

CMHC to Increase Mortgage Insurance Premiums

OTTAWA, April 2, 2015 — As a result of its annual review of its insurance products and capital requirements, CMHC is increasing its homeowner mortgage loan insurance premiums for homebuyers with less than a 10% down payment. Effective June 1, 2015, the mortgage loan insurance premiums for homebuyers with less than a 10% down payment will increase by approximately 15%.

For the average Canadian homebuyer who has less than a 10% down payment, the higher premium will result in an increase of approximately \$5 to their monthly mortgage payment. This is not expected to have a material impact on housing markets.

Premiums for homebuyers with a down payment of 10% or more and for CMHC's portfolio insurance and multi-unit insurance products remain unchanged. The changes do not apply to mortgages currently insured by CMHC.

“CMHC completed a detailed review of its mortgage loan insurance premiums and examined the performance of the various sub-segments of its portfolio,” said Steven Mennill, Senior Vice-President, Insurance. “The premium increase for homebuyers with less than a 10% down payment reflects CMHC's target capital requirements which were increased in mid-2014.”

CMHC is mandated to operate its mortgage loan insurance business on a commercial basis. The premiums and fees it collects and the investment income it earns cover related claims and other expenses while providing a reasonable rate of return on its capital holding target.

CMHC contributes to the stability of Canada's housing finance system, including housing markets, by providing qualified Canadians in all parts of the country with access to a range of housing finance options in both good and bad economic times.

Effective June 1st, CMHC Purchase (owner occupied 1 – 4 unit) mortgage loan insurance premiums will be:

Loan-to-Value Ratio	Standard Premium (Current)	Standard Premium (Effective June 1st, 2015)
Up to and including 65%	0.60%	0.60%
Up to and including 75%	0.75%	0.75%
Up to and including 80%	1.25%	1.25%
Up to and including 85%	1.80%	1.80%
Up to and including 90%	2.40%	2.40%

Loan-to-Value Ratio	Standard Premium (Current)	Standard Premium (Effective June 1 st , 2015)
Up to and including 95%	3.15%	3.60%
90.01% to 95% — Non-Traditional Down Payment 3.35%		3.85%

CMHC reviews its premiums on an annual basis and will announce decisions on premiums following this review.

Canada Mortgage and Housing Corporation (CMHC) has been Canada's authority on housing for more than 65 years.

CMHC helps Canadians meet their housing needs. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer objective housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For additional highlights please see attached backgrounder and [key fact](#) sheet.

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Backgrounder

- Mortgage loan insurance helps protect lenders against mortgage default and enables consumers to purchase homes with a minimum down payment of 5% with interest rates comparable to those with a 20% down payment. Mortgage loan insurance is typically required by lenders when homebuyers make a down payment of less than 20% of the purchase price.
- CMHC's new premium rates will be effective for new mortgage loan insurance requests submitted on or after June 1, 2015. The current mortgage loan insurance premiums will apply for applications submitted to CMHC prior to June 1, 2015, regardless of the closing date. As is normal practice, complete borrower and property details must be submitted to CMHC when requesting mortgage loan insurance.
- The increase applies to mortgage loan insurance premiums for residential housing of 1 and 2 units for homebuyers with less than a 10% down payment.
- CMHC mortgage loan insurance premium is calculated as a percentage of the loan based on the loan-to-value ratio. The premium can be paid in a single lump sum but more frequently is added to the mortgage principal and amortized over the life of the mortgage as part of regular mortgage payments.
- CMHC reviews its premiums on an annual basis and has adjusted them several times since being commercialized in 1998. Adjustments have included both increases and decreases to the premiums.
- CMHC's capital holdings reduce Canadian taxpayers' exposure to the housing market and contribute to the long term stability of the financial system. In August 2014, CMHC increased its capital holding target from 200% to 220% of the minimum OSFI requirements.

- In 2014, the average CMHC insured loan at 95% loan-to-value was \$252,530. Based on this figure, the higher premium will result in an increase of approximately \$5 to the monthly mortgage payment for the average Canadian homebuyer. This is not expected to have a material impact on housing markets.

95% Loan-to-Value

Loan Amount	\$150,000	\$250,000	\$350,000	\$450,000
Current Premium	\$4,725	\$7,875	\$11,025	\$14,175
New Premium	\$5,400	\$9,000	\$12,600	\$16,200
Additional Premium	\$675	\$1,125	\$1,575	\$2,025
Increase to Monthly	\$3.12	\$5.20	\$7.29	\$9.36

- **Based on a 5 year term @ 2.79% and a 25 year amortization**
** Premiums in Manitoba, Ontario and Quebec are subject to provincial sales tax — the sales tax cannot be added to the loan amount.*