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# New Mortgage Changes

## What are the changes the government announced today?

- Amortization periods on high ratio mortgages (less than 20% down payment) reduced from 30 to 25 years.
- Refinancing limited to 80% of home's value through mortgage insurance programs, down from the current 85%.
- Properties with a purchase price of \$1 million or more will no longer be eligible for mortgage default insurance.
- GDS and TDS (debt service coverage ratios) set at 39% and 44%.
- Changes will take effect July 9th.

## Who will these changes affect?

- Buyers who do not have a 20% down payment. Any homebuyer who wants a mortgage amortized over 25 years will require a down payment equal to 20% of the purchase price.
- Buyers of properties over \$1,000,000 will require a 20% down payment.
- Home owners looking to refinance for an amount greater than 80% will no longer be able to accomplish that through traditional mortgage default insurance options.

## How will this affect homebuyers who have signed mortgage commitments, but whose mortgages have not closed yet?

- We fully expect that changes are not retro-active, those who have already been approved should not be affected at this point.

## How will this affect homebuyers who have been pre-approved, but have not yet found a property to buy?

- We expect that homebuyers will be required to have a purchase and sale agreement signed before July 9th in order to qualify under the old rules of a 30 year amortization. Based on the process around previous changes, pre-approvals will likely not be governed under the old rules, homebuyers with pre-approvals will need to re-qualify with higher payments over a period of 25 years.

## What advice do you have for those who are considering buying their first home?

- Plan a realistic budget and take into account all extra costs associated with home ownership.
- Try to pay off or pay down as much of your other debt as possible.
- If you are serious about finding a home, you may want to consider finding a property before July 9th, 2012.

## What about OSFI (Office of the Superintendent of Financial Institutions) new Guidelines released today?

- Home Equity Lines of Credit (HELOCs) will be limited to 65% of the value of the secured property from the existing 80%.
- Changes are expected to come into effect by the end of the fiscal year 2012/2013, but OSFI requested that where possible, federally regulated financial institutions should comply with the principles and expectations set out in the Guideline as of its release.
- The Guideline will not apply retroactively to in-force residential mortgages.
- For greater clarity, additional mortgage loan credit (beyond the LTV ratio limit of 65 % for HELOCs) can be extended to a borrower. However, the loan portion over the 65 % LTV proportion should be amortized.

## How can Mortgage Brokers help?

- The first priority of a Mortgage Broker is mortgage education. A Mortgage Broker will find the most suitable product for the client, not for the lender.
- With access to multiple lenders, a Mortgage Broker gives the best rate up front, eliminating the need for the client to negotiate. A Mortgage Broker is also not limited to the products and policies of one particular lender or bank, Mortgage Brokers offer solutions that best fit the needs of the borrower.

Some of our lenders...



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