

New Uninsured Mortgage Stress Test – How Does it Affect You?



On October 17th, OSFI (Office of the Superintendent of Financial Institutions) announced that it would enforce the “stress test, implemented last year on insured mortgages (those with less than 20% down payment), on all mortgages across Canada.

Effective January 1, 2018, this means buyers with 20% or more of the purchase price as down payment would have to be able to demonstrate they could support payments at a rate that is 2% higher than the contract rate or the Bank of Canada 5-year benchmark rate, whichever is higher.

What does this mean for homebuyers? Let’s take a couple of examples.*

1. A family is looking to purchase an average single family home in Victoria – today’s median price in Greater Victoria (including Sidney, S. Gulf Islands, Sooke & up to Cobble Hill) is \$692,800. They have 20% down, which is \$138,560.

Before January 1st, they could qualify at the contract rate of 2.99%, meaning they require a gross family income of **\$102,300 to buy this house.**

After January 1st, they are required to qualify at **2.99% + 2%**, causing the required gross family income to be **\$125,800, an increase of over \$23,000/year!** Or in percentage terms, that same family needs to show an income of **23% higher to purchase the same house.**

2. Looking at it another way, let’s say the family has gross income of \$100,000/year – what can they buy?

Before January 1st they would qualify for a mortgage of **\$539,000**. So, the purchase price of the home could be up to **\$673,750** (very close to our current median Greater Victoria home price).

After January 1st their maximum mortgage qualification drops to **\$425,000**. Meaning the purchase price of their new home would top out at **\$531,250**.

Translated, the maximum purchase price of their new home would be **reduced by \$142,500**.

*all examples are making the following assumptions: \$3600/year property tax, \$100/month heating, no other debts, & a gross debt service ratio of 32%

If you are on the fence about refinancing or purchasing a new home, now is the time to act. Give me a call: 778.676.4018 or contact the author, Damian Sowa at damian@greatpacificmortgage.com or 250-361-4775

TRACY KEENAN-WHYTE, B.Com, CNE
Real Estate Professional, REALTOR®
778.676.4018 • tracy@tracykeenanwhyte.com

