



## New Mortgage Rules Start Today

Today is day one of the government's new mortgage rules. Here is a summary of the key points...

### 1. QUALIFICATION RATE

The biggest rule change affects borrowers who put *down less than 20% and want a variable or 1- to 4-year fixed term*

Yesterday, you could have qualified for a high ratio \$250,000 variable-rate mortgage with a 3.84% qualifying rate.

Today, your income will have to be about 25% higher to qualify for the same variable or 1 to 4 year fixed mortgage as lenders will now require you to qualify with a 5.85% rate (to be 6.10% on Wednesday).

It also appears that most of the big banks are applying the new posted qualifying rate to all variable and 1- to 4-year fixed terms, regardless of loan-to-value! (The rules were supposed to only apply to high ratio loans i.e.: less than 20% down payment- C'est la vie!) Many smaller lenders are only using it on high-ratio mortgages. This will be their market advantage so if you don't qualify, don't despair there may be other options.

Remember, if you are getting a mortgage with a term equal to or greater than 5 years, nothing changes. The qualification rate will still be based on the rate you are quoted.

### 2. REFINANCES

Starting today, insured refinances will be limited to 90% loan to value. Used to be 95%.

### 3. 2ND HOMES

Second homes now qualify for high-ratio insured financing if, and only if, they have no more than one unit.

### 4. RENTAL FINANCING

People buying rental properties now have to put down 20% (instead of 5% last week) to get insured financing. You can put down less than 20%, but you will need to use an uninsured lender, which means higher interest rates. For more info on rental properties, just give me a call.