Property Tax Adjustment: Generally, property taxes for the calendar year are paid at the beginning of July for the full calendar year. If you purchase a property before July 1st, the seller will be paying you for the days they owned a home from January 1st to completion day. You then are responsible for the entire amount to be paid to the municipality on July 1st. If you purchase a property after July 1st you will pay the seller for the days you own the property from completion day to December 31st, as they will already have paid the entire amount to the municipality on July 1st. To calculate this amount: one days' taxes on owner occupied properties is the annual taxes, less homeowner grant, divided by 365.

Click on the following links to see if you are eligible for the following Home Owner Grants.

- **Basic:** The basic grant can reduce your property taxes by as much as \$570.
http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Home_Owner_Grant/basic_hog.htm
- **Additional:** In addition to the Basic Grant, the additional grant can reduce your taxes by a further \$275
http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Home_Owner_Grant/additional_hog.htm
- **Retroactive:** http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Home_Owner_Grant/retroactive_hog.htm
- **Multiple:** http://www.sbr.gov.bc.ca/individuals/Property_Taxes/Home_Owner_Grant/multiple_hog.htm

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Auxilium Mortgage Corporation

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Auxilium (Verb): aid, help, assist, support

February Workshop: Can I get a "0" Down mortgage?

Date: Saturday, February 18th, 2:00pm-4:00pm

Is it still possible to get a mortgage with no down payment? How do I qualify? Find out all the details by signing up for my workshop. Saturday, February 18th from 2 to 4. Seating is limited.

Community Involvement Program

Are you looking for a place to hold a fundraiser like a Carwash, BBQ or a place to sort bottles for a Bottle Drive? We have the perfect, paved, outdoor space for you, complete with hose and water. Great location for advertising your fundraiser, with being located at Colwood Corners, the sheer traffic volume is sure to bring in those donations. Best of all we rent the area for free to fundraisers for their events plus we will even write about your fundraiser in our monthly newsletter.

If you would like more information, please do not hesitate to contact Terra Thomas @ 250.590.6520 or you can email her at terra@auxiliummortgage.com

Referral Program

Your referrals are always welcome, so if you can think of someone who may benefit from my services, please send me an e-mail, at kam@auxiliummortgage.com or call me at 250.686.4246 Anytime. Not only would I do my very best to arrange a mortgage for them and provide them with great service, but I will **PAY YOU** for the referral! Upon successful completion of a mortgage for this referral I will send **YOU** a cheque for **\$250.00** as my way of saying Thank You.

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