YOUR MORTGAGE CONSULTANT FOR LIFE **JUNE 2012**

Mortgage *focus*

1 New Insured High-Ratio Mortgage Rules

2 Frequently Asked Questions About The New Rules

3 Today's Best Mortgage Rates!

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1) New Insured Mortgage Rules – effective July 9th 2012!

As you are probably already aware, Finance Minister Jim Flaherty has announced changes to the rules for government-backed (CMHC) insured mortgages for residential properties of 1-4 units.

In total, four new measures were announced for new government-backed insured mortgages.

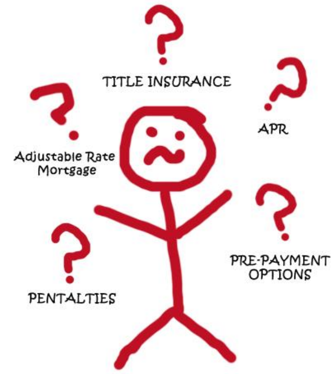
- The maximum amortization period was lowered from 30 years to 25 years.
- The maximum amount that Canadians can borrow when refinancing their homes was lowered to 80% from 85% of the value of their homes.
- Households are now being constrained to a maximum gross debt service ratio and maximum total debt service ratios of 39% and 44%, respectively.
- Government-backed insured mortgages will now be only available on homes with a purchase price of less than $1 million.
- These new rules will take effect on July 9, 2012.

What does this mean for you and your clients? I have summarized the highlights below and provided a list of FAQ's that you will likely be asked by your clients. Please feel free to direct your clients to my website at www.douglifford.com or have them contact me directly at 604 820 4570 for more information.

- Any new high ratio applications between June 22 and July 9 must fund by December 31, 2012 otherwise the new rules apply.
- As of July 9, all new high ratio applications must meet the new rules
- Most financial institutions standard approval for high ratio insured mortgages remain at 40% - 44% TDS.
- Effective immediately, preapprovals will only be offered with 25 year amortizations unless you are certain your customer's application is a conventional deal
- If you already have an approval on a high ratio deal, you do not need to take any action

2) Frequently Asked Questions:

Q. I already have an insured mortgage. How will these changes affect me?
A. Mortgage insurance is good for the life of the mortgage. Borrowers renewing their insured mortgages will not be affected by these changes. For example, if a borrower had a 30-year amortization and there are 27 years remaining on the mortgage, the mortgage can be renewed with a 27-year amortization, as long as no new funds are being added to the mortgage.



Q. What is required to qualify for an exception to the new parameters?
A. The new measures will apply as of July 9, 2012. Exceptions will be made to satisfy a binding purchase and sale, financing or refinancing agreement where a mortgage insurance application has been made before July 9, 2012. While the changes come into force on July 9, 2012, any mortgage insurance applications received after June 21, 2012 and before July 9, 2012 that do not conform to the measures announced today must be funded by December 31, 2012.

Q. Will a purchase and sale agreement dated prior to July 9, 2012 be considered binding if there are outstanding conditions that have not been fulfilled prior to July 9, 2012?
A. Yes, if the date on the purchase and sale agreement is earlier than July 9, 2012, and a mortgage insurance application has been made prior to that date, the new parameters will not apply, even if the conditions of the agreement have not been waived.

Q. Will the new refinancing rules allow a borrower with a mortgage above 80 per cent loan-to-value (LTV) to refinance by extending the amortization period?
A. No. Effective July 9, 2012, borrowers will not be permitted to refinance a mortgage above an 80 per cent LTV, unless the borrower has a binding refinance agreement dated prior to July 9, 2012, and a mortgage insurance agreement has been made prior to that date.

Q. I have a written mortgage pre-approval from a lender, dated before July 9, 2012 with a 30-year amortization. Will I still be eligible for a 30-year amortization if I don't sign an agreement of purchase and sale until July 9, 2012 or later?
A. No, a mortgage pre-approval without an agreement of purchase and sale is not sufficient to qualify for a 30-year amortization. You may have a 30-year amortization only if your agreement of purchase and sale is dated before July 9, 2012 and you have made a mortgage insurance application before July 9, 2012. You may wish to discuss with your lender to revise your mortgage pre-approval using the new parameters announced today.

Q. Will the new parameters apply to assignment ("switch" or transfer) of a previously insured loan from one approved lender to another?
A. No. As long as the loan amount and amortization period are not increased, the new parameters will not apply to a switch/transfer/assignment of the mortgage to a different lender.

Q. What if I need to increase the amount of my insured loan when I sell my current home and buy another?
A. In this situation, the new parameters will apply for any insured loan.

Q. If I bought a condo that is not expected to be built for another two years, will the new parameters apply?
A. If you bought a condo and have made a mortgage insurance application on or before June 21, then the new parameters would not apply.

3) Today's Best Mortgage Rates – owner occupied & OAC Only!

Five Year Variable	**Prime - .10% (2.90%)**
Five Year Fixed	**3.09%**
Seven Year Fixed	**3.79%**
Ten Year Fixed	**3.95%**
Zero Down	**5.29%**

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