OCTOBER 31ST, 2016

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!

Compliments of your Dominion Lending Centres Mortgage Professional:

OCTOBER 28TH:

"NO NEW HOUSING MARKET MEASURES PLANNED"

— BILL MORNEAU Finance Minister, as reported on **thestar.com**

Canada's finance minister said the Liberal government is not considering any further actions to tamp down overheated housing markets.

The federal government's recent mortgage rule changes, which will end tax breaks for non-residents and make it harder to qualify for mortgages "were the right thing to do," Finance Minister Bill Morneau told a Toronto Region Board of Trade audience Friday.

However, he told reporters afterward that while the government continues to be "vigilant in monitoring the market, we have no further actions under consideration in terms of housing."

"Our role is to ensure that we protect the housing market for the long term, that we create the kind of stability that Canadians need as they consider housing investments," he said after a speech that focused on financial stability.

"The new mortgage rules announced by the Federal Government on October 3, 2016 caught the entire industry by surprise and **we continue to assess the potential impacts of these changes.** —

Our current view is that the new rules will make it more difficult and more costly for many Canadians to obtain a mortgage.

In turn, this should result in more Canadians using a mortgage broker as we have access to hundreds of lenders who can provide the right mortgage product at the best rate."

— GARY MAURIS
President, Dominion Lending Centres,
as quoted on **mortgagebrokernews.ca**

CHANGE: MORTGAGE RATE STRESS TEST TO ALL INSURED MORTGAGES

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

This requirement will also be extended to low ratio mortgage insured mortgages effective November 30th, 2016.

Under the new Department of Finance regulations, all insured mortgages, regardless of the term (fixed or variable) or the loan-to-value will now have to qualify at 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 a lender contract rate 2.39% rate, was qualified at a 2.39% rate. Under the new rules, a five year fixed 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**?*

Under this new regulation, there may be differences amongst lenders in the mortgage programs and rates that they offer. DLC has many different lender 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.

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Dominion Lending Centres continues to update our network as new information arises on the new regulatory changes announced by the Department of Finance on October 3rd, 2016

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

This may mean either increasing your down payment or starting the process of looking for a home within your NEW imposed budget.

CHANGE: CMHC ADVISORY: HIGH RATIO MORTGAGES

CMHC has come out with the first of two advisories aimed at clarifying new regulations as they apply to high ratio mortgages.

The new mortgage rate stress test does not apply to existing mortgage applications. Applications may be grandfathered **if one of the three following conditions apply:**

- A mortgage loan insurance application is received **before October 17, 2016;**
- The lender has provided a mortgage commitment **before October 17, 2016.**
- The borrower has a fully accepted purchase and sale agreement for which the mortgage is being applied for **before October 17, 2016.**
- The new **low ratio mortgage insurance eligibility also does not apply if,** during the period beginning on **October 17, 2016, and ending on November 29, 2016,** at least one of these **3 criteria is met AND the loan is funded before May 1, 2017.**

The **grandfather period** has been changed to include mortgages, meeting one of the above criteria, before October 17, 2016, as opposed to the original date of October 3rd, 2016. The original transition period as stated with a funding date of March 1, 2017 no longer applies.

CHANGE: GENWORTH HIGH RATIO MORTGAGE INSURANCE CHANGES

Genworth's update is for high-ratio mortgage insurance only.

The new rules for qualifying rates **will not apply** to applications that meet any of the following criteria:

- A mortgage insurance application was received **prior to October 17, 2016**;
- **Prior to October 17, 2016,** the lender made a legally binding commitment to make the loan; or,
- **Prior to October 17, 2016,** the borrower entered into a legally binding agreement of purchase and sale.

For applications received as of **October 17, 2016,** Genworth's underwriting systems will reflect the new high-ratio qualifying rate criteria for mortgage insurance adjudication, therefore Lenders may continue to submit the contract rate for the loan on submission of the mortgage insurance application.

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% for down payment and 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 five year fixed posted rate.

CONTRACT RATE is the rate offered by the Lender that 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.**

For our most up to date blog posts, and industry updates please visit **www.dominionlending.ca/newrules**

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:

- If the property is a single unit, it will be owner-occupied (1-4 unit owner occupied properties and 2-4 unit non-owner occupied properties are permitted).
- 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 five year fixed posted rate.

CHANGE: GENWORTH CANADA: LOW-RATIO MORTGAGE INSURANCE CHANGES OCT. 17TH 2016

Grandfathered Loans:

The new rules for low-ratio eligibility requirements will not apply to applications that meet any of the following criteria:

- a mortgage insurance application was received prior to **October 17, 2016;**
- prior to **October 17, 2016,** the lender made a legally binding commitment to make the loan; or,
- prior to **October 17, 2016,** the borrower entered into a legally binding agreement of purchase and sale.

Transition Period:

- In addition, low-ratio loans that qualify under any of the following transition period criteria are not required to conform to the new low-ratio eligibility requirements provided the loan is funded **prior to May 1, 2017:**
- a mortgage insurance application was received **after October 16, 2016** and **before November 30, 2016;**
- the lender made a legally binding commitment to make the loan **after October 16, 2016** and **before November 30, 2016;** or,
- the borrower entered into a legally binding agreement of purchase and sale **after October 16, 2016** and **before November 30, 2016.**

“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!**

For our most up to date blog posts, and industry updates please visit **www.dominionlending.ca/newrules**

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

The information below is for illustrative purposes only and does not take into account property taxes, heat and household debt. Please contact your DLC Mortgage Broker for full details.

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Your Annual Gross Income	Monthly Payment	Mortgage Balance	Minimum DOWN	Maximum Home	10% DOWN	Maximum Home	20% DOWN	Maximum Home
$25,000	$687	$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	$962	$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	$1,237	$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	$1,512	$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	$1,787	$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	$2,062	$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	$2,337	$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	$2,612	$465,452	$23,842	$476,836	$50,703	$507,028	$116,363	$581,815
$100,000	$2,750	$489,949	$25,193	$501,933	$53,371	$533,714	$122,487	$612,437
$110,000	$3,025	$538,944	$30,213	$552,126	$58,709	$587,085	$134,736	$673,680
$120,000	$3,300	$587,939	$35,232	$602,320	$64,046	$640,457	$146,985	$734,924
$130,000	$3,575	$636,934	$40,251	$652,513	$69,383	$693,828	$159,234	$796,168
$140,000	$3,850	$685,929	$45,271	$702,706	$74,720	$747,199	$171,482	$857,411
$150,000	$4,125	$734,924	$50,290	$752,900	$80,057	$800,571	$183,731	$918,655
$160,000	$4,400	$783,919	$55,309	$803,093	$85,394	$853,942	$195,980	$979,899
$170,000	$4,675	$832,914	$60,329	$853,286	$90,731	$907,314	$208,228	$1,041,142
$180,000	$4,950	$881,909	$65,348	$903,479	$96,069	$960,685	$220,477	$1,102,386
$190,000	$5,225	$930,904	$70,367	$953,673	$100,000	$999,999	$232,726	$1,163,630
$200,000	$5,500	$979,899	$75,000	$999,999			$244,975	$1,224,873
$250,000	$6,875	$1,224,873					$306,218	$1,531,092
$300,000	$8,250	$1,469,848					$367,462	$1,837,310

DISCOUNTED APR: 4.64%
GDS RATIO: 35%

NOTES: 35% 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 Broker. 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