

# INTRODUCTION

## CANADA MORTGAGE AND HOUSING CORPORATION

### MORE THAN INSURANCE

CMHC is well known for mortgage insurance, but we're not only Canada's leading mortgage insurer, we're Canada's national housing agency. Our goal is to assist all Canadians in purchasing quality, affordable housing.

### WORKING TOGETHER TO HELP CANADIANS

We are committed to a consultative approach to business, working together to better meet the needs of a changing housing market and the Canadian homebuyer. As Canada's housing agency we are involved throughout the entire home purchase and ownership cycle. CMHC has been breaking new ground in the Canadian housing industry for over 50 years. We pioneered mortgage insurance products and services that have helped finance over one-third of Canadian homes. We were the first to introduce innovations like **emili**, our leading edge on-line mortgage insurance approval system that makes it easier and quicker for Canadians coast to coast to buy a home.

### YOUR INSURER OF CHOICE

For our business partners, our commitment to innovation will ensure even more flexibility, greater efficiency and better risk management. We're working hard to improve your business. Building on our experience and drawing on our knowledge of the housing industry, we continue to set the standard for innovation in housing products, services and technology.

Canada's Home Page . . . [www.cmhc.ca](http://www.cmhc.ca)

Call our **emili** help line . . . **1 888 GO emili (1 888 463-6454)**



HOME TO CANADIANS  
Canada 

# WHY MORTGAGE LOAN INSURANCE?

By protecting CMHC Approved Lenders against borrower default, CMHC Mortgage Loan Insurance creates the opportunity for homebuyers to realize their dreams of home ownership by purchasing dwellings with as little as 5% down.

## A FULL RANGE OF HOME OWNERSHIP OPTIONS

Homeowner mortgage loan insurance is available for residential buildings of one to four units, provided at least one unit is owner-occupied. This includes both high and low ratio financing for single-family homes and attached dwellings, manufactured homes, freehold or condominium units, homes on leasehold land, and on-reserve housing.

## AND...THE FLEXIBILITY OF CHOICE

Consumers can use CMHC insured financing to not only purchase a home but also for a variety of other purposes through our very flexible Refinance program. Extensive renovations can be included in a "Purchase Plus Improvements" insured mortgage loan at time of purchase or later through refinancing. Does your customer need funds for renovations to an existing home, for education or for other purposes? "Refinancing" using mortgage insurance could be the answer. CMHC Mortgage Loan Insurance is also available for mortgage loans funded by the borrower's self-directed RRSP or RRIF.

Mortgage insurance premiums vary according to the loan-to-value ratio, the type of mortgage (e.g. Variable Rate Mortgage) and whether the mortgage loan will be advanced all at once or in installments. Application processing fees depend upon the processing option chosen by the Approved Lender.

Investment properties... Financing opportunities for investor properties are available through CMHC's "Rental" Mortgage Insurance Program.



HOME TO CANADIANS  
Canada

# ALL ROADS LEAD TO **emili**

Insured financing can be obtained directly through Approved Lenders who will process loan applications through **emili**. But the **emili** edge does not stop there...

Mortgage brokers play an increasingly important role in today's mortgage industry. CMHC has links between **emili** and the secondary interfaces, FiLogix Inc. enabler for MCC, LSS and ECNI2000+, and Basis 100's MortgageBASE and LenderBASE (formerly WinMorty). Mortgage brokers who utilize these systems to submit mortgage applications to lenders benefit from "the **emili** advantage" as the lender can route the applications they receive on these systems without having to re-key data into **emili**, improving decision response time.



HOME TO CANADIANS  
Canada 

# GENERAL REQUIREMENTS

CMHC's Homeowner Mortgage Loan Insurance products all share the requirements outlined below.

<b>Number of Units</b>	1 - 4 units, one of which must be occupied by the owner.
<b>Maximum Loan-to-Value Ratio</b>	<input type="checkbox"/> 1 unit: 95% <input type="checkbox"/> 2 units (e.g. a duplex): 92.50% <input type="checkbox"/> 3 or 4 units: 90%
<b>Qualifying Interest Rate</b>	<p>The interest rate used to assess borrower eligibility is determined as follows:</p> <input type="checkbox"/> Loan term less than 3 years—the greater of the lender's 3-year posted rate or the contract interest rate (or VRM cap). <input type="checkbox"/> Loan term 3 years or more—the contract interest rate (or VRM cap). <input type="checkbox"/> Standard Variable Rate Mortgage (VRM), regardless of loan term: the lender's 3-year posted rate.
<b>Maximum Amortization Period</b>	<input type="checkbox"/> Maximum amortization period of 25 years
<b>Minimum Loan Term</b>	<input type="checkbox"/> 6 months
<b>CMHC Application Fee</b>	<input type="checkbox"/> Mainframe <b>emili</b> , <b>emiliPC</b> , <b>WEBemili</b> , and secondary interfaces - \$165 <input type="checkbox"/> <b>FAXemili</b> - \$185

Continued...



