



MORTGAGE FINANCING

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Qualifications of Mortgages



- Total Debt Service (TDS) ratio
- Gross Debt Service (GDS) ratio

GOVERNMENT-BACKED MORTGAGE



CHANGES-
Effective April 19, 2010



- **QUALIFYING AT A FIVE YEAR RATE**
- **REFINANCING TO 90% LOAN TO VALUE**
- **MINIMUM 20% DOWNPAYMENT FOR NON-OWNER-OCCUPIED PROPERTIES**

DOWNPAYMENT OPTIONS

on Owner-Occupied Principle Residence

- - **5%**
- - **10%**
- - **15%**
- - **20%**
- **Down payment is required to be in account for 3 months before purchase and must not be from borrowed funds....**





CMHC Premiums

- **-CMHC; stands for Canadian Mortgage and Housing Corporation**
- **-5% down payment or 95%LTV =2.75%**
- **-10% down payment or 90%LTV =2.0%**
- **-15% down payment or 85%LTV =1.75%**
- **-20% down payment or 80%LTV =1.00%**
- (most times CMHC is not required if you have 20% for a down payment)



CLIENT SCENARIO

Gross Annual Income: \$60,000.00

-Vehicle payment: \$500.00

-Visa payment: \$150.00

(using \$5,000.00 balance at a repay of 3%)

-Student loan \$350.00

Total payments: \$1000.00/month

Monthly income: \$5000.00/month

(\$5,000.00 x 40% = \$2,000)

» **-Mortgage Amount of \$150,000.00**

-4.7% interest rate for a **5 year** fixed term

-Monthly payments over **25 years** amortization

\$846.97 principle and interest

\$80.00 taxes

\$80.00 heat

\$1006.97 total monthly mortgage payment calculation

\$5000.00 (monthly income) = **20.1% GDS**

\$1,006.97 (total mortgage payment)

\$5,000.00 (monthly income) = **40.1% TDS**

\$2,006.97 (total mtge & other debts)



CLIENT SCENARIO #2

- - **Gross Annual Income** **\$105,000.00**

- -**Car payment** **\$500.00**
- -**Visa payment** **\$150.00**
- -**Student loan** **\$800.00**

- **Total Payments** **\$1,450.00/m**
- **Monthly Income** **\$8,750.00/m**
- **(\$8,750.00 x 40% = \$3,500.00)**

» **-Mortgage Amount of \$300,000.00**

-4.7% interest rate for a **5 year** fixed term

-Monthly payments over **25 years** amortization

\$1,693.94 principle and interest

\$250.00 taxes (\$3,000.00 a year)

\$100.00 heat

\$2,043.94 total monthly mortgage payment calculation

\$8,750.00 (monthly income) = **23.3% GDS**

\$2,043.94 (total mortgage payment)

\$8,750.00(monthly income) = **39.9% TDS**

\$3,493.94 (total mtge & other debts)

» **If you took 1st Scenario and interest rates went up by 1.5% so new 5yr rate at renewal was 6.2%; new balance would go from \$150,000.00 to \$132,126.77.**

» Principle & Interest payment would jump from \$846.97 to \$955.87

» **If you took 2nd Scenario and interest rates went up by 1.5% so new 5yr rate at renewal was 6.2%; new balance would go from \$300,000.00 to \$264,253.55.**

» Principle & Interest payment would jump from \$1,693.94 to \$1,911.75



RENT TO OWN

- Rent-to-own is an agreement to rent for a defined period of time with provisions to acquire ownership. The portion of the rental payment that exceeds the fair market rent can be applied to the down payment.
- Every Rent-To-Own must be verified by a signed lease agreement and market rents confirmed by an RBC Approved Appraiser.

RSP FIRST TIME HOME BUYERS PLAN

- The client must be a first-time home buyer to be eligible to participate in the HBP program.
- Withdrawals can only be made from Registered Retirement Savings Plan (RRSP) accounts.
- *Note:* Assets in a Locked-In RRSP can not be withdrawn for the purpose of a HBP withdrawal.
- The maximum withdrawal amount from the RRSP under the HBP is \$25,000
Note: Amount increased from \$20,000.
- The client must be a Canadian resident at the time the funds are disbursed from the RRSP.

- No income tax is paid on the funds if the minimum payment amount required by the CRA is repaid into a RRSP each year.
- ***Note: Repayments must be made over a period of no more than 15 years.***
- $\$25,000.00/15\% = \$1,666.00$ back into RSP each year

CHATTEL LOAN INSURANCE PROGRAM (CLIP)

- 5yr – rate at 4.7%
- 25yr amortization max
- 95% LTV or 5% down payment option with CMHC insurance approval

What payment would look like?

- \$85,000.00 purchase price of mobile
- 4,250.00 down payment (5%)
- \$80,750.00
- 2,220.62 CMHC premium (2.75%)
- \$82,970.62 New loan amount

- Payment \$468.49 + Lot Rent of say \$300.00 would make a total payment of \$768.49 not including taxes or heat.....