



Government Programs and Regulations

Five Per Cent Down Payment Program

Program

With as little as five per cent down payment, from personal or other sources (see below for eligible other sources), all home buyers have access to mortgage insurance enabling them to enter the housing market, as long as they can meet the standards for a five year fixed-rate mortgage.

Details

- Mortgage insurance for 95 per cent mortgages is available to both first time and repeat home buyers. Homebuyers have the option of using personal sources, such as savings or gifts, or other sources, such as lender incentives, borrowed funds/credit, or sweat equity (the amount of money spent to help construct the home) for the required five per cent down payment.
- Depending on eligibility, buyers using the Program may consume up to 39 per cent of their gross monthly household income for payments of principal interest, property taxes and heating, and total debt load cannot exceed 44 per cent of monthly household income.
- Buyers using the Program must be able to qualify for a five year fixed-rate mortgage even if they choose a mortgage with a lower interest rate and shorter term.
- Insurance premiums on loans for 95 per cent of the lending value of the house where the five percent down payment comes from personal sources will be 2.75 per cent of the mortgage loan.

Insurance premiums on loans for 95 per cent of the lending value of the house where the five percent down payment comes from other sources will be 2.9 per cent of the mortgage loan. This premium can be added to the mortgage.

- Borrowers are required to demonstrate, at the time of application, their ability to cover closing costs equal to at least 1.5% of the purchase price.
- Where the minimum equity requirement is being met by way of a financial gift, the funds must be in possession of the borrower 15 days before making an offer to purchase.
- For homeowners who used the Program to purchase their home, the maximum amount that can be withdrawn if re-financing their mortgage is 80 per cent of the value of their home.
- The Five Per Cent Down Payment Program is not available for non-owner occupied properties. These properties require a minimum down payment of 20 per cent.
- Government-backed insured mortgages are not available for homes with a purchase price of \$1 million or more.
- Effective July 9, 2012, the maximum allowed amortization period for mortgages with less than 20 percent down payment is 25 years.

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

Mortgage insurance is available to both first time and repeat home buyers.