

# CHANGE OF SPACE

Dominion Lending Centres breaks down the new changes to the mortgage space, answering your most asked questions — **What, Who** and **Why?** — And how **WE** can help!



**DOMINION LENDING**  
CENTRES

WE'VE GOT A MORTGAGE FOR THAT!



## Why is the Department of Finance implementing these new changes?

These new regulations are aimed at protecting the financial security of Canadians and supporting the long term stability of the housing market in Canada.

### CHANGE: MORTGAGE RATE STRESS TEST TO ALL INSURED MORTGAGES

#### What is it?

Currently insured mortgages with a term of less than 5 years, and/or a variable rate mortgage had to qualify on the Bank Of Canada (B.O.C) rate.

Under the new Department of Finance regulations, all insured mortgages, regardless of term (fixed or variable) will now have to qualify on the B.O.C rate.

#### How does this affect a home buyer with **less than 20% down payment?**

The biggest effect will be on the amount that the home buyer will be able to qualify for. Previously, the five year fixed qualified at the lender contract rate. Now, the home buyer must qualify at the Bank of Canada Rate.

Previously, for example, a five year fixed mortgage at 2.39% rate, was qualified at a 2.39% rate, under the new rules a five year fixed rate mortgage at 2.39% must be "stress tested" by qualifying at the B.O.C posted rate (Currently 4.64%)

The net result is an approximate 20% reduction in the amount of mortgage money available.

#### How does this affect a home buyer with a down payment of **20% or more?**

There is no significant impact anticipated for home buyers placing 20% or more down. DLC has many different options and there are still a variety of solutions for the majority of home buyers.

#### Do I still have the option to **refinance** my home?

**Yes**, home buyers will still have the ability to refinance up to 80% of the value of their property. Specifics may differ from lender to lender.



The challenge through the upcoming days will be to rethink strategy and get pre-approved again with the stress test factor included.

Start the conversation to perhaps either increase down payment or start the process of looking for a new home within your NEW imposed budget.

#### What is an

**INSURED MORTGAGE** (HIGH RATIO)

Vs. **NON-INSURED MORTGAGE**

(CONVENTIONAL/LOW RATIO)

**An Insured Mortgage** is when a home buyer has less than 20% down or the mortgage is insured by either Canada Mortgage and Housing Corporation (CMHC), Genworth, or Canada Guaranty. The insurance premium is passed onto the borrower.

This insurance provides security to the Lender in the event of home buyer default.

**A Non-Insured Mortgage** is when a home buyer has 20% or more for a down payment and therefore is not required to pay mortgage insurance.

#### LENDER DISTINCTION

*Are all Lenders affected equally by the new regulations?*

Some Lenders take out insurance on all of their mortgages regardless of whether they are high ratio or not. Under the new regulations, brokers may need to work with Lenders that do not insure all of their mortgages in order to help home buyers qualify.

**QUALIFYING RATE** is the Bank Of Canada Conventional 5 year fixed posted rate.

**CONTRACT RATE** is the rate offered by the Lender on the home buyer's **actual mortgage payments** are based upon.



To place this into perspective, in **2008, fixed rates were 5.99%**.

This is still much higher than the current qualifying rate of 4.64%. **Interest rates that borrowers will actually get are still expected to remain near record lows.**

## CHANGE:

### RESTRICTED INSURANCE FOR LOW-RATIO MORTGAGES

Mortgage loans that Lenders insure for conventional mortgages will be required to meet the eligibility criteria that previously only applied to high ratio insured mortgages.

*The new criteria for low-ratio/conventional mortgages will include the following requirements:*

- Property must be owner occupied - rental properties are now excluded.
- A maximum amortization of 25 years
- A maximum property purchase price of, or below \$999,999.99
- Minimum credit score of 600
- Maximum gross debt service (GDS) of 39% of home buyers income and a total debt service (TDS) of 44% calculated by using the Bank of Canada conventional 5 - year fixed posted rate.

## CHANGE:

### NEW REPORTING RULES FOR THE PRIMARY RESIDENCE CAPITAL GAINS EXEMPTION

#### *What is it?*

Currently, any financial gain from selling your primary residence is tax-free and does not have to be reported as income. As of this tax year, the capital gains tax is still waived, but the sale of the primary residence must be reported at tax time to the Canada Revenue Agency.

#### *Who does it affect?*

Everyone who sells their primary residence will have a new obligation to report the sale to the CRA; however, the change is aimed at preventing foreign buyers who buy and sell homes from claiming a primary residence tax exemption for which they are not entitled.

#### *Why?*

While officials say more data is needed, Ottawa is responding to extensive anecdotal evidence and media reports showing foreign investors are flipping homes in Canada and falsely claiming the primary residence exemption.

“ In the middle of **DIFFICULTY** lies **OPPORTUNITY** ”  
- ALBERT EINSTEIN

“ May your choices reflect your **HOPES** not your fears ”  
- NELSON MANDELA

### HOW CAN DOMINION LENDING CENTRES HELP?

*Now more than ever home buyers are going to rely on mortgage brokers for their guidance and expertise in navigating through these regulatory changes.*

*There are differences amongst the many Lenders that we have access to and the greatest value a broker can provide is the knowledge of the lending environment and in choosing which Lender is best suited for your needs.*

These new rules and regulations implemented by the Department of Finance were abrupt and without consultation. Dominion Lending Centres will continue to report and educate our mortgage brokers and our home buyers as new data arises. The information in this document is current as of the date at the top of page 1.

