

Dear clients,

CMHC will change its underwriting policies for insured mortgages, as of July 1.

Among the new measures, one borrower on a mortgage must establish a minimum score of 680. In addition, non-traditional sources for a down payment that boost indebtedness won't be treated as equity for the purposes of mortgage insurance.

New applicants will require a Gross/Total Debt Servicing ratio of 35/42. (The GDS ratio measures percentage of income to pay off all monthly housing costs. The TDS ratio includes all of this, plus other debt obligations, as a percentage of income.)

These new rules will curtail homebuyers' purchasing power by up to 11 percent.

"For example, someone earning \$60,000 with no other debt and 5% down could afford approximately 10.9% less home under CMHC's new rules. This is comparable to jacking up the minimum stress test rate from 4.94% (where it lies today) to 6.30%

CMHC has also suspended refinancing for multi-unit mortgage insurance except when these funds are being used to repair the building or for reinvestment in housing.

CMHC's prediction of an 8% to 18% decline in house prices is more likely in the Vancouver and Toronto areas. Alberta has already seen their decline and may not see much more.

Clients who have an accepted offer before July 1 but have possession of the property after July 1 will be qualified under the old rules.

I have also posted a link below with a BNN video about the CMHC rule change.

<https://www.bnnbloomberg.ca/video/cmhc-tightens-rules-for-insured-mortgages~1971949>

New information is coming down every day and I will keep you all posted.

Sincerely,

