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– Geoff Lee, President GLM Mortgage Group

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Dominion Lending Centres

VACATION/SECONDARY HOMES

A Message to You from Geoff Lee, President of GLM Mortgage Group | Dominion Lending Centres

We understand that today's lifestyle can be hectic and that can create additional home ownership options. This could be a cottage at the lake for weekends away or it could be a second home in the city to reduce your weekly commute. I have put together this eBook to delve further into Vacation and Secondary Home Financing to explain how exactly it works.

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WHAT IS SECONDARY HOME FINANCING

- A secondary home is a property that you own in addition to your primary residence. This can include (but not limited to) a cabin, cottage, vacation home or a condo in the city to reduce a commute time.
- Secondary Financing can not be a rental property. The owner must plan to occupy the property on a rent-free basis at some time during the year. You may choose to rent your secondary home out for part of the year however you may not use any of that rental income to qualify to borrow the funds to purchase your secondary home.

PROPERTY DETAILS

- The biggest factor in dealing with secondary financing is the property details. Pending on the details of the property this will indicate if you can do this with "A" Lenders (best rates) or if you will require Private Lending.

Property Type	Details
Type A	o Zoned and used as residential, rural or seasonal o Central heating o Year round road access o Maximum 1 unit o Property must be owner occupied
Type B	o Central heating is not required o Property does not need to be winterized o Seasonal road access is acceptable o Maximum 1 unit o Property must be owner occupied
Everything Else	o Rental pool o Timeshare properties

TYPE A PROPERTY –

Property details are outlined on page 6

- Maximum LTV (Loan to Value)
  - 95%
  - Property value less than $500,000.00 a 5% down payment required
  - Property value greater than $500,000.00 and less than 1 million is 5% down payment required up to $500,000.00 with an additional 10% down payment on the portion of the home value above $500,000.00

- Maximum Amortization
  - Insured – 25 years
  - Uninsured – 30 years

- Maximum Loan Amounts
  - Metro Toronto, Metro Calgary & Metro Vancouver: $750,000.00
  - Rest of Canada: $600,000.00

- Lender
  - These can be done with an A lender at best rates
  - If the LTV is 95% - 79% it will be insured, and you will have an insurance premium

TYPE B PROPERTY –
Property details are outlined on page 6

- Maximum LTV (Loan to Value)
  - 90%
  - The down payment must come from your own resources and may not be gifted
- Maximum Amortization
  - Insured – 25 years
- Maximum Loan Amounts
  - $350,000.00 – although exceptions will be made on a case by case basis
- Lender
  - These can be done with an A lender at best rates
  - This must be done as an insured mortgage and you will be charged an insurance premium

INSURANCE PREMIUMS

These premiums are only with an "A" Lender and are not applicable when utilizing a Private Lender

LTV Ratio	Type A properties		Type B properties	
	Premium Rate	Top-Up Premium	Premium Rate	Top-Up Premium
Up to 65%	0.60%	0.60%	1.45%	2.90%
65.01% - 75%	1.70%	5.90%	2.55%	6.10%
75.01% - 80%	2.40%	6.05%	3.15%	6.40%
80.01% - 85%	2.80%	6.20%	3.50%	7.00%
85.01% - 90%	3.10%	6.25%	4.35%	7.60%
90.01% - 95%	4.00%	6.30%	N/A	N/A

RENTAL POOLS & TIMESHARES

- There are no “A” Lenders that will provide financing for a rental pool or timeshare through the residential side.
- If you are considering purchase a property that is a rental pool or a timeshare you will have to use a private lender.

"A" Lending (best rates)

- These are the lenders that you are most familiar with (Banks, Monolines and Credit Unions)
- This will be at best rates available at the time of funding
- Insurance Premiums will apply – ***see page 9 for details***
- Minimum Down Payment
  - Type "A" Properties – 5% ****see page 6 for details***
  - Type "B" Properties – 10% ****see page 6 for details***

Private Lending

- Maximum LTV (Loan to Value)
  - This will vary on the lender, but you can expect 50% - 70%
  - This means a down payment between 30% - 50%
- Interest Rate
  - You can expect to pay between 5.95% - 11.95% ****pending property details and overall strength of the file***
- Costs Involved
  - You can expect to have broker/lender fees that can range from 1% - 6% of the total mortgage amount
  - Legal fees for the lender and borrower
  - Appraisal

How Do I Qualify with an "A" Lender

- Standard income and employment verification requirements apply
- Must be within ratio guidelines to debt service
- No prior bankruptcy or judgements
- Type A Properties - at least one applicant must have a minimum credit bureau score of 680
- Type B Properties – all applicants must have a minimum credit bureau score of 680

How Do I Qualify with a Private Lender

- Qualifying with a private lender is very specific to each lender
- It is all about the property details and the risk to the lender
    - How much equity is in the property
    - How marketable is the property (can they sell it easily if need be)
    - How much of a down payment are you providing
- Income and employment verification may be requested

Conclusion

When looking at secondary financing the single greatest factor is the property. It is all about the property details. This is going to determine how much of a down payment you will require and which lender and rate you can expect to pay. At GLM Mortgage Group | Dominion Lending Centres we understand how secondary financing works and we will ensure that you receive the best mortgage product for your needs.

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