HOME TO CANADIANS  
Canada

# GENERAL REQUIREMENTS

## CMHC REDUCES HOMEOWNER MORTGAGE INSURANCE PREMIUMS

Effective July 14, 2003

<b>Purchase</b>	<b>Loan-to-Value Ratio</b>	<b>Premium on Total Loan</b>
	Up to and including 65%	0.50%
	Up to and including 75%	0.65%
	Up to and including 80%	1.00%
	Up to and including 85%	1.75%
	Up to and including 90%	2.00%
<b>Portability and Refinance*</b>	<b>Loan-to-Value Ratio</b>	<b>Premium on Increase to Loan Amount</b>
	Up to and including 65%	0.50%
	Up to and including 75%	2.25%
	Up to and including 80%	2.75%
	Up to and including 85%	3.50%
	Up to and including 90%	4.25%
<b>Premium Surcharges</b>	<input type="checkbox"/> Progress Advance	.50%
	<input type="checkbox"/> Standard Variable Rate Mortgages (VRMs)	.25%
	<input type="checkbox"/> Blended Amortization for Refinance and Portability	.50%
	<input type="checkbox"/> Secured Line of Credit	
	Non-Amortizing Repayment Option: 5 yrs (5/20) 10 yrs (10/15)	.25% .50%
* For Portability and Refinance, the premium is the lesser of the premium on the increase to the loan amount or, the Purchase premium on the total loan. In the case of Portability, a premium credit may be available under certain conditions to reduce the Purchase premium.		

Continued...

# GENERAL REQUIREMENTS

<p><b>Minimum Equity</b></p>	<ul style="list-style-type: none"> <li>❑ Minimum equity of 5% from the borrower's own resources is required.</li> <li>❑ Gift down payments from an immediate relative are acceptable and need to be confirmed in a letter from the donor. Gift money needs to be in the borrower's possession 15 days prior to the closing date.</li> <li>❑ An Approved Lender needs to verify the borrower's ability to cover closing costs of at least 1.5% of purchase price. If closing costs are to be borrowed, the loan repayment is to be included in the Total Debt Service calculation.</li> </ul>
<p><b>Debt Servicing Ratios</b></p>	<ul style="list-style-type: none"> <li>❑ <b>Gross Debt Service (GDS)</b> ratio: The borrower can commit up to 32% of gross household income toward the payment of principal + interest + property taxes + heat.             <ul style="list-style-type: none"> <li>• For <b>condominiums</b>, this formula includes 50% of condominium fees.</li> <li>• For <b>chattel loans</b>, this formula includes site rents.</li> </ul> </li> <li>❑ <b>Total Debt Service (TDS)</b> ratio: The borrower can commit up to 40% of gross household income toward housing obligations and all other debts.</li> <li>❑ When the property has one to three rental units in addition to the owner-occupied unit, <b>TDS</b> formula is:             <math display="block">\frac{(\text{total principal and interest payments} + \text{payments on all other debts}) \times 100}{\text{gross household income} + \text{up to 50\% of confirmed gross rental income}}</math> </li> <li>❑ For <b>Gross Debt Service</b> and <b>Total Debt Service</b> calculations, principal and interest payments are calculated on total insured loan amount, including mortgage loan insurance premium where applicable.</li> </ul>
<p><b>New Home Warranty Coverage</b></p>	<ul style="list-style-type: none"> <li>❑ For new buildings, builders are required to be registered with a new home warranty provider and have enrolled the building in the same program. (Owner-builders are exempt)</li> </ul>
<p><b>Maximum House Price</b></p>	<ul style="list-style-type: none"> <li>❑ Maximum house prices apply for LTV's &gt; 90%. For details please consult your CMHC representative or the CMHC Web site at <a href="http://www.cmhc.ca">www.cmhc.ca</a></li> </ul>

# REFINANCE

The new Refinance product replaces CMHC's previous "Second Mortgage" and "Refinance" products and is only available for loans processed through **emili** (**WEBemili**, **emiliPC**, secondary interfaces, mainframe to mainframe and **FAXemili**).

