



MHC'S "FLEX DOWN" PRODUCT

CMHC's Mortgage Insurance for mortgage loans with flexible downpayment ("Flex Down") allows lenders to give individuals the option to purchase a home sooner than they might otherwise be able to. The borrower can access the minimum 5% equity requirement from additional sources of equity to those allowed under the traditional Homeowner 95% product.

As the following table demonstrates, there are a few unique product requirements in comparison to the traditional Homeowner 95% product. This will facilitate the product introduction from the Approved Lender perspective. Outlined below are the requirements for the Flex Down product. These are in addition to the "General Requirements" (NHA 2280).

Effective March 1, 2004	
Unique Product Requirements	
Permitted Sources of Equity	<ul style="list-style-type: none"> <input type="checkbox"/> Lender cash back incentives; <input type="checkbox"/> Equity borrowed from any source that is arm's length or not tied to the property purchase or sale transaction. This includes personal loans, lines of credit or credit cards; <input type="checkbox"/> Gifts or grants from any party that is arm's length to the property purchase transaction; and <input type="checkbox"/> 100% sweat equity from either the borrower or contributed by another party that is arm's length to the property purchase transaction. <p>(Note 1: Payments on borrowed funds are included in the TDS calculation.) (Note 2: Downpayments may not be paid out of or included in the insured mortgage. This includes recovery of any lender cash back incentives.)</p>
Prohibited Sources of Equity	<p>Sources that are not arm's length or are tied to the purchase or sale of the property, either directly or indirectly, are not permitted. These prohibited sources include:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Builder incentives or loans; <input type="checkbox"/> Realtor or mortgage broker incentives or loans to the borrower that impact the property selling price; <input type="checkbox"/> Loans or gifts from the property vendor; <input type="checkbox"/> Rent to own payments that are not in excess of the current market rent; and <input type="checkbox"/> Third parties that receive payment from the vendor or builder.
Premiums	<ul style="list-style-type: none"> <input type="checkbox"/> 3.40%, plus the Progress Advance surcharge as applicable.

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Eligible Borrowers	<input type="checkbox"/> Minimum 680 Beacon Score (or equivalent) is required. Scores will be averaged where there is both a borrower and co-borrower.
Properties	<input type="checkbox"/> Properties secured by a chattel mortgage or personal property security registration, as well as properties On-Reserve without a Ministerial Loan Guarantee, are not permitted.
Security	<input type="checkbox"/> First priority position. Recovery of any lender cash back incentive must be done through the interest rate and not through a cash back repayment provision. Penalties cannot be capitalized.
Specific Data Requirement	<input type="checkbox"/> Flex Downpayment Product Indicator.
Product Requirements Consistent with Traditional 95% Product	
Eligible Transactions	<input type="checkbox"/> Purchase transactions, including purchase plus improvements and progress advance.
LTV Ratio	<input type="checkbox"/> 90.01% - 95.00%
Eligible Properties	<input type="checkbox"/> 1 unit Homeowner properties (up to 95.0% LTV) or <input type="checkbox"/> 2 unit Homeowner properties (up to 92.5% LTV). <input type="checkbox"/> Properties On-Reserve secured by a Ministerial Loan Guarantee are permitted.
Forms of Interest	<input type="checkbox"/> Fixed or capped variable interest rates can be charged.
Qualifying Interest Rate	<input type="checkbox"/> Where the loan term is less than three years, borrowers are qualified using the greater of the lender's three year posted interest rate, or the contract interest rate (or VRM cap). Where the loan term is three years or more, the contract interest rate is used (or VRM cap).
Minimum Term	<input type="checkbox"/> Six months.
Closing Costs	<input type="checkbox"/> The borrower is required to demonstrate the ability to cover closing costs of at least 1.5% of the purchase price. These funds can be borrowed as long as any associated payment is included in the TDS calculation based on a 12 month repayment period.
Portability	<input type="checkbox"/> CMHC Mortgage Loan Insurance can be ported to a new property. If additional funds are required at the time the mortgage is ported, standard portability policy requirements and premiums apply.
Processing and Fees	<input type="checkbox"/> emili processing only <ul style="list-style-type: none"> • \$165 mainframe emili, WEBemili. • \$185 FAXemili.