

## FAQs: Mortgage Loan Insurance

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### 1. I understand I have to get a loan to buy a house. But why is it called a "mortgage"?

Nowadays, a mortgage involves an agreement between a lender and a borrower where the lender decides to loan the borrower money to purchase property under the condition that the borrower promises to repay the loan and provides that land as security for their payment of the loan; when the loan is repaid in full, the lender will release the property to the borrower. If the borrower defaults on that loan, the lender may take its security (the property) in order to satisfy the debt owing to it. In the event of a default on that loan, the liability may not be fully satisfied by the sale of the property and the borrower may therefore be responsible for the payment of the shortfall. Mortgages are the primary means by which people finance the purchase of their homes.

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### 2. What can I use as my down payment on my new house?

A CMHC insured mortgage provides you with down payment flexibilities - you can own your home with with a minimum down payment of 5%.

For those home buyers who have saved up a down payment, traditional mortgage loan insurance products require home buyers to provide the minimum down payment from their own resources, however gift down payments from immediate relatives are also acceptable.

Homebuyers with a proven track record in managing their debt can provide the 5% down payment from a variety of sources, including borrowed funds or lender incentives, provided the funds are at arm's length from and not tied to the purchase or sale of the property. Please contact your lender to confirm availability and qualifying criteria.

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### 3. When does my lender need mortgage loan insurance?

Typically lenders will require mortgage loan insurance if a borrower has a down payment of less than 20% of the purchase price of the home.

By protecting lenders against borrower default, CMHC Mortgage Loan Insurance creates an opportunity for Canadians to realize their dreams of homeownership.

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### 4. Is there a maximum purchase price for CMHC Mortgage Loan Insurance?

Yes, the maximum purchase price or as-improved property value must be below \$1,000,000 when the loan-to-value ratio is greater than 80%.

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### 5. Who arranges CMHC Mortgage Loan Insurance?

Your lender will arrange for the purchase of CMHC Mortgage Loan Insurance. When you negotiate your loan terms make sure to ask that the mortgage be CMHC insured.

To learn more about the different types of mortgages and the process of arranging a mortgage, see our Home buying Step by Step – [Step 2. Are You Financially Ready?](#)

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### 6. Does CMHC Mortgage Loan Insurance only apply to traditional single-family residential properties?

No, CMHC offers mortgage loan insurance products on various property types including duplexes, condominiums, owner-occupied properties, manufactured or mobile homes, properties requiring renovations and much more, including rental and nursing homes. Please check with your lender for more details.

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#### **7. Who pays for the CMHC Mortgage Loan Insurance?**

Like any other kind of insurance, there are premiums to be paid. The lender typically passes on the cost of insurance to the borrower. The premiums can be paid up front in a lump sum or blended in with your mortgage loan payments.

CMHC manages its mortgage insurance activities through sound business practices that ensure commercial viability even in less favourable economic times. Consistent with the directions set by the office of the Superintendent of Financial Institutions for private sector insurers, CMHC maintains sufficient reserves to meet anticipated future claims.

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#### **8. A friend told me I could refinance my home to make some renovations. What does that mean?**

If your lender refinances your loan using CMHC Mortgage Loan Insurance, you can increase the existing mortgage on your home up to 80% of its current value or as improved value. There are some eligibility requirements; please consult with your lender or mortgage broker for all the details.

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#### **9. My mortgage is currently CMHC-insured and I am moving to another house. Are there any CMHC products available to me?**

When a lender has received CMHC Mortgage Loan Insurance on your home loan on or after April 1, 1996 and you are purchasing another home, there may be a mortgage portability option. Portability allows the repeat user of CMHC insured mortgage financing to save money by reducing or eliminating the premium on a new insured loan for the purchase of another home. Please check with your lender for the terms and conditions of mortgage portability.

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