

## **David Fleming, Sales Representative, Bosley Real Estate Ltd., Brokerage**

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The following blog by David Fleming, Sales Representative, Bosley Real Estate Ltd., Brokerage can be viewed in its entirety at [www.torontorealtyblog.com](http://www.torontorealtyblog.com), titled **Mortgage Q & A**.

Last week, I wrote about the changes to the Canadian mortgage frontier as we know it, and for some reason that still remains unknown.

Today I'd like to look at a few questions that have come up regarding the changes to the mortgage market and have them answered by my mortgage gurus: *Joe Sammut* and *Jody Price*.

I picked up a lot of traits from my father; some good, some bad, but even the bad ones have a real world application today.

My dad had "a guy" for everything.

He had his "tv guy" who ran a shop on Mount Pleasant and always seemed to be on his hands and knees in our living room installing wiring.

He had his "reno guy" who always seemed to be hours, days, or even weeks late - but was never fired!

Even to this day, he still has his "steak guy" deliver prime rib through the mail slot at his home.

My Dad taught me about *loyalty*, but he also taught me that once you find somebody who is reliable, trustworthy, and the best in their line of work - stick with that person! (I still wonder why he stuck with "Dave" the disappearing reno guy, but that's another story...)

Over the last seven years, I have only ever referred my buyer-clients to *one* mortgage broker. I have never needed to solicit a second opinion on mortgages, even though I have switched lawyers once, and used a couple of different contractors.

Joe Sammut and his business partner Jody Price are the best in the business, hands down. They are brokers and thus they work with hundreds of lending institutions and always seem to secure the best rates. I guess it helps when you golf with the CEO's of the big five banks...

Their customer service is top-notch and their rates beat all competitors, but it is their *knowledge* of the mortgage industry that is simply unsurpassed. They have a combined fifty years of experience and there is simply nothing they don't know about the mortgage market; past, present, or future.

I would estimate that close to one hundred buyers from this blog have used Joe Sammut & Jody Price as their mortgage brokers, in part due to my recommendation and in part because of the glowing review I give them in my "Mortgage" section on the blog home page.

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Feel free to pick their brains any time at 1-888-575-4403.

Jody and Joe have been kind enough to provide the following Q&A session for my blog:

**Question:** Does the 85% Loan to Value (LTV) limit on refinance loans apply to all residential properties with up to 4 units?

**Answer:** Effective March 18, 2011, refinance loans on all owner occupied residential properties with up to 4 units are subject to a maximum LTV ratio of 85% (down from 90%). The LTV limit for non owner occupied (small rental) properties with 1-4 units remains at the 80% limit that was introduced last year.

**Question:** *Will the new parameters apply to assignment ("switch" or transfer) of a previously insured loan from one Lender to another?*

**Answer:** No. As long as the loan amount, amortization period and LTV ratio remain unchanged, the new parameters will not apply to switch/transfer/assignment of mortgage to a different Lender?

**Question:** *CMHC currently has a limit of \$200,000 on refinance loans, up to a maximum LTV of 90%. What will be the maximum refinance loan amount once the 85% LTV maximum has been implemented?*

**Answer:** There will no change in the maximum refinance loan amount. It will remain at \$200,000.

**Question:** *If the current balance of a loan is above 85% LTV can the borrower extend the amortization period?*

**Answer:** No. Effective March 18, 2011, a refinance loan with LTV above 85% is ineligible for a new insurance approval, even if the loan amount does not change. An extension of the amortization period will not be permitted for a loan with LTV above 85%.

**Question:** *In the case of a refinance (or port) where the loan amount is being increased, if the existing loan has a remaining amortization period of more than 30 years, can the amortization period be left as is, or does it have to be reduced to 30 years? Would the 30 year limit apply only to the top-up portion?*

**Answer:** The 30 year limit on amortization will apply only to the top up portion. The amortization can be left as is for the existing portion of the loan.

**Question:** *A borrower has an existing line of credit in place, insured by CMHC. At some point after the termination of CMHC's Line of Credit product, the borrower decides to sell the home that is the subject of the insured line of credit, and purchase a subsequent home. The total amount of financing that the borrower needs for the new home is well above 80%,*

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*therefore mortgage insurance is required. May the borrower port the existing insured line of credit to the next home?*

**Answer:** Due to the discontinuation of CMHC's Line of Credit insurance product, the loan for the purchase of the new home will have to be an amortizing loan. Depending on the specifics of the transaction, the borrower may still benefit from premium savings available through CMHC's Portability feature.

**Question:** *Lines of Credit will no longer be insurable as of April 18, 2011 is there any situation which would qualify for an exception, e.g. binding agreement, to allow for these loans to be insured?*

**Answer:** No, Lines of Credit are subject to an 80% LTV maximum and there is no requirement for the lender to obtain mortgage insurance when the LTV is 80% or less.

**Question:** *To qualify for an exception from the new parameters, what is considered a "legally binding agreement" in the case of a refinance loan?*

**Answer:** If the Lender has documentation of a binding agreement to lend between the Lender and the borrower for a specified loan on a specified property, and that agreement was dated before March 18, 2011, CMHC will not apply the new parameters, even if the application for insurance is received by CMHC on or after March 18, 2011.

**Question:** *Will an agreement of purchase and sale dated prior to March 18, 2011 be considered "legally binding" if there are outstanding conditions that have not been fulfilled prior to March 18?*

**Answer:** Yes, if the date on the agreement of purchase and sale is earlier than March 18, the new parameters will not apply, even if the conditions have not been waived.