

MORTGAGE QUALIFICATION CHANGES



Your mortgage broker can best guide and counsel you through your mortgage needs

On October 17, 2016 new housing policies came into effect and have left many Canadians unclear about how these have impacted them. Outline below is a very clear and concise summation of how you have been affected.

HOW DO THE CHANGES AFFECT YOU?

20%

Approximate decrease in home purchasing power for all Canadians

High Ratio Mortgages

For home buyers with less than 20% down Payment, mortgage qualification will be based on the Bank of Canada posted rate.

This is to stress test borrowers, as Bank of Canada rates are higher than the rates offered by banks and lenders.

Low Ratio Mortgages

All remains the same for home buyers with a down payment of 20% or more.

Specifically, borrowers with down payments of 20% or more will still be able to qualify for mortgages using the rate - unless the mortgage has a term of 4 years or less and/or is a variable rate mortgage, which are subject to the new Mortgage Qualifying Rate.

AFFORDABILITY TABLE WITH HIGH RATIO QUALIFICATION RULES

ANNUAL INCOME	Maximum House Price BEFORE OCTOBER 17	Maximum House Price AFTER OCTOBER 17
\$50,000	\$266,400	\$211,300
\$60,000	\$331,000	\$268,312
\$70,000	\$384,500	\$328,304
\$80,000	\$443,350	\$378,464
\$90,000	\$502,341	\$428,622
\$100,000	\$561,300	\$478,780
\$110,000	\$620,300	\$484,000

Calculations based on the following: 5% down payment, no household debts, based on 25 yr. amortization period. Data is for information only, should not be relied upon without verification.

UNDERSTANDING KEY MORTGAGE TERMS

HIGH RATIO MORTGAGE

A mortgage in which the borrower has a down payment of less than 20% of the purchase price.

LOW RATIO MORTGAGE

A mortgage in which the borrower has a down payment equivalent to 20% or more of the purchase price.

MORTGAGE QUALIFYING RATE

The Bank of Canada conventional 5 year fixed posted rate. On average, 2% higher than rates offered by lenders.

CONTRACT RATE

The rate offered by the Lender. The borrower's actual mortgage payments are based on this rate.

Information Courtesy Of:

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