



Federal government's mortgage insurance changes

The honourable Jim Flaherty, Minister of Finance, and the honourable Christian Paradis, Minister of Natural Resources, on Jan. 17, 2011 announced prudent adjustments to the rules for government-backed insured mortgages to support the long-term stability of Canada's housing market and support hard-working Canadian families saving through home ownership.



"Canada's well-regulated housing sector has been an important strength that allowed us to avoid the mistakes of other countries and helped protect us from the worst of the recent global recession," said Minister Flaherty. "The prudent measures announced today build on that advantage by encouraging hard-working Canadian families to save by investing in their homes and future."

"The economy continues to be our government's top priority," continued Minister Paradis. "Our government will continue to take the necessary actions to ensure stability and economic certainty in Canada's housing market."

The new measures:

- Reduce the maximum amortization period to 30 years from 35 years for new government-backed insured mortgages with loan-to-value ratios of more than 80 per cent. This will significantly reduce the total interest payments Canadian families make on their mortgages, allow Canadian families to build up equity in their homes more quickly and help Canadians pay off their mortgages before they retire.
- Lower the maximum amount Canadians can borrow in refinancing their mortgages to 85 per cent from 90 per cent of the value of their homes. This will promote saving through home ownership and limit the repackaging of consumer debt into mortgages guaranteed by taxpayers.
- Withdraw government insurance backing on lines of credit secured by homes, such as home equity lines of credit, or HELOCs. This will ensure that risks associated with consumer debt products used to borrow funds unrelated to house purchases are managed by the financial institutions and not borne by taxpayers.

Our government's ongoing monitoring and sound underlying supervisory regime, along with the traditionally cautious approach taken by Canadian financial institutions to mortgage lending, have allowed Canada to maintain strong and secure housing and mortgage markets.

The adjustments to the mortgage insurance guarantee framework will come into force on Mar. 18, 2011. The withdrawal of government insurance backing on lines of credit secured by homes will come into force on Apr. 18, 2011.