



Session #: 507

Real Estate Banking 101

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## Agenda

- Mortgage Loan Insurance – What is it?
- Mortgage Loan Insurance Affordable Housing and Eligible Requirements
- Mortgage Loan Insurance for Refinance Product
- Application Process



## Mortgage Loan Insurance

### What is Mortgage Loan Insurance and Mortgage Loan Insurance for Affordable Housing Projects?

Mortgage Loan Insurance is an insurance provided by CMHC to protect Approved Lenders against losses arising from mortgage loan defaults.

Benefits to Borrower:

- ✓ A larger loan amount at a lower interest rate
- ✓ Available for a variety of residential income-producing projects
- ✓ Renewal assurance

Application Fees and Premiums apply –one time cost which can be paid

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## Underwriting/Advancing Fees

	Construction Advances	No Construction Advances
First 100 units/beds	\$200 per unit/bed	\$150 per unit or \$100 per bed
Subsequent units/beds	\$100 per unit/bed	\$100 per unit/bed
Maximum fee per loan	\$55,000	\$50,000
Additional fee for CMHC approved advances	\$350 beginning with the third advance	N/A (two advances are permissible)

Additional fee of 0.30% of the non-residential loan amount, where the loan amount relating to the non-residential components exceeds \$100,000



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## Mortgage Loan Insurance Products

- rental purchase or refinance
- first, second and pari passu mortgages
- premium credits
- amortization extensions
- top-up mortgage
- non-recourse mortgage
- energy-efficient mortgage
- floating rate mortgage
- affordable housing mortgages



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- **affordable housing flexibilities**



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## Mortgage Loan Insurance Flexibilities for Affordable Housing



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## Eligibility Criteria - MLI Affordable Housing Flexibilities

- ✓ Project must be for a minimum of 5 units:
  - **New construction**
  - **Conversion:** Non-residential to residential
  - **Renovations:** To prevent from demolition
- ✓ **Demonstrated** need for the proposed housing
- ✓ Units must be **modest in** size and design
- ✓ Proposal must demonstrate that it will increase stock of affordable housing:
  - **Homeowner:** Sale price must be lower than average market price
  - **Rental:** *Majority of units must meet CMHC's affordability criteria*



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## Guidelines – Affordable Housing Flexibilities

### Affordability criteria for rental housing:

- **Level 1** – the majority of rents in the project are below the **80<sup>th</sup>** percentile for the same project type and service level in the market.
- **Level 2** – the majority of rents in the project are below the **65<sup>th</sup>** percentile for the same project type and service level in the market.
- **Level 3** – Projects in receipt of funds under the Investments Affordable Housing (IAH and Non-IAH) projects will be considered that have similar risk profile to AHI funded projects at or rents below **50<sup>th</sup>** percentile for similar units in the same market.



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## Guidelines – Affordable Housing Flexibilities

### Types of Flexibilities:

- 1) Increased flexibility in debt coverage ratio requirement
- 2) Extension of amortization period
- 3) Increased loan-to-value ratio
- 4) Relaxation of rental achievement holdback
- 5) Mortgage loan insurance premiums



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## Current Premiums

Standard		Affordability Levels 1 & 2		Affordability Level 3	
<i>Loan to Value Ratio</i>	<i>% of Loan</i>	<i>Loan to Value Ratio</i>	<i>% of Loan</i>	<i>Loan to Cost Ratio</i>	<i>% of Loan</i>
Up to and including 65%	1.75%	Up to and including 65%	1.20%	Up to and including 65%	For Level 3 projects
Up to and including 70%	2.00%	Up to and including 70%	1.40%	Up to and including 70%	A full premium
Up to and including 75%	2.25%	Up to and including 75%	1.50%	Up to and including 75%	Waiver applies
Up to and including 80%	3.50%	Up to and including 80%	2.40%	Up to and including 80%	Including standard
Up to and including 85%	4.50%	Up to and including 85%	3.10%	Up to and including 85%	Premium surcharges
Up to and including 90%		Up to and including 90%	3.40%	Up to and including 90%	
Up to and including 95%		Up to and including 95%	3.80%	Up to and including 95%	



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## CMHC Premium Surcharges – Level 1 and 2

- Construction advances: **0.50%** - two advances permitted without the surcharge
- Retirement and long-term care facilities: **1%** of loan amount
- Amortization extensions: **0.25%** for each 5 year period beyond 25 years, up to and including 40 years, not to exceed the remaining economic life of the property
- Non-residential spaces: **1%** of the portion of loan related to these spaces
- Release of rental achievement holdback at rent-up: **0.25%**
- Second mortgages: **0.50%** of 1<sup>st</sup> mortgage loan amount only



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## Mortgage Loan Insurance Refinance Product (leveraging equity)



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## Under the SHA?

