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& THE VANCOUVER-HOMES TEAM

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New mortgage rules impact real estate investors and self-employed buyers.

For months now we've known that the federal government was planning to tighten mortgage rules in April, 2010. Buyers now have to qualify for a five-year fixed rate even if they choose a shorter term or variable rate. And people who are refinancing can only withdraw up to 90% of the value of their home instead of 95%.

But now CMHC (Canada Mortgage and Housing Corporation) has also announced tighter rules for real estate investors and self-employed borrowers. In addition to raising the down payment for 1-4 unit rental properties (non-owner occupied) from 5% to 20%, the rules for rental offsets have also been changed. Previously, CMHC would take 80% of the gross rental income of a revenue property and subtract that from the total debt service (TDS) ratio. But now the rental offset has been reduced to 50%, which makes it much more difficult to qualify for a mortgage on a rental property.

New rules also affect self-employed borrowers with more than three years in the same business and commissioned-income borrowers. They now have to provide traditional third party validation of income (financial statements, T1 Generals, Notice of Assessments, T4s, etc.) to qualify for CMHC's Self-Employed Product. The recently self-employed borrowers who are still eligible for CMHC's Self-Employed Product Without Traditional Third-Part Validation can now only borrow up to 90% on purchases (down from 95%) and 85% on refinances (down from 90%).

Basically, no matter who you are, you're probably going to find it more difficult to qualify for a mortgage today than in the past.