



# MORTGAGE INSURANCE MATTERS

Canada Mortgage and Housing Corporation  
Mortgage Insurance Group - B.C. Region  
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## CMHC INTRODUCES NEW MORTGAGE INSURANCE INITIATIVES TO MAKE HOUSING MORE AFFORDABLE!

On April 22, 2005, CMHC announced that it would be lowering mortgage loan insurance premiums by 15% to consumers buying a home with a down payment of 10% or less. In addition to reducing costs, we will be enhancing our mortgage loan insurance benefits to include title protection, at no additional cost, to be effective this fall. On May 2, 2005, CMHC introduced enhancements to allow homebuyers to purchase a two-unit property, such as a duplex or single home with a secondary suite, with as little as 5% down.

"The introduction of these enhancements demonstrate CMHC's ongoing commitment to finding innovative affordable housing finance solutions that address feedback from our lender clients, as well as provide new tools to help you develop your business," says Jan Rice, Manager of Business Development, CMHC BC Region. "Canadians will benefit from these new enhancements and insurance premium reductions that will make homeownership more affordable across the country," she adds.

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### CMHC Insurance Premium Reductions

Borrower Down Payment	Premium prior to April 22, 2005	Premium after April 22, 2005
Loan to value ratio of 90.01% - 95% with Traditional Down Payment	3.25%	2.75%
Flex Down	3.40%	2.90%

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CMHC's insurance premium reduction is the second one in only two years. On July 14, 2003, CMHC reduced insurance



premiums by 15% for borrowers purchasing a home with a down payment of 25% or less. These two reductions will result in a total savings of 30% in insurance premiums. For example, a homebuyer purchasing a home worth \$200,000 and 5% down, will save \$1,900 in CMHC mortgage loan insurance premiums from two years ago.

### **CMHC Extends Mortgage Insurance Benefits to Include Title Protection**

This major enhancement, when implemented, 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.

For example, the home buyer 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 a 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 provide homebuyers with greater peace of mind and security of ownership as well as facilitate faster processing of their mortgage application. CMHC will provide more information to lenders and brokers on the specific benefits to title insurance closer to implementation.

### **Mortgage Loan Insurance for Two-Unit Properties**

Two-unit owner-occupied properties, including single homes with a secondary apartment and duplexes, have become an important source of affordable rental housing and also helps borrowers meet the costs of homeownership.

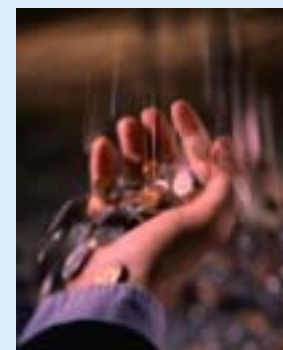
Borrowers who wish to purchase a duplex or a single home with a secondary suite can now achieve homeownership sooner, using CMHC financing with a minimum down payment as low as 5%.

Borrowers can also now use up to 80% of the confirmed gross rental in-

come from the subject property to qualify for the insured mortgage loan.

### **CMHC - More Choice, More Opportunities**

CMHC's mortgage insurance products have continued to evolve to meet the changing needs of Canadians as demonstrated by recent innovations by CMHC. These include expanded sources of down payment, enhancements such as self-employed borrowers and those Canadians purchasing a second home as a result of career or family decisions and a 10% rebate on insurance premiums for energy-efficient new and resale housing. For more information on these new changes, please visit our website at [www.cmhc.ca](http://www.cmhc.ca) or contact your local Business Development Representative.



# MEDALLION HOUSING SOCIETY

## Homeowner Education Seminars are a Resounding Success!

CMHC Business Development supports the efforts of the non profit Medallion Housing Society (MHS) and gives back to the community through the provision of two Homeowner Education Seminars for low-income earners, persons with disabilities and seniors.

The seminars, held on April, 26th and May 3rd, were well attended with a total of 42 diverse participants - including representation of the blind and visually impaired, mobility challenged and deaf. These seminars helped participants be-

come aware of the finer details that homebuyers need to know.

These Homeowner education Seminars are funded by the Real Estate Foundation of British Columbia and presented by CMHC's Karen Ungerson in collaboration with the Commercial Division, Vancouver Real Estate Board.

Feedback from these events has been very positive - CMHC will continue to support the Medallion Housing Society Homeowner Education Seminars.