## THE KEY BENEFITS:

- ❑ Fewer restrictions concerning the borrower's use of funds. Borrowers can use the funds for purposes other than a default management tool as long as the insured loan is a mortgage on the borrower's principal residence.
- ❑ The maximum loan-to-value ratio for Refinance is 90% of the current or "as improved" market value of the dwelling.
- ❑ Flexibility in loan characteristics. The loan can be an increase in the amount of an existing CMHC insured loan, a new first mortgage or a second mortgage loan.
- ❑ Premium structure based on loan-to-value ratio. Unlike the previous Second Mortgage product, which had a flat percentage rate premium irrespective of loan-to-value ratio, the new Refinance product has lower percentage rate premiums for lower loan-to-value ratios. This makes the product more attractive to all borrowers, not just high ratio borrowers.
- ❑ Ability to extend the amortization period of existing CMHC insured loans. Borrowers can now blend the amortization period of the increased loan amount (which can be up to 25 years) with the remaining amortization on the original loan to achieve a weighted average by loan balance and amortization.
- ❑ Same low **emili** application fee applies on Refinance applications.

The information outlined above is in addition to "General Requirements" and "Progress Advances".



HOME TO CANADIANS  
Canada

# PORTABILITY

CMHC's enhanced Portability feature allows borrowers to take advantage of a lender's portability plan and save on the costs associated with a new mortgage insurance premium. CMHC's improved premium structure allows repeat users of CMHC Mortgage Loan Insurance to save money by reducing or even eliminating the premium on a new loan.

## KEY BENEFITS TO THE ENHANCED PORTABILITY FEATURE INCLUDE:

- ❑ Flexible options allowing up to 95% financing in some circumstances.
- ❑ Reduced premium costs.
- ❑ Blend and extend amortization option.
- ❑ **emili** automatically calculates premium due.

## PORTABILITY FEATURE

- ❑ Maximum LTV 90%.  
Note: CMHC will consider higher loan-to-value ratios when the new ratio is equal to or less than the original LTV ratio.
- ❑ For loans that are ported within two years of the original closing date, and a full premium on the total new loan amount is paid, CMHC will credit the borrower for all or some of the previously paid insurance premiums. The credit is:
  - 100% of the original premium paid for loans ported within the first six months
  - 50% for loans ported within one year
  - 25% for loans ported within two years.

Continued...



HOME TO CANADIANS  
Canada

# PORTABILITY

## TERMS AND CONDITIONS

- ❑ The original mortgage loan is not in arrears, and will be discharged prior to the funding of the new insured loan.
- ❑ For portability, mortgagor(s) are the same people who paid the original mortgage loan insurance premium.
- ❑ Both the original loan and the new loan apply to the borrower's principal residence.
- ❑ The Approved Lender's portability plan is being used.
- ❑ The original loan is being ported to a location anywhere in Canada.
- ❑ Where the existing mortgage balance and loan-to-value ratio remain unchanged from the existing property to the newly purchased property, no new insurance premium is paid by the borrower (straight ports).
- ❑ The property to which the mortgage loan insurance is being ported, must have a value range considered acceptable to CMHC for the proposed mortgage insurance balance.
- ❑ The Portability option is applicable where the original CMHC insured loan was approved on or after April 1, 1996.

The requirements outlined above are in addition to "General Requirements".

# PROGRESS ADVANCES

CMHC Approved Lenders can now confidently manage insured progress advances without consultation or approval from CMHC, knowing they are backed by the quality of CMHC Mortgage Loan Insurance.

Insured progress advances on **emili** allow Approved Lenders to respond instantly to client needs during the construction or home improvement phase of the loan while knowing they are insured by CMHC.

