

Government Programs and Regulations

Requirements for Government-Backed Mortgage Insurance

Description

Mortgage loan insurance is generally required by lenders when home buyers make a down payment of less than 20% of the purchase price. Mortgage loan insurance helps protect lenders against mortgage default, and enables consumers to purchase homes with a minimum down payment starting at 5%. The Government of Canada offers government-backed mortgage insurance with restrictions through its crown agency, Canada Mortgage and Housing Corporation (CMHC).

Details

- Requires a minimum down payment of at least 5 per cent for a mortgage to qualify for government-backed insurance.
- Maximum amortization for mortgages is 25 years.
- Maximum home price that could qualify for government-backed mortgage insurance is capped at \$1-million.
- Mortgage insurance is available to both first-time and repeat home buyers.
- For a purchase price of \$500,000 or less, the minimum down payment is 5%. When the purchase price is above

\$500,000, the minimum down payment is 5% for the first \$500,000 and 10% for the remaining portion.

- A gift of a down payment from an immediate relative is acceptable for dwellings of 1 to 4 units. For eligible borrowers, additional sources of down payment, such as lender incentives and borrowed funds, are also permitted. Check with a lender for qualifying criteria and availability.
- Total monthly housing costs, including principal, interest, property taxes, heating, the annual site lease in the case of leasehold tenure, and 50% of applicable condominium fees, shouldn't represent more than 32% of gross household income.
- Total debt load shouldn't be more than 40% of your gross household income.
- Closing costs are in addition to the down payment, equivalent to 1.5% to 4% of the purchase price. Closing costs include but are not limited to one-time items such as lawyer fees, GST/HST, municipal (if applicable) tax, and provincial land transfer tax, etc.

Other requirements may apply and are subject to change. For details, please contact a lender or mortgage broker.

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The CMHC Mortgage Loan Insurance premium is calculated as a percentage of the loan and is based on a number of factors such as the intended purpose of the property (owner occupied or rental), the type of loan (e.g., purchase/construction or refinance loan), and the size of down payment. See chart for premium details.

| Financing Required | Premium % of Loan |
|-----------------------------------------------|-------------------|
| Up to and including 65% | 0.60 |
| Up to and including 75% | 1.70 |
| Up to and including 80% | 2.40 |
| Up to and including 85% | 2.80 |
| Up to and including 90% | 3.10 |
| Up to and including 95% | 4.00 |
| 90.01% to 95% Non-traditional Down Payment | 4.50 |

* Premiums in Manitoba, Ontario and Quebec are subject to provincial sales tax. The provincial sales tax cannot be added to the loan amount.

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For more information call CMHC at 1-800-668-2642 or access through www.cmhc.ca

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