

## Second Homes and Vacation Homes

It is completely normal that your needs will change or grow as your family needs grow and change. A great mortgage broker can help to alleviate weeks of work and time finding the best mortgage rates and terms available. Some clients will want to purchase a cabin or cottage at the lake, while some may prefer a ski chalet, and other may pursue a second home in the city to help cut down on their weekly commutes. Genworth and the CMHC introduced a specific product in 2003, to help make this process more attainable. Your second home or vacation property can be made available for as little as 5% down.

### Acceptable Loan Purpose

- Amortizations of up to 30 and 35 years are available on Type A Secondary homes
- On Type B homes, 30 and 35 year mortgages are NOT available
- Type A homes are homes available for purchase or refinancing. Type B homes are only available for purchasing. This particular mortgage product is not available for the purchase of rental properties, investment properties, or timeshare properties. Therefore, the rental income gained on secondary home or vacation home mortgage products will not be considered for qualification purposes.

### What Are The Eligible Properties? Property Type Schedule

#### Type A Properties: Secondary Homes

- The maximum loan amount is \$700,000 in Metro Toronto, Metro Vancouver, and Metro Calgary. The maximum loan amount for the rest of Canada is \$600,000. This money is available for purchases and refinancing.

#### Type B Properties: Vacation Homes

- The property characteristics are considered the same for Type A and Type B properties except for the following:
  - 1) Available for purchase only
  - 2) Property does not need to be winterized
  - 3) May only have seasonal access, such as the road is not plowed during the winter months
- Typically, the loan amounts will max out at \$350,000, however, exceptions may be made on a case by case basis.

### LTVs or Loan-to-Value Ratios

The LTV means the ratio between the property value and the principal balance of the mortgage. Let's say for example, you had a taken out a \$200,000 loan on a property that was worth \$300,000. Your loan-to-value ratio would be 66.67%. This is calculated by taking the \$200,000 and dividing it by \$300,000, which equals 66.67%.

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

### Borrower Qualifications

- Max TDS (Total Debt Service Formula) of 44%; and a maximum of one vacation property per applicant.
- Lenders will not allow gifted down payments under this program.
- No previous bankruptcy or judgments. Lenders do not accept spousal guarantors or other 3rd party guarantors during the qualification process.
- No late payments in the last 24 months.

### Document Requirements

- The documents required include: Verification of down payment, offer to purchase, and income/employment verification.

### Requirements for Appraisals

The turnaround times in this program are outside the standard purchase business levels.

#### Type A Property:

- The property must contain a permanent heat source and be winterized. Heater can either be provided by: geothermal heat pumps, a water radiator, baseboard heaters, radiant heaters, coal, or by propane. As a minimum requirement, this property will need to have a bedroom, a kitchen, a 3-piece bathroom, and a common area.
- Type A properties have to be zoned and used as rural residential or seasonal. Lenders will not accept co-ops or interest ownership. Lender will also not accept rental pooling or mixed use properties. The properties must be Freehold or Condominium titled properties.
- These properties need to show high quality construction and have no signs of deferred maintenance. Year-round access is a must, on roads deemed to be of reasonable quality. These properties must also be serviced by the local municipality. Lenders may allow for privately serviced roads, so long as there is a maintenance contract in place.
- The water source must be drinkable. Water can be provided by a cistern, a well, or is serviced by the municipality. Lenders may accept water from a river or lake, provided that the property is outfitted with its own filtration system. A reverse osmosis water filtration system will suffice. There needs to be a good market appeal in the area, with the neighbourhood having no negative

influences or adverse nuisances.

- The property will need to have an economic life past the mortgage amortization period (5 years). The foundation of the property will require a foundation that is installed beyond the frost line and be permanent. This will include preserved wood foundations or concrete block foundations that is certified by a professional engineer. Pier/Post foundations on solid bedrock may also be acceptable.

**Type B Property:**

All Type A property requirements apply to Type B, except for the following list:

- There is no requirement on a permanent heat source. It is okay to use a heat blower, wood stove or fireplace.
- Property is allowed to be accessed only by boat. Foundation may also be sitting on blocks or even floating.
- There needs to be running water inside the home, though the water source does not have to be drinkable.
- Seasonal road use is acceptable; the main road does not have to be plowed in the winter time.