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REAL ESTATE NEWS

Understanding the 2024 Mortgage Rule Changes

In an effort to make homeownership more accessible, the federal government of Canada recently introduced significant changes to mortgage regulations that will take effect in December 2024. These new rules are designed to give buyers, particularly first-time homebuyers, a better chance at entering the housing market despite current high interest rates and soaring home prices. Here's what you need to know about the 2024 mortgage rule changes and how they will affect your buying power.

Key Changes to the Mortgage Rules

The most important changes coming this December revolve around longer amortizations for insured mortgages and a higher cap on insured mortgage amounts. These reforms are expected to provide relief to many Canadians looking to purchase a home in today's challenging housing market.

30-YearAmortizations for Insured Mortgages

Previously, most insured mortgages in Canada were limited to 25-year amortizations. Starting in December 2024, first-time homebuyers and buyers of new builds will have the option to extend their amortizations to 30 years. This change will allow borrowers to stretch out their mortgage payments over a longer period, reducing monthly payments and improving affordability, especially in high-priced markets. For example, extending a mortgage amortization from 25 years to 30 years could reduce monthly payments by up to 10%. This longer amortization is essentially similar to a 0.90% cut in mortgage rates, giving buyers a substantial financial advantage.

Increased Mortgage Insurance Cap

The second major change is the increase in the mortgage insurance cap. Currently, the cap sits at $1 million; meaning buyers purchasing homes above this amount are not eligible for

high loan-to-value mortgage insurance. As of December 2024, this cap will rise to $1.5 million. This is particularly important for homebuyers in expensive markets like Toronto, Vancouver, and other major cities where the average home price often exceeds the $1 million mark.

The new rules will allow buyers to purchase homes up to $1.5 million with just a $125,000 down payment, compared to the $300,000 required for uninsured borrowers. This significantly lowers the barrier for many first-time buyers, making it easier to secure financing for higher-priced homes.

Who Benefits the Most?

These changes are designed with specific buyers in mind. First-time homebuyers, buyers of new builds, and those looking for higher-priced homes will benefit most from the new rules.

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"Your referrals are important to me. I value your support and trust."

Here's Why:

First-Time Homebuyers: Extending the amortization period from 25 to 30 years lowers monthly payments; giving first-time buyers more flexibility and the ability to afford homes they may not have been able to under the previous rules. Lower monthly payments also make it easier for buyers to manage other financial obligations such as student loans or credit card debt.

Buyers in Expensive Markets:

With the mortgage insurance cap rising from $1 million to $1.5 million, buyers in high-cost regions like Vancouver or Toronto now have access to homes previously out of reach. The reduced down payment requirements mean they can secure financing without needing to save an enormous upfront amount.

New Home Buyers:

If you're purchasing a newly built home, you can also benefit from the extended amortization periods, provided the loan-to-value ratio is 80% or higher. Newly constructed homes or condos with interim occupancy periods will still qualify, making it easier for buyers to navigate today's unpredictable market.

How to Prepare for the Changes

If you're planning to buy a home in the near future, it's a good idea to start preparing now:

Evaluate Your Budget:

With the potential for lower monthly payments, you may be able to afford a more expensive home. However, it's essential to ensure you're still within a comfortable budget, especially if interest rates rise in the future.

Save for a Down Payment:

If you're eyeing a home priced above $1 million, the changes to the insured mortgage cap will reduce the amount you need for a down payment. Be ready to take advantage of this by saving as much as possible.

Conclusion

The upcoming mortgage rule changes in 2024 represent a significant shift in how Canadians can approach home buying. By extending amortization periods and raising the mortgage insurance cap, these changes will make homeownership more attainable for many buyers, especially in high-cost markets. As the Canadian housing market evolves, these reforms could be key in making your dream of homeownership a reality. Stay informed and consult with professionals to make the most of these new opportunities.

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Bank of Canada's 2024 interest rate announcements

Wednesday, January 24 –	(5.0%)
Wednesday, March 6 –	(5.0%)
Wednesday, April 10 –	(5.0%)
Wednesday, June 5 –	(4.75%)
Wednesday, July 24 –	(4.5%)
Wednesday, September 4 –	(4.25%)
Wednesday, October 23	
Wednesday, December 11	

The schedule for 2025 is as follows:

Wednesday, January 29
Wednesday, March 12
Wednesday, April 16
Wednesday, June 4
Wednesday, July 30
Wednesday, September 17
Wednesday, October 29
Wednesday, December 10

All interest rate announcements take place at 10:00 (ET).

The Homeowner Protection Act, 2024

The Government of Ontario's introduced Bill 200, the Homeowner Protection Act, 2024, aimed to enhance consumer rights by banning the registration of **Notices of Security Interest (NOSIs)** for consumer goods on the Land Registry and deeming existing NOSIs for consumer goods to be expired.

Additionally, the Act introduces a 10-day cooling-off period for buyers of new freehold homes, offering them greater security and flexibility.

A NOSI is a legal tool – similar to a lien – that puts a financial claim against property titles in Ontario. If you enter into a contract with a business to rent, finance or lease certain goods that are to be installed as a fixture in your home (for example, a water heater, heating, ventilation and air conditioning (HVAC) unit or a furnace), that business may put a Notice of Security Interest (NOSI) on the title to your property.

While a NOSI is registered on a home's title, it does not provide its holder (the business) with an interest in the land or the rights to any proceeds from a sale of the land. In some cases, homeowners may not be aware that a NOSI has been registered on their title until they prepare to sell their home or refinance their property.