

# Mortgage Loan Insurance

When buying a home, you may have to purchase more than just Homeowner's Insurance. You may also need Mortgage Loan Insurance.

## What is Mortgage Loan Insurance?

Mortgage Loan Insurance is required by lenders when homebuyers make a down payment of less than 20% of the purchase price. Mortgage Loan Insurance helps protect lenders against mortgage default, and enables consumers to purchase homes with a minimum down payment of 5% - with interest rates comparable to those with a 20% down payment.

## Why, with less than 20% down, must you have Mortgage Insurance?

People who have less than a 20% down payment are considered to be more of a risk, even with a great credit record.

## Can you avoid Mortgage Insurance when purchasing a home?

Yes, but only if you have a down payment of 20% or more, which is not an option for many home buyers. Take note; if you are able to avoid the insurance premium you may pay a higher interest rate and administrative fees. At the end of the day, for the vast majority of borrowers, the cost of Mortgage Loan Insurance is more than fully offset by the savings achieved.

## How is the premium calculated?

To obtain Mortgage Loan Insurance, lenders pay an insurance premium and typically your lender will pass this cost on to you. The premium payable is based on a percentage of the home's purchase price that is financed by a mortgage. The higher the percentage of the total house price/value that you borrow, the higher percentage you will pay in insurance premiums. The premium can be paid in a single lump sum or it can be added to your mortgage and included in your monthly payments, which is the most common method of payment.

Your lender will give you the exact premium when you are approved for a mortgage, in the meantime use this calculator to get an estimate of what your premium will be: [www.barballan.ca/14353/mortgage-calculators.aspx](http://www.barballan.ca/14353/mortgage-calculators.aspx) and click on *Mortgage Loan Insurance*



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Apply online at [www.barballan.ca](http://www.barballan.ca)

## How is the premium calculated? (continued)

Loan-to-Value	Standard Premium
Up to and including 65%	0.50%
Up to and including 75%	0.65%
Up to and including 80%	1.00%
Up to and including 85%	1.75%
Up to and including 90%	2.00%
Up to and including 95%	2.75%
90.01% to 95% — Non-Traditional Down Payment****	2.90%

Example: \$200,000 purchase price with 10% down payment and amortized over 30 years:

\$200,000

~~-\$20,000~~ (10% down payment)

\$180,000 (mortgage funds needed)

x 2.20% (2.00% for 90% & .20% for the additional 5 year amortization)

\$3,960 – Mortgage Insurance premium which is added to your mortgage amount

### Extended Amortization Surcharges

Add 0.20% for every 5 years of amortization beyond the 25 year mortgage amortization period.

\*These are standard premiums only; exceptions may apply.

\* Subject to change without notice.

## Can having an Energy-Efficient home save money on Mortgage Insurance?

Yes, if you purchase an energy-efficient home or refinance an existing home to make energy-saving renovations, up to 10% of the premium may be available as a refund paid directly to you. For more information about energy-efficiency visit [www.barballan.ca/images/Federal%20Grant%20Info.pdf](http://www.barballan.ca/images/Federal%20Grant%20Info.pdf).

## Can you transfer Mortgage Insurance to a different property?

If you have a mortgage that's portable, you can transfer its terms to a new property in the future. This same option is available when you have Mortgage Insurance, saving on premiums when you move.

## Is Mortgage Loan Insurance the same as Mortgage Life Insurance or House Insurance?

No, Mortgage Loan Insurance is not to be confused with other types of insurance you need to consider as a home owner. Mortgage Life Insurance assures that the remaining balance of your mortgage, at the time of death, is not a burden to your estate. House Insurance covers matters such as fire.

## Mortgage Insurers in Canada

Canada Mortgage and Housing Corporation (CMHC) - [www.cmhc-schl.gc.ca/en/co/index.cfm](http://www.cmhc-schl.gc.ca/en/co/index.cfm)

Genworth - [www.genworth.ca/homeownership/index.asp](http://www.genworth.ca/homeownership/index.asp)

Canada Guaranty - [www.canadaguaranty.ca/homebuyers](http://www.canadaguaranty.ca/homebuyers)

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