



CANADA MORTGAGE AND HOUSING CORPORATION

Consumers

What are the General Requirements to Qualify for Homeowner Mortgage Loan Insurance?

- The home is located in Canada.
- You will typically have a down payment of at least 5% of the purchase price of the dwelling, depending on the dwelling type.
 - Single-family and two-unit dwellings (5% minimum down payment)
 - Three- or four-unit dwellings (10% minimum down payment)
- Normally, the minimum down payment comes from your own resources. However, 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 your lender for qualifying criteria and availability.
- Your total monthly housing costs, including Principal, Interest, property Taxes, Heating (P.I.T.H.), the annual site lease in the case of leasehold tenure and 50% of applicable condominium fees, shouldn't represent more than 32% of your gross household income (Gross Debt Service (GDS) ratio). Use the [GDS form](#) to calculate how much you can afford in housing costs to be eligible.
- Your total debt load shouldn't be more than 40% of your gross household income. The Total Debt Service (TDS) ratio is your P.I.T.H. + the annual site lease in the case of leasehold tenure and 50% of condominium fees (if applicable) + payments on all other debt / gross annual household income. Add up your costs and determine your Total Debt Service ratio using the [TDS form](#).
- You also need to think about closing costs (for example, legal and land transfer fees) equivalent to 1.5% to 4% of the purchase price. Many first-time buyers are surprised by these costs. That is why, when qualifying for CMHC's Mortgage Loan Insurance, our [Home Purchase Cost Estimate worksheet form](#) will help you calculate your total homebuying costs.

Closing costs include but are not limited to one-time items such as lawyer fees, GST and PST as applicable, land transfer tax if applicable, adjustments, etc., to allow you to complete the house purchase.

- Other requirements may apply and are subject to change. For details, please contact your lender or mortgage broker.

Canada 



CANADA MORTGAGE AND HOUSING CORPORATION

Business / Government / Housing Organizations

New Government Guarantee Parameters for Mortgage Loan Insurance and CMHC Product Changes

The Government of Canada has recently announced new parameters regarding the application of the government guarantee supporting the Canadian mortgage insurance industry ([view the Department of Finance's news release](#)). The effective date when the new rules are to come into force is April 19, 2010.

CMHC supports the Government of Canada's on-going efforts to maintain a strong Canadian housing market. Consistent with the parameters established by the government, CMHC will no longer offer insurance for mortgages falling outside the scope of the new parameters after the effective date. CMHC will be implementing the following changes with respect to the new parameters on April 19, 2010:

1. The qualifying interest rate used to assess borrower eligibility will change only for loans with a loan to value ratio (LTV) greater than 80% as follows:

Fixed Rate Mortgages and Variable Rate Mortgages: For loans with a fixed rate term of less than 5 years and for all variable rate mortgages, regardless of the term, the qualifying interest rate is the greater of the benchmark rate¹, and the contract interest rate. For loans with a fixed rate term of 5 years or more, the qualifying interest rate is the contract interest rate.

Mortgages with Multiple Interest Rates (e.g. Multi-Component Mortgages): Each component must be qualified using the applicable criteria defined above.

¹CMHC defines the benchmark rate as the Chartered Bank — Conventional Mortgage 5-year rate that is the most recent interest rate published by the [Bank of Canada](#) in the series V121764 as of 12:01 AM (Eastern Time) each Monday.

3. The maximum amount Canadians can withdraw in refinancing their mortgages will change to 90 per cent from 95 per cent of the value of their homes.
4. A 20 per cent down payment will be required for 1-4 unit rental (non-owner occupied) properties.

In support of the government position, CMHC will also be implementing changes to the calculation of a borrower's Total Debt Service Ratio where rental income is generated from the subject property. Effective April 19, 2010, fifty percent of the gross rental income from the subject property may be included into the borrower's gross annual income for the purposes of calculating the borrower's Total Debt Service Ratio. Additionally, CMHC Second Home product will only be available for a one unit owner occupied property.

