

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.

Mortgage loan insurance is generally required by lenders when home buyers make a down payment of less than 20% of the purchase price.

See page 2

Government Programs and Regulations

Requirements for Government-Backed Mortgage Insurance *continues*

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.

Mortgage loan insurance is generally required by lenders when home buyers make a down payment of less than 20% of the purchase price.

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

1400 Don Mills Road, Toronto, Ontario • M3B 3N1 • Tel: (416) 443-8100 • Fax: (416) 443-9703

 Toronto Regional
Real Estate Board
Professionals connecting people,
property and communities.