Together we will adapt, strategize, and remain **THE #1 MORTGAGE COMPANY IN CANADA - YES, WE'VE GOT A MORTGAGE FOR THAT!**



How much **HOME**  
**CAN YOU AFFORD** with a  
 benchmark qualifying rate of  
**4.64%?**



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Your Annual Gross Income	Monthly Payment	Mortgage Balance	5% DOWN	Maximum Home	10% DOWN	Maximum Home	20% DOWN	Maximum Home
\$25,000	\$688	\$122,487	\$6,274	\$125,483	\$13,343	\$133,428	\$30,622	\$153,109
\$30,000	\$825	\$146,985	\$7,529	\$150,580	\$16,011	\$160,114	\$36,746	\$183,731
\$35,000	\$963	\$171,482	\$8,784	\$175,677	\$18,680	\$186,800	\$42,871	\$214,353
\$40,000	\$1,100	\$195,980	\$10,039	\$200,773	\$21,349	\$213,486	\$48,995	\$244,975
\$45,000	\$1,238	\$220,477	\$11,293	\$225,870	\$24,017	\$240,171	\$55,119	\$275,597
\$50,000	\$1,375	\$244,975	\$12,548	\$250,967	\$26,686	\$266,857	\$61,244	\$306,218
\$55,000	\$1,513	\$269,472	\$13,803	\$276,063	\$29,354	\$293,543	\$67,368	\$336,840
\$60,000	\$1,650	\$293,970	\$15,058	\$301,160	\$32,023	\$320,228	\$73,492	\$367,462
\$65,000	\$1,788	\$318,467	\$16,313	\$326,256	\$34,691	\$346,914	\$79,617	\$398,084
\$70,000	\$1,925	\$342,965	\$17,568	\$351,353	\$37,360	\$373,600	\$85,741	\$428,706
\$75,000	\$2,063	\$367,462	\$18,822	\$376,450	\$40,029	\$400,285	\$91,866	\$459,328
\$80,000	\$2,200	\$391,959	\$20,077	\$401,546	\$42,697	\$426,971	\$97,990	\$489,949
\$85,000	\$2,338	\$416,457	\$21,332	\$426,643	\$45,366	\$453,657	\$104,114	\$520,571
\$90,000	\$2,475	\$440,954	\$22,587	\$451,740	\$48,034	\$480,343	\$110,239	\$551,193
\$95,000	\$2,613	\$465,452	\$23,842	\$476,836	\$50,703	\$507,028	\$116,363	\$581,815
\$100,000	\$2,750	\$489,949	\$25,097	\$501,933	\$53,371	\$533,714	\$122,487	\$612,437
\$110,000	\$3,025	\$538,944	\$27,606	\$552,126	\$58,709	\$587,085	\$134,736	\$673,680
\$120,000	\$3,300	\$587,939	\$30,116	\$602,320	\$64,046	\$640,457	\$146,985	\$734,924
\$130,000	\$3,575	\$636,934	\$32,626	\$652,513	\$69,383	\$693,828	\$159,234	\$796,168
\$140,000	\$3,850	\$685,929	\$35,135	\$702,706	\$74,720	\$747,199	\$171,482	\$857,411
\$150,000	\$4,125	\$734,924	\$37,645	\$752,900	\$80,057	\$800,571	\$183,731	\$918,655
\$160,000	\$4,400	\$783,919	\$40,155	\$803,093	\$85,394	\$853,942	\$195,980	\$979,899
\$170,000	\$4,675	\$832,914	\$42,664	\$853,286	\$90,731	\$907,314	\$208,228	\$1,041,142
\$180,000	\$4,950	\$881,909	\$45,174	\$903,479	\$96,069	\$960,685	\$220,477	\$1,102,386
\$190,000	\$5,225	\$930,904	\$47,684	\$953,673	\$101,406	\$1,014,056	\$232,726	\$1,163,630
\$200,000	\$5,500	\$979,899	\$50,193	\$1,003,866	\$106,743	\$1,067,428	\$244,975	\$1,224,873
\$250,000	\$6,875	\$1,224,873	\$62,742	\$1,254,833	\$133,428	\$1,334,285	\$306,218	\$1,531,092
\$300,000	\$8,250	\$1,469,848	\$75,290	\$1,505,799	\$160,114	\$1,601,142	\$367,462	\$1,837,310

**NOTES:** 32% of the indicated gross income is used to calculate the borrowers maximum shelter expenses such as mortgage payments, taxes, utilities and condo fees. In addition, the chart assumes that borrowers spend no more than an additional 8% to 10% of their gross income on non-shelter debt obligations.

This data is for information purposes only and should not be relied upon without verification by contacting your Dominion Lending Mortgage Consultant.

The above discounted rate is not an offer or a rate commitment. APR assumes no fee(s) apply. Should any fee(s) apply the APR would increase.

The above information is based on a 25 year amortization period