

Home Ownership ~ Genworth and Affordability



GenworthSM
Financial

By Brian Madigan LL.B.

CMHC is not the only issuer of mortgage insurance.

Genworth Financial does that as well. In fact, with a degree of competition Genworth helps keep the CMHC fees in check. That is a valuable service to consumers.

The issue of mortgage affordability has become topical in the days of the worldwide financial liquidity crisis. A necessary ingredient in financing the acquisition of a property is not only funding the downpayment but also raising a mortgage.

Qualification is sometimes a problem, so that's where CMHC and Genworth fit it. For a prescribed one-time fee, they will insure the mortgage. Actually, they issue a guarantee to the first mortgagee that, should the home owner default, they will pay.

Here is a recent press release from Genworth indicating its willingness to do business in the midst of the current financial crisis:

“Understanding Mortgage Options -- The First Step to Smart Homeownership

By Peter Vukanovich , CA , President

Changes to Canada's mortgage lending rules, news of turmoil in global financial markets and problems in the U.S. housing market have some Canadian homebuyers wondering about their homeownership options.

Fortunately, the news is good. Recent government changes to mortgage lending should have little impact on homebuyer choices. Genworth Financial Canada, The Homeownership Company, believes homebuyers should have access to the most current and relevant information possible to help make one of the most important investment decisions of their lifetime – their home.

The federal government implemented new mortgage criteria, which came into effect on October 15. They apply to individuals who purchase a home and obtain a mortgage with a down payment of less than 20 per cent from a federally regulated lender, such as a bank or credit union.

Homebuyers should keep two main changes in mind. First, the time allowable to

pay off a mortgage, called the maximum amortization period, has been reduced from 40 to 35 years. And home purchases now require a minimum down payment of 5 per cent. Homebuyers can no longer borrow 100 per cent of the cost of their new home, as they could prior to the change.

The requirement for homebuyers with a down payment of less than 20 percent to purchase mortgage default insurance remains unaffected by the new rules.

The new mortgage criteria will not make it more difficult for most homebuyers to get a mortgage with an affordable monthly payment. For example, the majority of buyers who chose a 40-year mortgage also qualified for a shorter mortgage, whether 25, 30, or 35 years. Put in dollar terms, reducing a 40-year, \$200,000 mortgage with a six percent interest rate to a 35-year mortgage at the same rate increases the monthly mortgage payment by only \$41, but saves the homeowner \$49,000 in interest payments (Source: Department of Finance Canada).

Generally, most mortgage loans in Canada have 5-year terms, after which the homeowner may choose a shorter amortization period or other payment terms that may be right for them at the time.

Canadians regularly exercise their options to pay down their mortgage debt sooner. In fact, most Canadian homeowners repay their mortgage in 15 to 20 years, or in far less time than the amortization periods affected by these new criteria. While the changes won't deny many people the chance to own a home, they will help ensure our housing market stays strong.

Genworth Financial Canada is dedicated to helping potential homebuyers understand these and other important mortgage and homeownership issues. To help, our Homeownership.ca website has tips and tools such as a Rent vs. Buy Calculator, advice from third-party industry experts and information on mortgage options for prospective homebuyers.

For new immigrants to Canada, the site includes a specifically designed section that explains the homebuying process in seven different languages.

Becoming a homeowner can be an exciting time, but it can also appear to be a daunting proposition. It doesn't have to be. That's why homebuyers should work with their mortgage professional to acquire the information they need to make informed choices and achieve their homeownership goals."

You can obtain more information about Genworth by visiting:
www.Genworth.ca

Brian Madigan LL.B., Realtor
905-796-8888
www.OntarioRealEstateSource.com