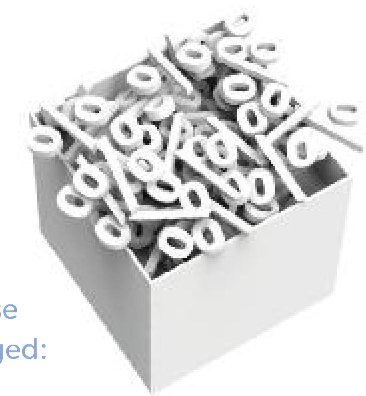
Dave Bruynesteyn
Mortgage Professional

MORTGAGE DAVE
Your North Shore Mortgage Expert

Let me help you with your mortgage needs.
Fast, efficient, secure & easy.

Mortgage rates and qualifying are so complicated now. Here's why.



If you've been shopping for a mortgage lately, you'll have figured out that rates seem to be all over the map and qualifying has changed. That's because of new mortgage rules introduced October 17, 2016. Here's what has changed:

The High-Ratio Rule

(less than 20% downpayment)

What's changed?

If you require an insured mortgage, you must qualify for your mortgage using the Bank of Canada qualifying rate (currently 4.64%) regardless of what your actual mortgage rate will be. Although I can find you a much better mortgage rate – you'll still need to show you can handle your mortgage using the qualifying rate. This financial "stress test" was already applicable for fixed mortgages with terms of 1 to 4 years and all variable mortgages. Now, it also applies to fixed-rate mortgages of 5 years or longer.

Why the new rule?

The government wants to be sure borrowers can withstand any increases in mortgage rates when their mortgages come up for renewal.

Will your payments be higher?

No. Payments will still be based on your much lower actual mortgage contract rate. Keep in mind that mortgage rates are expected to stay at record lows into 2020. So this new rule isn't costing you more. The change is in how much mortgage homebuyers can qualify for: up to 20% less. You may need to plan on purchasing a less expensive home, save up a larger downpayment, or ensure you eliminate all or most of your other debts.

The Conventional Mortgage Rule

(more than 20% down/equity)

What's changed?

Any mortgage loans that lenders insure using portfolio insurance must now meet eligibility criteria applicable to "high ratio" mortgages, including the new qualifying stress test. This means that many types of mortgages will no longer be eligible for portfolio insurance, impacting rates and choice.

What's the impact on rates?

- Rates are now all over the map. When you compare rates, you are no longer comparing apples to apples anymore. The mortgage pricing matrix is suddenly much more complicated.
- Mortgages that are "uninsurable" can include rental properties and second homes, switch mortgages that move to another lender, 30-year amortizations, refinance mortgages, mortgages over $1 million, and even some conventional 5-year mortgages. These mortgages are charged a rate premium or some lenders no longer offer them. Additionally, rate premiums are often charged if it's difficult to prove your income or you have bad credit, the property is in a rural location, you want a long rate hold, you want the best pre-payment privileges and porting flexibility, and you don't want refinance restrictions.
- Be wary of rates you see online: you might not qualify for them.

Without a doubt, the m ortgage landscape is significantly more confusing. And Mortgage Brokers have never been more important in the home buying process. We have access to all the lenders we need, and have the experience and knowledge to get you your mortgage. **We are here to help you!**

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