<b>Eligible Purposes</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Purchase plus improvements (see <i>Purchase Plus Improvements</i>).</li> <li><input type="checkbox"/> Purchase from builder.</li> <li><input type="checkbox"/> Self-built homes.</li> <li><input type="checkbox"/> Purchase of a manufactured or floating home (Chattel Loan Insurance).</li> <li><input type="checkbox"/> Refinance for improvements (Maximum LTV 90%).</li> </ul>
<b>Premiums</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Premium surcharge of 0.5%. The premium surcharge for Purchase Plus Improvements or Refinance where improvements are involved is eliminated under the following criteria:             <ul style="list-style-type: none"> <li>• Improvement costs are not to exceed the lesser of 10% of the “as improved” market value or \$10,000.</li> <li>• A maximum of two insured advances are permitted and are managed by the lender. The first is insured when funds are advanced to close the purchase or initial refinance transaction based upon the “As Is” value. The second is insured when funds are advanced at the completion of improvements.</li> </ul> </li> </ul>
<b>Lender Responsibilities</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Lender is responsible:             <ul style="list-style-type: none"> <li>• To holdback sufficient funds to complete construction.</li> <li>• For retention of amounts for lien purposes.</li> <li>• To advise CMHC of advances as they are made via <b>emili</b> transmission.</li> <li>• To validate advances.</li> </ul> </li> </ul>
<b>Warranty</b>	<ul style="list-style-type: none"> <li><input type="checkbox"/> Builder must be a registered builder under the applicable provincial home warranty program.</li> </ul>

Note: Please refer to your local lending institution or CMHC office for validation and documentation requirements regarding insured advances.

The requirements outlined above are in addition to “General Requirements”.



HOME TO CANADIANS  
Canada

# PURCHASE PLUS IMPROVEMENTS

CMHC insured mortgage loans may cover the purchase price of a home and the cost of any immediate renovations or other improvements the buyer wishes to finance in the same loan.

The loan-to-value ratio for Purchase Plus Improvements is based on the “as improved” market value of the dwelling.

The information outlined above is in addition to “General Requirements” and “Progress Advances”.



HOME TO CANADIANS  
Canada

# CHATTEL LOAN INSURANCE

Homes where a traditional real-estate mortgage may not be available.

- ❑ For borrowers who purchase or refinance a manufactured home or floating home as their principal residence.
- ❑ New units must be constructed to CSA Standards Z-240 for single and multiple-width mobile homes, and Standard A-277 for single and multiple-width modular homes.
- ❑ Units may be located on owned or leased land.
- ❑ Approved Lenders must obtain assignments of borrower's site leases.

The requirements outlined above are in addition to "General Requirements".



HOME TO CANADIANS  
Canada

# CONDOMINIUM UNITS

- ❑ Resale condominium units are treated as any other resale property for the purposes of mortgage loan insurance. There are no special requirements to be met. Please note: reserve funds should be adequate to cover costs of future maintenance and repairs.
- ❑ For new construction multi-storey condominium projects, or multi-storey condominium conversion projects, please contact your CMHC representative about CMHC's policy for managing environmental risks.

The information outlined above is in addition to "General Requirements".



HOME TO CANADIANS  
Canada

# ON-RESERVE

- ❑ The Minister of Indian and Northern Affairs Canada (DIAND) has the authority to guarantee Approved Lender loans to Aboriginal borrowers for housing purposes on-reserve. Approved Lenders obtain a Band Council Resolution and a Ministerial Loan Guarantee for each loan application. Where DIAND provides a Ministerial Loan Guarantee, no premium is payable. For further details about the application process for insurance of a loan to an Aboriginal borrower for a home located on-reserve, please contact an Approved Lender.
- ❑ Non-Aboriginals who purchase a home on leased land on-reserve do not require the DIAND guarantee. CMHC's normal homeowner premium applies in these circumstances.

The requirements outlined above are in addition to "General Requirements".



HOME TO CANADIANS  
Canada

# SELF-DIRECTED RRSP OR RRIF

- ❑ CMHC will insure RRSP or RRIF funded loans for the purchase or refinance of owner-occupied residential properties (new and existing) one to four units. For rental properties (not owner-occupied) there is no limit to the number of units that may be financed.
- ❑ The loan may be secured by a first or second mortgage.
- ❑ Approval of Mortgage Loan Insurance by CMHC does not authorize the mortgage as an acceptable RRSP or RRIF investment as defined by the Canada Customs and Revenue Agency (CCRA).
- ❑ The mortgage must meet the criteria set out by CCRA for an acceptable self-directed RRSP or RRIF.

The requirements outlined above are in addition to “General Requirements”.



HOME TO CANADIANS  
Canada

# ENHANCED LOW RATIO MORTGAGE LOAN INSURANCE

The Low Ratio product extends the benefits of **emili** to applications where the loan-to-value ratio is 75% or less, allowing lenders to quickly assess a low ratio application based on the automated tools built into **emili**.

Upon submitting an application, the lender receives an assessment of the application allowing them to quickly triage their applications to determine which loans require additional analysis and potentially added mitigations such as an appraisal.

