

Break-Even Analysis

Step 1: (if more than 1 debt to be paid out) → Det. Avg rate of debts to be paid out

Step 2: Det. approx. int% spent on debts to be paid out

Step 3: Det. int% to be spent on proposed option

Step 4: Det. savings b/w proposed and current

Step 5: Divide costs of proposed option by savings (step 4) = how long it takes to justify switch

Thoughts:

- If it takes too long to justify/break-even can the borrower just work on improving situation in meantime ie.
 - o if switching from a C to a B lender, and it takes 2 years to justify the switch, could the borrower just improve their situation over the two years and make the jump to an "A" lender at that time?
- Ensure you're relying on sound data ie. ensure the time it takes to break even is less than the term ie.
 - o if borrower take a 1 year term, but it takes 1.5 years to break-even, what if the new lender doesn't renew after 1 year?
 - o Or, vice versa. What if current mortgage renews soon, and there is no guarantee that the lender will renew, or (if they will renew) not at the same rate?

This document is subject to our Website Content Disclaimer, which can be found on our website at www.concordmortgage.ca/resources or by going to this URL:

https://www.concordmortgagegrouppltd.ca/files/ugd/13ac15_3dad4bd7301740f5b0a6ed19d3be3499.pdf