



TAKE A *fresh*  
LOOK AT  
WHAT'S POSSIBLE

Mortgage Loan Insurance  
for Multi-Unit  
Residential Properties

# Landlords Association of Durham

Presented by: Paula  
Gasparro  
Manager, Business  
Development



# Agenda

---

- Energy-Efficient Properties
- Products and Benefits



---

# CMHC MULTI-UNIT ENERGY-EFFICIENT PROPERTIES

Features, Availability and More

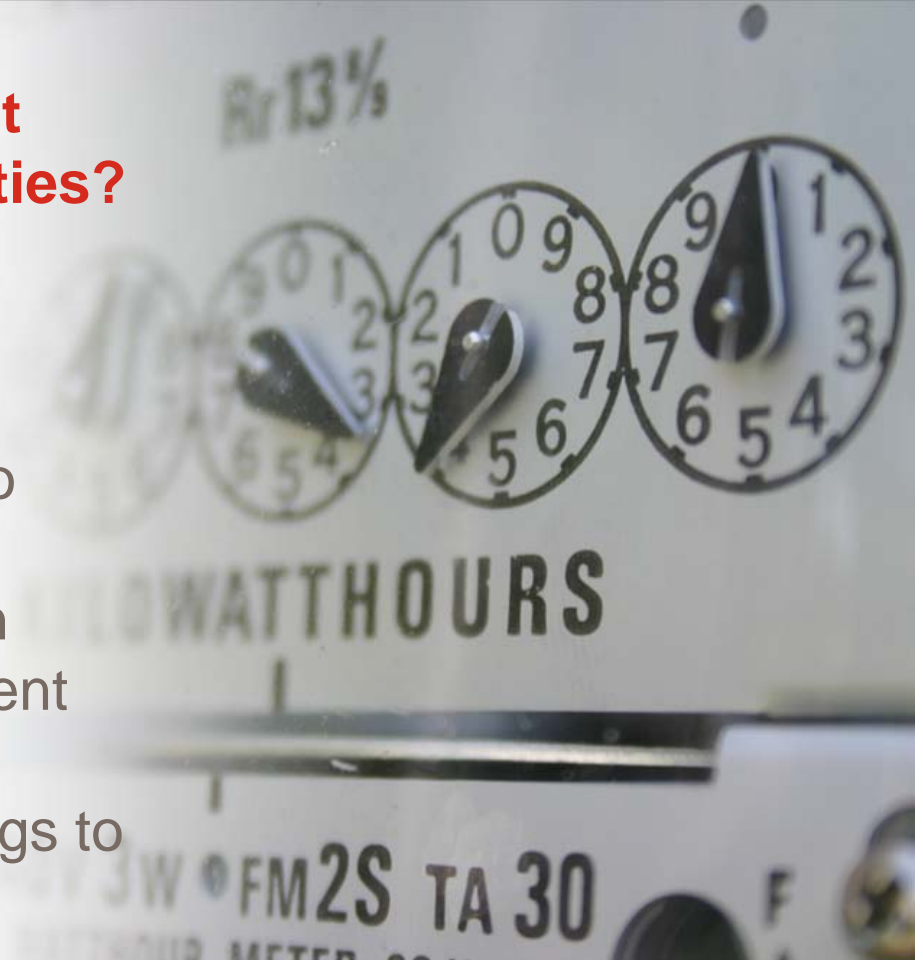


# CMHC Multi-Unit Energy-Efficient Properties

---

## What is CMHC Multi-Unit Energy-Efficient Properties?

CMHC mortgage loan insurance that enables Mortgage Professionals to offer clients enhanced financing flexibilities when constructing energy-efficient multi-unit properties or retrofitting existing buildings to make them more energy-efficient





# Features

---

- Option to receive either an upfront premium reduction or premium refund
- Recognition of energy-efficient improvements made within a 12 month period prior to the current mortgage loan advance (as evidenced by capital investment reports)
- Borrowers can use a variety of documents to demonstrate eligibility



# Availability

---

- New construction
- Refinance or Purchase where energy efficiency improvements are being undertaken
- Borrowers can submit documentation within one year after loan finalized