# SUMMER TRIVIA

Thank you to everyone who responded to the Spring trivia contest. The question asked, *Mortgage Fraud is defined as any deliberate misstatement, misrepresentation or omission made with the intention that it be relied upon by a mortgage originator with respect to funding, purchasing or insuring a mortgage loan. Mortgage loan fraud is a criminal offence. True or False?*

The correct answer is: **True.**

Three names were drawn from the correct responses we received. Congratulations go to:

- **Joan Harder**  
*CIBC, Fraser Lake*
- **Linda McNab**  
*TD Canada Trust, Sidney*
- **Cindy Helmer**  
*Envision Financial, Chilliwack*

Winners received a CMHC gift.

### Summer 2005 Question:

On April 22, 2005, CMHC announced that it would be lowering mortgage loan insurance premiums by \_\_\_\_\_ % to consumers buying a home with a down payment of 10% or less.

- |               |               |
|---------------|---------------|
| <b>A.</b> 5%  | <b>B.</b> 10% |
| <b>C.</b> 15% | <b>D.</b> 20% |

Send your answer to:

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c/o CMHC  
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Vancouver, BC  
V6E 4S4

Email: [lhobson@cmhc.ca](mailto:lhobson@cmhc.ca)

Fax: (604)737-4030

Correct answers received by **July 29, 2005** will be entered into a draw to win a CMHC prize.

## IMPORTANT INFORMATION FOR CMHC APPROVED LENDERS

### Availability of CMHC Mortgage Loan Insurance in Tumbler Ridge, British Columbia

CMHC is very pleased to announce that, effective April 4th, 2005, underwriting restrictions that have been in place for the District of Tumbler Ridge, British Columbia, have been lifted.

Tumbler Ridge will continue to be designated as a Single Resource Industry Community. As such, CMHC Mortgage Loan Insurance

will be available for market housing subject to normal CMHC underwriting policy, but any new company housing will be subject to review and special restrictions.

For further information, please contact Gord McHugh, Regional Manager, Underwriting, British Columbia at (604) 737-4104.



## FREQUENTLY ASKED QUESTIONS

CMHC recently introduced a number of policy enhancements. Some FAQs related to these enhancements are as follows:

### 2-Unit Homeowner Properties

**Q.** What is considered an eligible 2-unit owner-occupied property?

**A.** Eligible 2-unit properties must be owner-occupied. The dwelling types are typically duplexes or single homes with a legal secondary apartment. Some examples of typical secondary apartments in 2-unit homes include self-contained basement apartments, second suites, in-law apartments and garden suites. While different municipalities may have different definitions of a legal secondary apartment, for CMHC mortgage insurance purposes, the dwelling and the unit must meet the applicable municipal and/or provincial standards, or Band Council requirement for properties on reserve, governing zoning, building, fire protection, health and safety.

**Q.** Will progress advance loans where an advance has already been made be eligible for the reduced premium?

**A.** Yes. Applications approved but only partially funded as of April 22nd, 2005 are eligible for the reduced premium refund if the closing date is on or after April 22nd, 2005.

**Q.** If the mortgage insurance premium is added to the loan amount, do mortgage documents in process have to be adjusted to reflect the reduced premium amount?

**A.** No. Mortgage documents should reflect the premium submitted to CMHC by the lender.

### Title Protection for Homebuyers

**Q.** What is the timing for the addition of title protection?

**A.** This enhancement will be available to consumers by the fall of 2005.

**Q.** How will the new CMHC Mortgage Insurance benefits help protect the homebuyer?

**A.** Existing remedies for title fraud can involve a cumbersome and lengthy process with uncertain recovery. CMHC's new benefits, once in place, will enable both the lender and homebuyer to obtain direct and full compensation in the event of certain forms of title fraud. It will also be at no additional charge to the homebuyer or the lender, and will facilitate the processing of the mortgage application. This enhancement will provide other protection to homebuyers 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; and
- Survey errors such as lack of access from a public road.

This enhancement to mortgage insurance for lenders will streamline the initiation process, provide the necessary guarantee with respect to clear and marketable title in the event of default and reduce the risks associated with title fraud. For example, while some homebuyers may wish to obtain an up-to-date survey, CMHC will no longer require it in most instances for the purpose of obtaining mortgage insurance.

*These responses are provided from a CMHC perspective. Specific policy questions should be directed to the Financial Institution underwriting the mortgage loan to ensure compliance with the internal policy of that Institution.*

*Should you have further questions on CMHC products or policies, please contact CMHC's Client Service Centre. To reach a Client Service Agent, call **1 888 GO emili (1-888-463-6454)**.*