CANADA MORTGAGE AND HOUSING CORPORATION

THE ABC'S OF MORTGAGE LOAN INSURANCE

One of the key aspects of buying a home is saving for the down payment. Mortgage Loan Insurance from Canada Mortgage and Housing Corporation (CMHC) can help bring homeownership within reach, with a minimum down payment of 5%.

What is Mortgage Loan Insurance?

Mortgage Loan Insurance is just that — insurance from a trusted third party, which protects lenders against default on a mortgage loan by a homeowner. In Canada, Mortgage Loan Insurance is generally required whenever a homebuyer has less than 20% of the purchase price available as a down payment.

Because the lender is protected, they are able to offer mortgage financing even if you have a smaller down payment, at a rate of interest that is comparable to the lower rates typically reserved for homebuyers with a larger down payment.

To obtain Mortgage Loan Insurance, an insurance premium must be paid based on the total amount of the loan (the purchase price minus the down payment). This premium can be paid in a lump sum, or added to your mortgage and included in your monthly payments.

How Much Does it Cost?

In general, the larger your down payment, the lower your premiums will be. The exact premium will be calculated when you apply for a mortgage. But to give you a general idea, the current Mortgage Loan Insurance premiums charged by CMHC are:

Size of down payment (as % of purchase price)*	Insurance premium (as % of total loan)**
15% to less than 20%	1.75%
10% to less than 15%	2.00%
5% to less than 10%	2.75% or 2.90%***

* Mortgage Loan Insurance from CMHC is also available for loans of less than 80% of the purchase price.
** Premiums in Ontario and Quebec are subject to provincial sales tax. The provincial sales tax cannot be added to the loan amount.
*** The rate of 2.90% is for mortgage loans where the down payment is funded through non-traditional sources, such as borrowed funds, gifts, 100% sweat equity or lender cash back incentives.

For an additional premium, CMHC Mortgage Loan Insurance is also available for loans with extended amortization periods.

Add 0.20% for every 5 years of amortization beyond the 25 year mortgage amortization period. The amortization cannot exceed 30 years for mortgage loan-to-value ratios > 80%.

For example, if you are buying a $200,000 home with a down payment of $10,000 (or 5% of the purchase price) amortized over 25 years, the Mortgage Loan Insurance premium would be 2.75% of your $190,000 loan, or $5,225. If you chose to extend the amortization to 30 years, an additional premium of 0.2% or $380 would be charged.

Bringing Homeownership Within Reach

CMHC also offers a wide range of flexible options to make it easier for homeowners to get a mortgage that meets their unique needs and circumstances. This includes Mortgage Loan Insurance for individuals and families who are:

- New to Canada;

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- Self-employed;
- Buying a second home;
- Looking to make smaller monthly payments;
- Purchasing a home and making renovations or improvements;
- Purchasing an energy-efficient home;
- Relocating and looking to transfer their mortgage from one home to another; or
- Looking to access the equity in their home for renovations or other expenses.

For more homebuying tips, contact me or visit CMHC's interactive Step by Step Guide at www.cmhc.ca. CMHC is Canada's largest provider of mortgage loan insurance, helping Canadians buy a home with a minimum down payment of 5%. Ask your mortgage professional about CMHC.