

Banks trim mortgage rates

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Four of Canada's biggest banks are once again lowering residential mortgage rates at a time when falling government bond yields are cutting funding costs for financial institutions.

Royal Bank of Canada, Toronto-Dominion Bank, Bank of Nova Scotia and Bank of Montreal are all trimming their posted rates on popular five-year fixed-rate mortgages by 0.1 percentage point to 5.49 per cent among other reductions. The new interest rates take effect on Saturday.

This is the second time that major banks have lowered that benchmark consumer rate in just over a week. The last time they did so was on May 19 when rates for five-year closed mortgages fell by 0.1 percentage point to 5.59 per cent.

RBC, TD, Scotiabank and BMO are also trimming interest rates on Saturday for a number of other residential mortgage products, including various special offers.

This latest round of mortgage rate cuts was prompted by falling yields on government bonds across a range of terms, said TD spokeswoman Barbara Timmins in an e-mail.

For instance, the yield on the five-year Government of Canada benchmark bond was 2.33 per cent on Thursday, down from 2.58 per cent on May 2 (the first business day of the month), according to data on the Bank of Canada's website.

Banks usually try to match maturities when they use bonds to finance consumer mortgages. As a result, a five-year government bond would be matched up with a five-year consumer mortgage.