Discontinuation of CMHC Second Home Product

Operational Questions and Answers for Industry Partners

1) **Does this mean that a borrower/co-borrower who wishes to purchase a property for a child to pursue studies in another location will no longer be able to access CMHC-insured financing?**

   A borrower/co-borrower is still able to access CMHC-insured financing provided that they do not have an existing CMHC-insured homeowner loan in place.

2) **Does this mean that a borrower will no longer be able to act as a co-borrower on another application?**

   CMHC will now limit the availability of homeowner mortgage loan insurance to only one property (1-4 units) per borrower/co-borrower at any given time.

3) **Will all borrowers be subject to the restriction of a maximum of one CMHC-insured homeowner property (1-4 units)?**

   Yes, CMHC will now limit the availability of homeowner mortgage loan insurance to only one property (1-4 units) per borrower/co-borrower at any given time

4) **Does this mean that a borrower/co-borrower has to occupy the unit being financed?**

   At initiation, the property that secures a CMHC-insured loan must be intended for occupancy at some point during the year by a borrower; or a relative of the borrower on a rent-free basis. Lenders must confirm owner occupancy and maintain the confirmation on file.

5) **Does this restriction apply to guarantors?**

   No, guarantors are not restricted however lenders must follow guarantor policies. The guarantor's/ covenantor's income must not be used for the purpose of satisfying CMHC's borrower qualification criteria unless the guarantor/covenantor occupies the home and is the spouse or common-law partner of the borrower.

6) **If a borrower is temporarily transferred to another location for work purposes and wishes to purchase another property in their temporary location while renting out their current family home?**

   The mobile workforce is still able to access CMHC-insured financing provided that they do not have an existing CMHC-insured homeowner loan in place. CMHC will now limit the availability of homeowner mortgage loan insurance to only one property (1-4 units) per borrower/co-borrower at any given time.

7) How will this affect First Nations marketing second home properties on designated leasehold lands on-reserve?

A borrower(s) is still able to access CMHC-insured financing provided that they do not have an existing CMHC-insured homeowner loan in place. Financing can also be provided by lenders on a conventional basis, with a loan-to-value less than 80%.

It is important to note that any vacation home development will be treated in exactly the same manner throughout the country.

8) Will CMHC accept financing overlap in situations where the closing date of the home being purchased is before the closing date of the home being sold?

Overlap of CMHC-insured financing (i.e. bridge financing) will be permitted when there is a firm purchase and sale agreement for the existing property. Other exceptions that may arise due to specific circumstances may be considered on an exception basis.

9) A borrower is purchasing a second home/having a second home built and will require a CMHC-insured mortgage. The closing date will only occur on or after May 30, 2014. Will the discontinuation of this product impact this borrower?

As long as the request for mortgage loan insurance is received by CMHC prior to May 30, 2014, the application will be subject to the existing product offering, terms and conditions, even if the closing date/progress draws occur on or after May 30, 2014.

10) A borrower requires CMHC-insured financing for a rental property they wish to purchase. Will the discontinuation of CMHC Second Home impact this borrower?

Borrowers with one CMHC-insured homeowner loan (1-4 units) will still have access to CMHC-insured financing to purchase rental properties under CMHC's Rental Loan products.

11) When is a property considered a rental property and not eligible for homeowner mortgage loan insurance?

A property is considered to be a rental property where at initiation:
- neither the borrower or a relative who is not paying rent, will occupy the property (or one unit of the property) at some point each year; or
- the property contains 5 or more units.

Any of the above conditions will require the application for mortgage loan insurance to be submitted under CMHC's Rental Mortgage Loan Insurance products. The Approved Lender is expected to determine who will occupy the property by asking the borrower and documenting the response on file. For rental loan applications submitted for insurance, the maximum loan-to-value (LTV) ratio is 80 percent for 1-4 unit properties.

12) Does the discontinuation of this product impact loans that are submitted by the Approved Lender for CMHC emili Low Ratio risk assessment?

Effective May 30, 2014, CMHC will limit the availability of homeowner mortgage loan insurance to only one property (1-4 units) per borrower/co-borrower at any given time, regardless of whether the loan is hi-ratio or low ratio. Loans that have been submitted by the Approved Lender for CMHC **emili** Low Ratio risk assessment and have received an "insurable" response no earlier than 6 months before the date of request for Portfolio Insurance, will be eligible for inclusion in a pool of loans for Portfolio Insurance subject to any limitations that CMHC may, from time to time, place on Portfolio Insurance.

13) When will CMHC's website, The Handbook for Approved Lenders, marketing collateral and online tools be updated?

Updates will be effective May 30, 2014.