

Real Estate Outlook

Housing made more affordable

Homebuyers in small towns and rural areas of the country will benefit from a number of changes made recently to the federal government's public mortgage insurance program.

The changes will make mortgage money more readily available, its costs lower, and homeownership more accessible.

"The improvements will ensure that all Canadians across the country have equal access to home financing at the lowest possible cost - no matter where they live," said The Honourable Stewart McInnes, Minister responsible for Canada Mortgage and Housing Corporation.

Generally, lending institutions cannot lend more than 75 per cent of the value of a house on an uninsured mortgage. As a result, the buyer must have a 25 per cent downpayment. With mortgage insurance, which guarantees the lending institution will be repaid if the borrower defaults, as little as a 10 per cent downpayment is allowable.

According to Mr. McInnes the reduction in fees and premiums will help homebuyers faced with the various costs and charges encountered when buying a house.

For example, with the changes, the one-time fee and premium for insuring a mortgage of \$50,000 will be reduced by about \$200 to \$825.

In addition, the limit on insurance will be increased to 90 per cent of the first \$125,000 plus 80 per cent of the remainder, from 90 per cent of the first \$80,000 plus 80 per cent of the remainder to better reflect the increased cost of houses in many communities.

The higher the downpayment a buyer has, the lower the premium is.

Buyers who get mortgages for 90 per cent of the homes' value pay 2.5 per cent.

A mortgage of 80 per cent of purchase price has a premium of 1.25 per cent, down from 1.5.

For mortgages of less than 65 per cent, the premium drops from one to one-half per cent.

For the first time, second mortgage insurance will be offered to fund renovation work or other additional mortgage requirements. By providing this insurance, and reducing the risk to the lenders, consumers should be able to obtain financing at the lower first mortgage interest rates.

Look before you leap

Toronto - May 28, 1987 "Buyers can encounter enormous pitfalls and problems when buying homes in Canada these days," say Lyn Miller and Stan Futa, authors of the new book, *Look Before You Leap, A Common Sense Guide to Buying Your Home*.

According to Miller and Futa, "Some people are so busy with careers and family, they jump in to the housing market without first doing their homework. This can be disastrous when buying a house or condominium, particularly if it's the first one."

The book took 14 months to research and write and is written especially for first and second-time homebuyers. It gives readers all the necessary technical information in an easy-to-read format. And it also contains many of the problems and pitfalls prospective purchasers need to look out for.

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