

JE'S TAX BULLETIN

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Finance Tightens Mortgage Lending Rules

AS IT DID IN 2008, THE DEPARTMENT OF FINANCE has moved to tighten mortgage lending rules for mortgages insured by the Canada Mortgage and Housing Corporation.

Under the new rules, financial institutions will be required to assess the financial viability of borrowers on the basis of the rate applicable to a five-year fixed-rate mortgage. Such applicants are currently assessed using the lower three-year fixed-rate mortgage interest rate. Borrowing by existing homeowners that is secured by the value of the property (i.e., refinancing) will be limited to 90% of the home's value. The current lending ceiling is 95% of the home's value. Finally, in an effort to curb real estate speculation, purchasers of rental residential real estate (other than owner-occupied properties) will be required to provide a 20% down payment on the purchase, rather than the current 5% minimum. Purchasers of owner-occupied residential rental properties may still obtain government-backed mortgage insurance with a 5% down payment.

The new rules, which take effect as of April 19, 2010, are outlined in the Department of Finance news release and backgrounder, available on the Department's Web site at www.fin.gc.ca/n10/10-011-eng.asp.

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