By reducing the time and cost associated with purchasing a home, the Low Ratio product is another example of CMHC's commitment to leading edge technology and its application to meet the mortgage needs of Lenders, Brokers and Consumers.

## **BENEFITS OF USING **emili**'s ENHANCED PROCESSING FOR ALL YOUR MORTGAGE NEEDS INCLUDE:**

- Enhanced file turnaround time to improve client service.
- Reduced delivery costs.
- Consistent decisioning.
- Further leveraging of existing investments in technology and staff training.

## **ELIGIBILITY**

Approved Lenders require specific **emili** system activation to enable them to use the Low Ratio product.



HOME TO CANADIANS  
Canada

# PRE-QUALIFICATION

In a fast paced environment, time is valuable. CMHC recognizes that homebuyers need to start their search for a home knowing the maximum price they can comfortably afford. That knowledge helps borrowers make sound and timely decisions. With CMHC's new Mortgage Insurance Pre-Qualification, lenders can offer clients peace of mind.

The pre-qualification process is fully automated offering immediate turn-around and consistent responses.

## THE KEY BENEFITS:

- ❑ Lenders no longer need to provide pre-qualification to borrowers subject to CMHC approval.
- ❑ Final approval of the loan is quicker and easier. CMHC will assess if the property particulars are satisfactory for insurance purposes and there have been no adverse changes to the borrower's financial status.
- ❑ Pre-Qualification is available on the same **emili** platform as other CMHC products.

The information outlined above is in addition to "General Requirements".



HOME TO CANADIANS  
Canada

# SAVE THE LOAN OPTIONS (1-3 UNIT PROPERTIES)

In this fast paced and ever-changing world, lives will change and borrowers may fall victim to the increased financial burden of bills and mortgage payments. It's an extremely difficult situation for all involved. Sometimes, if well managed, the lender and the borrower can both find a winning solution. CMHC's Home Ownership Default Management Team has the expertise and experience to help lenders with problem accounts.

With proper intervention and well-planned financial assistance, most problems that come to a lender's attention early can be remedied and, the loyal long-term lender/client relationship can be maintained. However, CMHC also realizes that some accounts, regardless of the lender's efforts and CMHC's default management support tools, won't be successful. In these instances CMHC will still be there to assist lenders through the claim payment process.

## AS A LENDER, PUT CMHC'S HOME OWNERSHIP DEFAULT MANAGEMENT TEAM TO WORK FOR YOU:

- Help your client keep their home.
- Preserve your investment.
- Retain satisfied and loyal clients.
- Help control the costs to everyone of mortgage defaults.

## CMHC'S HOME OWNERSHIP DEFAULT MANAGEMENT OPTIONS AVAILABLE TO APPROVED LENDERS:

After the borrower's situation has been assessed by the lender and it is determined if the problem can be corrected, options available to the lender include:

- Special payment arrangements to cover arrearages.
- Re-amortize the loan.
- Capitalize the arrearages.
- A combination of these options.
- Other innovative options that CMHC agrees to use with the lender.

**Note:** these techniques can only be used in Default situations and within the lender's internal policies and procedures.

Continued...



HOME TO CANADIANS  
Canada 

# SAVE THE LOAN OPTIONS

## 1. SPECIAL PAYMENT ARRANGEMENTS

As a Lender, you may negotiate any reasonable special payment arrangement to recover payment arrears over the shortest period, providing that the arrangement is within the borrower's financial ability. It is recommended that the repayment period does not exceed 24 months, and all Approved Lenders may apply this option up to a maximum of \$10,000 without prior approval from CMHC. The details of the special payment arrangement should be documented on lender's internal forms or lenders may choose to use the CMHC form 2886, Special Payment Analysis Worksheet.

## 2. REAMORTIZATION

This option can be used when a borrower is financially unable to meet the required mortgage payment and default is likely to occur. Reamortization allows Approved Lenders to extend the original amortization period in order to make the required mortgage payment affordable for the borrower. In some cases the Approved Lender may extend the amortization period up to a maximum of 40 years, or for the remaining economic life of the property, whichever is the shorter period. This option can also be used in conjunction with the Capitalization option.

## 3. CAPITALIZATION

This technique is normally used as a last resort and it allows for the immediate recovery of arrears associated with the mortgage loan. This option may be approved only once during the borrower's ownership and may include all sums that would normally be payable by CMHC in the event of a claim. Approved Lenders may apply this option up to a maximum of \$20,000 for properties containing 1- 3 units without prior approval from CMHC.