YOU CAN STILL BUY WITH 5 PER CENT DOWNPAYMENT

Buyers can purchase with just a 5 per cent downpayment, while taking advantage of the current buyers' market across the Lower Mainland.

Despite all the media coverage on the federal government changes to insured mortgages, some home buyers may not realize that it is still possible to buy a personal residence with a 5 per cent downpayment.

At recent presentation by the BC Real Estate Association, Association chief economist Cameron Muir tracked how the three mortgage change announcements from the federal government – which cut the amortization rate to 25 years, raised the downpayment on second residences and made it harder to access home equity – resulted in immediate downward shifts in BC housing sales. The same scenario is being seen right across Canada and, according to mortgage brokers, is affecting the overall market.

The Canadian Association of Accredited Mortgage Professionals (CAAMP) says prospective first time homebuyers have been shut out of the market because of the most recent tightening of amortization rules. This smaller number of first time buyers is already impacting the resale market, which in turn threatens to dampen economic activity more broadly.

A CAAMP study also found that:

- Since the most recent round of mortgage tightening came into effect in July 2012, there has been a drop in Canadian housing resale activity: between August and October, sales were 8 per cent lower than in the year prior to the announcement
- Approximately 17 per cent of high ratio mortgages funded in 2010 could not have been funded today, including 11 per cent of prospective high ratio homebuyers who can't qualify under the new 25 year amortization rule

However, mortgage brokers also note that buyers still have major advantages in today's market. For homes priced at less than $1 million, buyers can purchase with a 5 per cent downpayment; mortgage rates remain at or near historic lows and the prime rate remains at just 1 per cent.

As well, today's Lower Mainland environment remains a buyers' market with slower sales and a large selection of homes on the market.

For those who are simply buying a house or strata property to live in, the mortgage changes will have little effect except to shorten the maximum amortization to 25 years from 30 years. The amortization period is the length of time it will take to pay off an entire mortgage. With a shorter amortization, a buyer can save thousands of dollars in interest costs and become debt-free faster.

For example on a $400,000 mortgage with a 5 per cent mortgage rate and bi-weekly payments, the difference between a 25-year and a 30-year amortization means $70,495 in savings with the shorter amortization.