Furthermore, CMHC subsequently announced that effective April 9, 2010 self-employed borrowers with more than 3 years in the same business and commissioned-income borrowers will be required to provide third party validation of income to qualify for CMHC's Self-Employed Product.

For the majority of self-employed borrowers, income validation is readily available through financial statements, contracts, T4s and other third party income validations. The changes will ensure that self-employed borrowers with third party income validation will benefit from a lower premium.

A small portion of borrowers, such as those recently self-employed, may continue to apply for the CMHC Self-Employed Product Without Traditional Third Party Validation of Income, subject to a maximum loan-to-value of 90% for purchase transactions and 85% for refinance transactions.

Inquiries should be directed to CMHC's Client Service Centre at 1-888-GO-emili (1 888 463 6454).

Understanding your credit score

What is a credit score?

Your credit score is a judgment about your financial health, at a specific point in time. It indicates the risk you represent for lenders, compared with other consumers.

There are many different ways to work out credit scores. The credit-reporting agencies Equifax and TransUnion use a scale from 300 to 900. High scores on this scale are good. The higher your score, the lower the risk for the lender.

Lenders may also have their own ways of arriving at credit scores. In addition, lenders must decide on the lowest score you can have and still borrow money from them. They can also use your score to set the interest rate you will pay.

What factors influence your credit score?

Credit-reporting agencies and lenders use a mathematical formula to figure out your credit score. This formula takes into account various factors described in your credit report, such as:

- your payment history (Do you carry over a balance on your credit card from month to month? Have you ever missed a payment on any of your debts?);
- any collection or bankruptcy recorded against you (Has a collection agency had to collect an unpaid bill from you? Have you ever been bankrupt?);
- your outstanding debts (What is the limit on your credit card? Is your spending close to your credit limit?);
- your account history (How long have you had credit?);

- the number of recent inquiries made about your credit report (How many times has someone asked about your credit report?); and
- the type of credit you are using (Do you only have credit cards, or do you have a mix of credit cards and loans?).

These factors do not all have the same weight in determining your credit score. The most important factors are your payment history, whether you have ever declared bankruptcy, and the amount of your outstanding credit balances.

Although other elements such as your mortgage information and any personal inquiries you have made may also be included in your credit report, they usually do not influence your credit score.



How long do these factors affect your credit score?

Information that affects your credit score is usually removed from your credit report after a certain period of time. The length of time that information must stay in your report depends on:

- the province or territory where you live; and
- the type of information.

The charts on the next page show how long it takes before information is removed from TransUnion and Equifax credit reports.

TransUnion	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL	Terr.
	Years										
Credit transactions (trades) (from the first date of delinquency)	6	6	6	6	6	6	6	6	6	6	6
Judgments (from the reporting date)	6	6	6	6	7	7	7	6	10	7	6
Collections (from the first date of delinquency)	6	6	6	6	6	6	6	6	6	6	6
Secured loans (registered items) (from the date opened)	5	5	5	5	5	5	5	5	5	5	5
Bankruptcy (from the discharge)	6	6	6	6	7	7	7	6	7	7	6
Registered consumer proposal, Orderly payment of debts (from the date satisfied)	3	3	3	3	3	3	3	3	3	3	3
Credit counseling (from the date satisfied)	2	2	2	2	2	2	2	2	2	2	2

Equifax	BC	AB	SK	MB	ON	QC	NB	NS	PEI	NL	Terr.
	Years										
Credit transactions (trades) (from the date of last activity)	6	6	6	6	6	6	6	6	6	6	6
Judgments (from the date satisfied or deposit)	6	6	6	6	6	6	6	6	7 to 10	6	6
Collection (from the date of last activity)	6	6	6	6	6	6	6	6	6	6	6
Secured loans (registered items) (from the filing date)	6	6	6	6	6	6	6	6	6	6	6
Bankruptcy (from the discharge date)	6	6	6	6	6	6	6	6	6	6	6
Registered consumer proposal, orderly payment of debts (from the date paid)	3	3	3	3	3	3	3	3	3	3	3
Credit counseling (from the date paid)	3	3	3	3	3	3	3	3	3	3	3

Source: TransUnion and Equifax