

Vacation or Second Homes

It is completely normal that your needs will grow and expand along with your family. A great mortgage broker can take weeks off of this process for the lowest possible rate available and the best terms. Many individuals desire a second home in the city to minimize their weekly commute, while others prefer a cabin or a cottage at the lake for a weekend getaway. In 2003, Genworth and CMHC introduced a specific product in order to make this process more attainable. The best part is, your second home or vacation property may be available to you with as little as 5% down!

Acceptable Loan Purpose

- a) 30 to 35 year amortizations are available on Type A Secondary homes, although on Type B homes, 30 to 35 year amortizations are not an option.
- b) Type A homes are considered to be Type A homes which are available for refinance and for purchase, whereas Type B or vacation homes are available for purchase only. It is important to note that this program does not provide funds for the purchase of timeshare or rental pool properties or investment; therefore, incidental rental income will not be taken into consideration for qualification purposes.

Eligible Properties: Refer to the Property Type Schedule Type A Properties or Secondary Homes:

In Metro Vancouver, Metro Toronto and Metro Calgary, the maximum loan amount is \$700,000. Within the rest of Canada, the maximum loan amount is \$600,000. This money is available for both refinance and for purchase.

Type B Properties or Vacation Homes:

- a) Where vacation or Type B properties are concerned, property characteristics are the same as Type A except for the following: May have seasonal access, as in the road is not ploughed during the winter months; Available for purchase only; Property need not be winterized.
- b) \$350,000 is the maximum loan amount, although, exceptions will be considered on a case by case basis.

Loan-to-Value Ratio Limits

LTV or "Loan-to-value" is the relationship between the property value and the principal balance of a mortgage. If, for example, you had a home valued at \$100,000 and a \$90,000 loan, your LTV would be 90%. This number is determined by dividing \$90,000 by \$100,000 which equals 90%.

The maximum LTV for Type A properties is 95% and for Type B properties, the maximum LTV is 90%.

Borrower Qualifications

- a) Borrower Qualifications include: No late payments in the past 2 years or 24 months; Maximum TDS: 44%; and Maximum of one insured vacation property per applicant.
- b) Under this program, lenders do not allow gifted down payments.
- c) No prior judgments or bankruptcy. No 3rd party guarantors are allowed during the qualification process. As well, lenders do not accept spousal guarantors.
- d) In the last 2 years or 24 months, no late payments are allowed.

Document Requirements

- a) Verification of down payment along with income/employment verification and offer to purchase are required.

Appraisal Requirements

In this program, the turnaround times are outside the standard purchase business levels. Property specifications include:

Type A Property:

- a) The Type A property must be used and zoned as rural, residential or seasonal. Lenders do not accept rental pooling or mixed uses. Lenders do not accept interest ownership or co-ops, therefore, the property must be Freehold or Condominium title.
- b) Property must contain a permanent heat source and be winterized. For instance, heating can be either provided by water radiator, geothermal heat pumps, coal, baseboard, propane, heat pumps or radiant sources. At the very minimum, the property needs to have a common area, a bedroom, a 3-piece bathroom and a kitchen.
- c) The property must have an economic life of at least 5 years longer than the mortgage amortization period. The foundation needs to be installed beyond the frost line and be permanent. This includes preserved wood foundations or concrete block foundations certified by a professional engineer. Pier/post foundations on solid bedrock are also acceptable.
- d) High quality construction needs to be apparent, with no signs of deferred maintenance. Year-round road access is necessary on reasonably quality public roads, serviced by the local municipality. As well, provided there is a maintenance contract in place, lenders also allow privately serviced roads.
- e) There needs to be good market appeal in the vicinity with no adverse neighborhood nuisances or negative influences. Lastly, the water source must be drinkable. This can be provided by a cistern, municipally serviced or with a well. Lenders will accept river and lake water, provided the property has its own filtration system. For instance, a reverse osmosis system is acceptable.

Type B Property:

Except for the following list, all Type A property requirements apply to Type B:

- a) No permanent heat source is needed; therefore, a heat blower, fireplace, stove or wood stove is okay.
- b) Property is allowed to only be accessible by boat. The foundation may be floating or sitting on blocks.
- c) The water source does not have to be drinkable, although, there needs to be water running inside the home.
- d) The main road does not have to be plowed in the winter time; therefore, seasonal road use is acceptable.