

Dear clients,

As many of you have heard by now, the federal government is boosting the minimum down payment for higher-priced homes in Canada effective in the new year. There has been some confusion to what this means, so I am hoping this email will clear it up.

Homebuyers are currently required to put down a minimum of five per cent to qualify for Canada Mortgage and Housing Corporation insurance — protection that lenders insist on when providing a mortgage worth more than 80 per cent of the home's value.

Starting in February, CMHC will require a 10 per cent down payment **on the portion of any mortgage it insures over \$500,000. The five per cent rule remains the same for the portion up to \$500,000.**

Banks are forbidden to provide "high-ratio" mortgages — when the amount being borrowed is more than 80 per cent of the home's purchase price — without taking out insurance for it.

#### **EXAMPLE**

**Purchase Price \$600,000**

**5% on the first \$500,000 = \$25,000**

**10% on the remaining \$100,000 = \$10,000**

**Total Down Payment = \$35,000**

**This would be an increase of \$5,000 when new rules are implemented.**

Please feel free to ask me any questions you may have in this regard.

I wish you all a happy holiday and a wonderful new year.

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