

CMHC 1 – 4 UNIT RENTAL PROPERTIES



CMHC's mortgage loan insurance for 1 – 4 unit rental (non-owner occupied) properties provides investors with more housing finance choice when purchasing or refinancing a small rental property. Investors can purchase a 1 – 4 unit rental property with little or no down payment. Investors interested in refinancing can obtain insured financing of up to 95% of the property's value, depending on the number of units in the property.

Application processing is streamlined through **emili**, CMHC's mortgage loan insurance approval system which provides a quick turnaround time on application decisions, in most cases, within 15 seconds.

Terms and Conditions

Also refer to CMHC's **General Requirements** (OPIMS 62136). The following table highlights the policies that permit CMHC Mortgage Loan Insurance for 1 – 4 unit rental properties.

Effective Date Sept. 21, 2007				
Loan Purpose	<ul style="list-style-type: none"> ▪ Purchase, Refinance ▪ Single Advance and Progress Advances ▪ Rental mortgage loan insurance applications originally approved through the emili process are eligible for mortgage insurance portability 			
Loan to Value Ratio	Number of Units	Amortizing Loans		Lines of Credit/Interest Only
		Purchase	Refinance	Purchase or Refinance
	1 to 2	100%	95%	90%
	3 to 4	90%	90%	90%
	<ul style="list-style-type: none"> ▪ Subject to borrower eligibility and product-specific requirements based on Loan-To-Value Ratio and source of down payment. ▪ Standard variable rate mortgages are limited to maximum 90% LTV. 			
Amortization Period and Repayment	<ul style="list-style-type: none"> ▪ Up to 40 years, with surcharge of 0.20% for every five year period beyond 25 years. ▪ Interest-only available for initial 5 or 10 year period, followed by 20 or 15 year amortization period. Maximum amortization period 25 years under interest-only option. 			
Loan Security	<ul style="list-style-type: none"> ▪ Real estate mortgage ▪ Collateral mortgage, subject to requirements under CMHC Line of Credit/Interest Only product ▪ Ministerial Loan Guarantee ▪ Loans secured by a chattel mortgage or personal property security registration are not eligible for rental insurance 			
Eligible Properties	<ul style="list-style-type: none"> ▪ 1 – 4 unit properties ▪ Properties with a commercial component are not eligible. 			
Property Appraisal	<ul style="list-style-type: none"> ▪ A property appraisal is not typically required. If one is required, CMHC will order and pay for it. 			

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Interest Types	<ul style="list-style-type: none"> Fixed, Standard Variable, Capped Variable, Adjustable 												
Calculating Total Debt Service Ratio	<p>$\frac{\text{PITH (all properties)*} + \text{All Other Debt Obligations} - (80\% \text{ of Gross Rental Income (all properties)*}}{\text{Gross Annual Household Income}} \leq 42\%$</p> <p>* Includes the annual principal, interest, tax and heat payments (PITH) and gross rental income for all properties owned by the borrower. This includes the borrower's residence, the subject rental property, and all other investment properties, where applicable. Heat component included only on properties where borrower is responsible for payment.</p> <ul style="list-style-type: none"> Debt Service Flexibilities are available for borrowers who have a strong history of managing credit. 												
Rental Income Verification	<ul style="list-style-type: none"> Rental income verification for all rental holdings can be completed by the Approved Lender obtaining copies of: leases; rent rolls; cancelled rent cheques; borrower TI Generals; financial statements prepared by a practicing accountant; or bank statements. 												
Borrower Eligibility	<ul style="list-style-type: none"> Borrowers must have a strong history of managing credit for certain Loan-To-Values, repayment options, downpayment sources and debt service flexibilities. Guidelines for this requirement are generally considered to be: <table style="margin-left: 40px; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Loan-To-Values/Repayment Options Down Payment Sources/Debt Service Flexibilities</th> <th style="text-align: right;">Beacon Score (or Equivalent)</th> </tr> </thead> <tbody> <tr> <td>90.01% -95% (Refinance)</td> <td style="text-align: right;">650</td> </tr> <tr> <td>90.01% - 95% (non-traditional sources of downpayment)</td> <td style="text-align: right;">650</td> </tr> <tr> <td>95.01% - 100%</td> <td style="text-align: right;">680</td> </tr> <tr> <td>Line of Credit/Interest Only</td> <td style="text-align: right;">650</td> </tr> <tr> <td>Total Debt Service 42.01-44%</td> <td style="text-align: right;">680</td> </tr> </tbody> </table> Self-employed borrowers are eligible provided that income is verified through a traditional third party source e.g. Notice of Assessment. CMHC Self-Employed Simplified is not eligible for rental loans. 	Loan-To-Values/Repayment Options Down Payment Sources/Debt Service Flexibilities	Beacon Score (or Equivalent)	90.01% -95% (Refinance)	650	90.01% - 95% (non-traditional sources of downpayment)	650	95.01% - 100%	680	Line of Credit/Interest Only	650	Total Debt Service 42.01-44%	680
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Corporate Borrowers	<ul style="list-style-type: none"> The Approved Lender is required to ensure the corporation is financially sound, and that no liens are filed against it, as per their internal guidelines. Personal guarantee(s) for 100% of the mortgage loan is required when the borrower is a corporate entity. When submitting a rental application with a Corporate Borrower, the corporation's full legal name is entered in the "Guarantor" field and the individuals providing their personal loan guarantees in the "Borrower" and "Co-borrower" fields. The mortgagor on title may be any or all of the parties listed in the "Borrower", "Co-borrower" or "Guarantor" fields in emili. All parties on the application will be responsible for 100% of the loan, irrespective of which party is on title as mortgagor. 												
Assignment of Leases and Chattels	<ul style="list-style-type: none"> The Approved Lender is not required to take a separate assignment of leases or chattels, but where no such assignment is obtained by the lender, the lender must obtain a covenant of the borrower(s) that they will not assign the leases or chattels elsewhere. 												
Documentation Retention	<ul style="list-style-type: none"> All loan initiation documentation is to be retained for a period of 7 years after the closing date. 												

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Premium 1 – 4 Unit Rental Loans	Loan-To-Value Ratio	Premium on Total Loan Amount	Premium on Increase to Loan Amount
	<65%	1.25%	2.75%
	65.01-75%	1.75%	3.00%
	75.01-80%	2.50%	3.75%
	80.01-85%	3.50%	5.00%
	85.01-90%	4.75%	6.25%
	90.01-95%		
	Traditional Down payment	6.50%	8.00%
	Non-traditional Down payment	6.75%	N/A
	95.01-100%	7.25%	N/A
	Surcharges:		
	Extended Amortization:		
	Every five year period beyond 25 years		0.20%
	Blended Amortization for refinance and portability transactions:		0.50%
	Interest Only Repayment Option (up to 90% LTV only):		
	5 years (5/20)		0.25%
	10 years (10/15)		0.50%
	Conversion from 5/20 to 10/15		0.35%
	Premiums in Ontario and Quebec are subject to provincial sales tax – the sales tax cannot be added to the loan amount.		
Processing	<ul style="list-style-type: none"> ▪ Under Occupancy Type, the “Rental / Investment” value identifies that the property is not owner-occupied. ▪ emili processing only. 		

Tips

- ❑ For non-traditional down payment sources, Approved Lenders should select Rental / Investment under Occupancy Type as well as the Flex Down Indicator.
- ❑ For CMHC Insured Lines of Credit/Interest only mortgages, Approved Lenders should select Rental / Investment under Occupancy Type as well as the Line of Credit/Interest Only Indicator.
- ❑ Lenders should not use CMHC’s Prequalification product in conjunction with rental property applications.