

## New mortgage rules make it tougher to qualify

### Changes also raise the down payment for people buying houses and condominiums to rent out

This article also appeared in:

#### **VancouverSun.com**

Federal rules introduced Tuesday to tighten mortgage requirements will squeeze the purchasing power of the average Metro Vancouver buyer by \$40,000 to \$50,000, market observers say.

Finance Minister Jim Flaherty, amid warnings that too many Canadians are overextending themselves to take cheap, variable-rate mortgages, said buyers who want insured high-ratio mortgages will need to meet tougher requirements.

As of April 19, all buyers will be required to meet the standards for a five-year fixed-rate mortgage, even if they are looking for a variable-rate mortgage, which has a significantly lower rate.

Cameron Muir, chief economist for the B.C. Real Estate Association, said lenders typically approve borrowers on the criteria for a three-year fixed-rate mortgage, which is still higher than the variable rate.

However, "that change alone, if it were implemented now, the average household would lose about \$40,000 of their purchasing power," Muir said.

"So that has an impact on the marketplace, particularly for first-time buyers."

However, Muir said, it is still too soon to tell how much of an effect the change will have on the market.

**Rob Regan-Pollock, a manager with the mortgage firm Invis Rob Regan-Pollock, estimated the change will squeeze the purchasing power of buyers a bit more, perhaps \$48,000, but he doesn't believe the impact will be large.**

"Really, the mainstay of the market is there," Regan-Pollock said.

**"You will still have your first-time buyers who can get [mortgages with] five-per-cent down payments and 35-year amortizations."**

**Regan-Pollock said the changes that were floated publicly but not included in Flaherty's announcement Tuesday -- increasing the minimum down payment and shortening the maximum amortization period -- would have had a bigger impact on the market.**

The existing home sale market has been on a tear recently, largely powered by historic low rates.

The Bank of Canada cut its benchmark policy rate last April to 0.25 per cent and pledged to keep it there until July to stoke economic growth.

However, Flaherty said, the changes were not meant to stop a possible housing bubble, as some warned was looming unless Ottawa was prepared to act.

"There's no clear evidence of a housing bubble, but we're taking proactive, prudent and cautious steps today to help prevent one," Flaherty said.

Other rule changes unveiled would affect people looking to refinance their mortgages -- lowering the maximum amount that can be withdrawn to 90 per cent from 95 per cent -- and placing a 20-per-cent minimum down payment for government-backed mortgage insurance on non-owner-occupied properties.

This would affect people looking to buy condo units or duplexes for rental income. Previously, only a five per cent down payment was required.

Muir said the change that raises the down payment for people buying houses and condominiums intending to rent them out could have the bigger impact in Metro Vancouver, which has a shrinking amount of purpose-built rental housing.

"That's going to have the desired affect of cooling some speculation in the marketplace," Muir said.

However, over the longer term it could mean less investment in rental condos and houses