



PRESS RELEASE



Canadian Mortgage News - National Archive 2004

CMHC Enhances NHA MBS Program and Mortgage Insurance Options for Rental Properties

OTTAWA, Ontario, October 1, 2004 - The NHA Mortgage Backed Securities Program has been expanded to include insured second mortgages for both homeowner and rental properties, Canada Mortgage and Housing Corporation (CMHC) announced.

"This enhancement will provide Approved MBS Issuers with an additional funding source for second mortgages," said Karen Kinsley, President of CMHC. "This helps increase the amount of private capital available to purchase homes and rental accommodation." Property owners will also have access to more affordable mortgage financing for activities such as repair and renovation.

The NHA MBS program provides investors with a vehicle to make secure investments in Canadian residential mortgages. By supporting a healthy secondary mortgage market, the NHA MBS program broadens options for borrowers and works to lower mortgage interest rates for Canadian homebuyers and rental property buyers.

CMHC is also enhancing its mortgage loan insurance for rental properties to provide lenders and borrowers with an additional repayment option. This new policy will permit the use of floating interest rates for insured loans on rental properties. Borrowers now have the choice of fixed or variable rate funding and access to lower cost alternatives.

CMHC is committed to providing Canadians with greater access to affordable housing finance while working with the mortgage industry to expand business opportunities. CMHC promotes housing quality, affordability and choice for Canadians. As Canada's national housing agency, CMHC delivers its products and services to Canadians across the country through Insurance and Securitization, Assisted Housing, Research and Information Transfer and CMHC International.

For further information please call:

Sharon Matthews, CMHC
Vice President, Insurance and Securitization
(613) 748-2251

Backgrounder — NHA Mortgage-Backed Securities

CMHC pioneered the development and use of mortgage-backed securities in Canada with the introduction of National Housing Act (NHA) Mortgage-Backed Securities in 1987 (NHA MBS). NHA Mortgage-Backed Securities were introduced to provide investors with an opportunity to make secure investments in Canadian residential mortgages, thus helping to increase the supply of low cost funds available for mortgage lending.

NHA Mortgage-Backed Securities are created when an Approved Issuer puts together an eligible pool of insured mortgage loans and CMHC applies its unconditional guarantee of timely payment. These securities are sold to investors who receive the monthly payments of interest and principal. As investments, NHA Mortgage-Backed Securities are high quality and are fully guaranteed by CMHC on behalf of the Government of Canada.

NHA MBS Securities were created to increase the flow of funds into residential mortgages by offering investors the highest possible level of security when compared to other forms of real estate investment. NHA MBS Securities have become an integral part of the Canadian financial system on two levels:

- as an attractive real estate-based investment offering both high yield and maximum safety; and
- as a source of financing for the Canadian housing industry.

In recent years, CMHC has introduced mortgage loan insurance for the refinancing of homeowner and rental property mortgages. This has resulted in an increase in the volume of second mortgages, particularly with regard to rental properties, that could potentially be securitized. CMHC's decision to include second mortgages in the NHA MBS program recognizes the need for Canadian lenders to fund this expansion in the mortgage market.

Backgrounder — Mortgage Insurance for Rental Housing

CMHC is Canada's only provider of mortgage loan insurance for multiple unit residential buildings. Rental mortgage loan insurance is available for many types of properties such as apartment buildings, retirement homes, nursing homes, mixed use properties (apartments with commercial space) and other forms of housing partnerships and co-ownership such as co-op and co-housing.

Benefits to Borrowers:

When rental loans are CMHC-insured, borrowers can obtain mortgage financing for up to 85 per cent of the value of the property. As a result, borrowers need less equity when purchasing a rental property and can achieve a greater return on investment. By reducing the risk of loan default to lenders, CMHC-insured rental mortgages help borrowers benefit from lower interest rates over the life of the loan. As well, the new Rental Refinance product provides rental property owners with the opportunity to access low-cost funds so they can, among other things, invest in their properties or build and acquire more rental housing.

Floating Rate Enhancement:

Canadian rental markets are constantly evolving and CMHC is committed to providing Canadians with greater flexibility and choice in meeting their rental housing financing needs. Until recently, CMHC only offered mortgage insurance on rental loans with a fixed interest rate. With this change, borrowers using CMHC mortgage insurance can now access lower interest rates by opting for a floating rate mortgage where interest payment fluctuates throughout the mortgage term.