



DAVE KOSZEGI
 PERSONAL REAL ESTATE CORPORATION
250.723.SOLD (7653)
 250.751.1223
 dave@midislandhomes.com
 MIDISLANDHOMES.com . DAVEKOSZEGI.com . 723SOLD.com



DAVE
KOSZEGI

NEWSLETTER

Changes to the Rules for Government Insured Mortgages

On February 16, 2010, Finance Minister Jim Flaherty announced changes to the rules for government insured mortgages. These changes are designed to ensure that Canadians are prepared for higher interest rates in the future and to maintain stability in Canada's housing market.

We want to be sure you understand the changes and how they might affect your clients home financing options. Three of the new measures that have been announced are as follows:

New Guidelines – Effective April 19th 2010

1) Qualifications for Buying a Home

All borrowers with less than 20% down payment, will be required to qualify at a five-year fixed benchmark rate mortgage; even if they choose a mortgage with a lower interest rate and shorter term. Clients who choose a term of 5 years or greater can be qualified using the bank's contract rate (current market rate). The 5 year benchmark rate is published by the Bank of Canada and can be found at the following site, <http://www.bankofcanada.ca/en/rates/interest-look.html>. This change will help to ensure homebuyers can not only afford their home today but for tomorrow as well, in the event rates were to rise.

2) Purchase of Investor Property (Not owner occupied)

Also, as part of these changes, when purchasing an investment property (not owner occupied) the minimum down payment required will increase to 20% of the purchase price. Today, the minimum down payment required at RBC Royal Bank ® is 15 %.

3) Limit the maximum on refinancing; Borrowers who are looking to refinance their mortgage can currently borrow up to a limit of 95% of the appraised value of their property. The changes announced on February 16th will lower the maximum mortgage amount to 90% of the appraised value of the property. This change will help ensure that homeowners don't become overextended by using all the equity they have built up in their home when refinancing.

APRIL 2010



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CMHC GUIDELINES CHANGING APRIL 9

1) Self employed clients with non traditional income confirmation: Effective April 9th changes have been made that reduce the percentage of financing available to clients who are self employed, have been in business for less than 3 years and who cannot provide traditional proof of income.

Clients looking to purchase a home under this program will require a minimum of 10% down payment to be eligible. For clients who are seeking to refinance their existing residence, the maximum percentage of financing available under this program will be reduced to 85%.

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