



PRESS RELEASE



Canadian Mortgage News - National Archive 2005

First Time Home Buyers to Benefit from Lower Costs

Additional Measures will Reduce Costs for Affordable Housing Projects

OTTAWA, Ontario, April 22, 2005 — The Minister of Labour and Housing, Joe Fontana, today announced several enhancements to mortgage loan insurance that would improve affordability for many Canadians as well as improve home security. These new measures amount to some \$200 million annually.

Effective immediately, CMHC is lowering mortgage loan insurance premiums for the second time in two years. This includes a further 15 per cent premium reduction for a total of 30 per cent for first time buyers with five per cent down and a full waiver of premiums for rental housing projects funded under the Federal Affordable Housing Initiatives which serve those in greatest need.

"The Government of Canada is focussing on a variety of measures to improve existing housing options and to create new ones for Canadians," said Minister Fontana. "All of these changes will improve access for Canadians to safe, affordable housing and build on the significant commitment already in place to meet the housing needs of Canadians."

"In addition to reducing costs, CMHC will be enhancing its mortgage loan insurance benefits to better protect Canadian's investment in their home and help keep them secure from title-related risks," he added. "This Government recognizes the importance of good affordable housing in improving the quality of lives of Canadians."

Home Buyer Benefits

For a homebuyer with a \$120,000 mortgage and five per cent down, the benefit would be a savings of \$600. Combined with the premium reductions of two years ago, the homebuyer is saving \$1,200 on the same transaction.

When a borrower buys or builds an energy-efficient home or makes energy-saving renovations to an existing home, they are also eligible for a further 10 per cent refund on their mortgage loan insurance premium as announced last year.

CMHC will issue refunds to homebuyers during a six-month transition period to provide financial institutions the time needed to update systems to incorporate these costs savings directly.

This fall, CMHC will be enhancing its mortgage insurance benefits to include homeowner protection against title-related risks.

Affordable Rental Changes

The full waiving of mortgage insurance premiums for rental projects under the federal government's \$1 billion affordable housing program serving those in greatest need represents a significant savings for sponsor groups. The sponsors, in addition to savings in the order of \$300,000 on a \$5 million loan with a loan to value of 95 per cent, will

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also be able to continue to benefit from the access to financing which mortgage insurance assures and the corresponding lower interest rates.

Minister Fontana announced that CMHC will be offering a further 15 per cent mortgage insurance premium reduction for a combined savings of 35 per cent over the last two years on affordable rental housing developed through CMHC's Partnership Centre.

Sponsors of affordable rental housing accessing mortgage insurance through CMHC's Partnership Centre will also benefit from access to financing at lower rates than otherwise available without mortgage loan insurance along with the new lower premiums. For a project with a \$5 million loan with a loan to value ratio of 95 per cent, the combined benefit of the premium reductions over the last two years mean a savings of almost \$100,000.

These premium reductions build on CMHC's partnership flexibilities for affordable housing, including larger insured loan amounts, announced in 2003. CMHC announced today it will also be helping affordable housing sponsor groups through the financing process and providing additional underwriting flexibilities to assist them in securing project financing.

For more information, consumers can contact CMHC at 1 800 668-2642.

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Backgrounder — Title Protection

This major enhancement, when available, will help protect Canadian homeowners, who get CMHC mortgage insurance when they buy a home, against a wide range of problems with the title, which can prevent free and clear ownership, and other property ownership challenges. These risks include undetected or fraudulent liens and claims affecting ownership of the property.

This enhancement, which will be introduced at no additional cost, will provide homebuyers with greater peace of mind and security of ownership as well as facilitate faster processing of their mortgage application.

For example, the home owner could be protected against ownership challenges such as:

- Someone else owning or claiming to own an interest in the property.
- Unregistered easements and rights of way that did not show up during title search.
- Arrears of property taxes or public utilities by previous owners.
- Survey errors such as lack of access from a public road.

This enhancement will be available to consumers by this fall (2005).

Background

Through its housing finance activities, CMHC has helped millions of Canadians to finance the purchase of their home. In addition, CMHC's housing finance activities assist in lowering the cost of financing for rental housing. In 2004 CMHC approved mortgage loan insurance for over 650,000 homes or rental apartments.

CMHC Homeowner Mortgage Insurance

Mortgage insurance protects the lender against payment default by the homebuyer. Most financial institutions require it where the homebuyer has less than 25 per cent of the purchase price as a down payment. By providing mortgage loan insurance to lenders, CMHC enables home buyers to access mortgage financing with as little as 5 per cent down, at interest rates comparable to those purchasing a home with a down payment of 25 per cent or more. The premium paid for mortgage loan insurance is based on the amount of the loan in relation to the value of the home. The premium is normally added to the mortgage balance.

CMHC mortgage insurance products have continued to meet the changing needs of Canadians. For example, some of the recent innovations announced by CMHC include:

- expanding the sources of down payment for borrowers with demonstrated financial abilities through its new Flex Down Product in order to address an existing barrier to achieving homeownership;
- improving access to all of CMHC's homeowner mortgage insurance products for self-employed Canadians, thus assisting this important and growing segment of the Canadian economy to access affordable housing finance;
- recognizing the evolving lifestyle needs of Canadians who wish to purchase a second home as a result of career or family decisions by allowing qualified borrowers to use any of CMHC's existing homeowner products when they purchase or refinance a second home;
- and helping meet Canada's climate change objectives and supporting healthy, sustainable communities by announcing a 10 per cent refund on CMHC's mortgage insurance premiums when a borrower buys or builds an energy-efficient home or makes energy-saving renovations. This same premium rebate is also available for rental development and energy retrofit.

Mortgage Insurance Flexibilities for Partnership Centre Projects

CMHC, through its Canadian Centre for Public Private Partnerships in Housing, has been promoting the development of affordable housing through partnerships since 1991. During that time, the Centre has facilitated the creation of more than 38,000 housing units.

In 2003, CMHC announced a number of important new flexibilities in aid of affordable rental housing development through its Partnership Centre including a 20 per cent premium reduction; increased insured mortgage loan amounts and more flexible underwriting criteria. Rental apartments developed under the Partnership Centre flexibilities are modest in size and design with rents at affordable levels.

Federal Affordable Housing Initiative

In 2001, the Government of Canada committed to funding affordable housing for those in greatest need through joint agreements with provinces and territories. Since then, affordable housing agreements have been signed with all provinces and territories for a total commitment of \$1 billion by the Government of Canada. Over \$360 million has been claimed so far for the provision of over 16,000 units across Canada. An additional 4,000 units have also been announced for future development.