### CMHC Underwriting -Confirmation of:

- 9D Waiver
- Operating agreement has expired
- Financial viability pre-termination of operating agreement or plan to get there.
- Building Condition

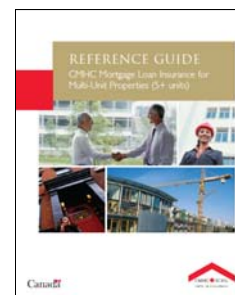
\*Many properties may qualify under market housing criteria. While there is no specific program for end of operating agreements, CMHC will review applications on a case-by-case basis.



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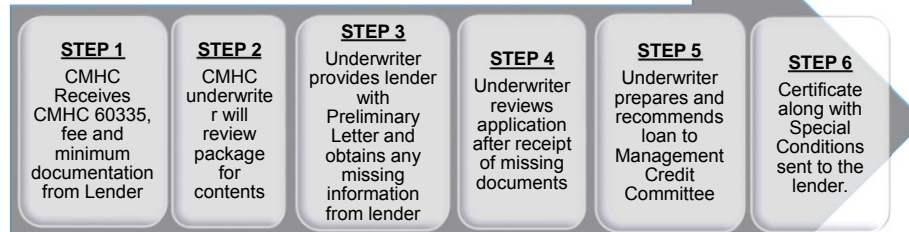
## THE PROCESS



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## Time Frame Guideline:



- Delays occur between Steps 3 and 4.
- Steps 4 to 6 take = 35 business days.



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## Minimum Documentation Checklist

### MINIMUM DOCUMENTATION = FASTER TURNAROUND

▪ **Your time is important. That's why we've developed this simple checklist to help you submit your applications.**

▪  **Turnaround times are significantly reduced for applications submitted with minimum documentation.**

▪  **While additional documentation can always be provided later in support of a file, avoid unnecessary delays by submitting applications with minimum documentation.**



#### CANADA MORTGAGE AND HOUSING CORPORATION CMHC MULTI-UNIT DOCUMENTATION CHECKLIST

**MINIMUM DOCUMENTATION: FASTER TURNAROUND.**  
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- All Projects**
- "Request - Certificate of Housing" (CMHC 4035)
  - The Applicant's description of the project including age, construction type, number and kind of units, available development status or rental history or CMHC 4036
  - Current status reports for Mortgages and Guarantees
  - Signed and approved personal net worth statements for all individual Borrowers/Guarantors, including checks for any real property held, address, description, nature and location, mortgage status, mortgage payment and value. The Applicant Lender must submit subsequent copies.
  - Financial Statements for the most recent year used for Corporate Borrowers/Guarantors
  - For Corporate Borrowers submit the type of structure (i.e. and programming, listed company, partnership, etc.), the ownership of the entity (including percentage ownership), key individuals, their responsibilities and being substantiated for complete Borrowers records in organization and including the individual's self-reported information.
  - For properties of 1 to 4 units, a complete property appraisal report, including Schedule A which defines location and exposure of the property.
  - Application fee.

www.cmhc.ca/multi-unit 1-877-MURGO



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## The Assessment

What does an underwriter review

1. Housing Market
2. Borrower
3. Project
4. Funding/Financing



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## Certificate of insurance and special conditions

### Special conditions:

- Name of Lender, Insured Amount, Property location, etc.
- Environmental Site Assessment
- Required executed agreements.
- Undertakings for cost overruns.
- Holdbacks.
- Replacement Reserve requirements.
- Guarantee requirements.
- Project Monitoring requirements.
- Financial Statements and / or property management requirements.

\* PLEASE NOTE THAT ALL DEALS ARE UNIQUE AND MAY REQUIRE OTHER CONDITIONS.



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## Certificate of insurance and special conditions

Following Approval CMHC will be involved

### 1) Construction draws (requirements include):

- A letter from the lender recommending draw, along with a project monitor report from Professional Quantity Surveyor.
- \$350 per draw starting with the 3<sup>rd</sup> draw.
- For projects with non-affordable units and / or non-residential units, premium and surcharges related to these units must be accompanied to letter.

(1<sup>st</sup> and last draw may take up to 5 working days to review, all other draws are 24 to 48 hours from receipt)

### 2) Any changes to the original commitment

- Provide details of what has been changed and why along with any supporting documentation.



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## For More Information

# THANK YOU

For more information regarding affordable housing,  
please visit the Affordable Housing Centre

<http://www.cmhc.ca/en/inpr/afhoce/index.cfm>

View the Affordable Housing Centre videos on our  
official channel at

<http://www.youtube.com/CMHCca>



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