# Energy-Efficient Criteria

---

## **New Construction**

- The building is required to be the higher of:
  - **5%** more energy-efficient than if constructed to meet provincial/territorial requirements (where they exist); or
  - **20%** more energy-efficient than if constructed to meet the Model National Energy Code for Buildings (MNECB)
  - **10%** premium refund for qualifying new construction applications



# Energy-Efficient Criteria

---

## Existing Buildings

- No minimum threshold for the anticipated reduction in energy consumption
- Premium reduction/refund equal to the overall percentage reduction in energy consumption to a maximum of 15%
- In addition to heat and hydro, CMHC will now also recognize an estimated reduction in **water** consumption





# MULTI-UNIT PRODUCTS AND BENEFITS

## Features, Eligibility and More



## Available for a Variety of Building Types

---

### **CMHC insured financing is available for:**

- rental buildings
- senior's housing
- mixed use properties with non-residential components not to exceed 20% of the gross floor area or total lending value
- student housing
- single room occupancies
- condo construction loans

# Advantages for Multi-unit Insurance

---

## Products:

- Rental Purchase or Refinance
- Second mortgage
- Pari passu mortgage
- Premium credits
- Amortization extensions
- Top-up mortgage
- Non-recourse mortgage
- Energy-efficient mortgage
- Affordable housing mortgages





# CMHC Multi-Unit – Greater Possibilities

---

## Advantages for Borrowers

### More Flexibility

Obtain financing of up to 85% of the property's lending value

### Lower Interest Rates

Interest rate savings available throughout the life of CMHC-insured loans

### Reduced Renewal Risk

Mortgage renewal with no need to re-qualify



# CMHC Multi-Unit Purchase

## Compare the potential for improved return on investment

<b>Purchase (8-unit, wood-and-brick structure)</b>	<b>Uninsured</b>	<b>CMHC Insured</b>
Market value	\$ 525,000	\$ 525,000
Rental income	\$ 56,000	\$ 56,000
Vacancy and operating expenses	\$ 17,000	\$ 17,000
Net operating income (NOI)	\$ 39,000	\$ 39,000
<b>Equity</b>	<b>\$ 131,250</b>	<b>\$ 78,750</b>
Loan (before CMHC premium and fee)	\$ 393,750	\$ 446,250
CMHC premium (4.5%)	N/A	\$ 20,081
CMHC application fee (\$150 per unit)	N/A	\$ 1,200
Total loan	\$ 393,750	\$ 467,531
<b>Interest rate*</b>	<b>5.25%</b>	<b>4.50%</b>
Annual principal and interest (amortization 25 years)	\$ 28,152	\$ 31,056
Cash flow (NOI minus annual principal and interest)	\$ 10,848	\$ 7,944
<b>Return on investment**</b>	<b>8.3%</b>	<b>10.1%</b>
<b>Return on investment**</b> (including capital repayment)	<b>14.3%</b>	<b>23.3%</b>



# CMHC Multi-Unit Refinance

## Compare the potential for improved cash flow

<b>Refinance (80-unit, concrete high rise)</b>	<b>Uninsured</b>	<b>CMHC Insured</b>
Market value	\$ 8,500,000	\$ 8,500,000
Existing mortgage debt	\$ 4,500,000	\$ 4,500,000
Net operating income (NOI)	\$ 575,000	\$ 575,000
Requested loan at 75% LTV	\$ 6,375,000	\$ 6,375,000
CMHC premium (2.25%)	N/A	\$ 143,438
CMHC application fee	N/A	\$ 12,000
Total loan	\$ 6,375,000	\$ 6,530,438
<b>Interest rate*</b>	<b>5.50%</b>	<b>4.25%</b>
Annual principal and interest (amortization 25 years)	\$ 466,944	\$ 422,904
<b>Cash flow</b> (NOI minus annual principal and interest)	<b>\$ 108,056</b>	<b>\$ 152,096</b>
<b>Improved cash flow</b>	<b>N/A</b>	<b>\$ 44,040</b>



**Important Notice**

*CMHC is making the information contained in this presentation available for general information purposes only. It is intended to provide highlights of CMHC products to assist Approved Lenders in understanding CMHC's current requirements. Lenders using the information should be aware that other conditions, requirements and restrictions may apply and that the information is subject to change without notice. The information is provided without warranty and it is not intended that Lenders or other readers will rely on this information without verifying the full terms of CMHC underwriting policies.*