

“...the purchase of a second home is easier than ever.”



More Canadians Purchasing Second Homes

More Canadians than ever are purchasing second homes. No longer just for the wealthy, second home ownership has gone mainstream. For many Canadians, it's the dream of a summer cottage, golf retreat or a winter chalet. For others, career or family demands fuel the desire for a second home: for business stays or to shelter the university student studying in a distant community.

When Canada Mortgage and Housing Corporation (CMHC) introduced a Second Home Program – helping Canadians borrow up to 95% of the home's value – the purchase of a second home is easier than ever. And, the attraction of this real estate investment is just as compelling with your second home, as it is with your first. Not only can it be a good financial investment, but it's an important emotional investment too. Below are some questions to keep in mind when you finance a second home.

CAN YOU AFFORD IT?

This is the most important question you have to ask yourself. If you are planning to purchase a second home, you'll want the best possible financing for your new real estate investment. There's no question that financing is easier than ever. But a mortgage professional can help you figure out exactly how much second home you can comfortably afford. It's a great time to begin that conversation – and mortgage interest rates are still at a near all-time historical low.

CAN I LEVERAGE MY EXISTING EQUITY IN MY PRIMARY HOME?

This is an option that your mortgage professional can help you look at. This involves a cash-out refinancing of your existing primary home mortgage, with a higher borrowed amount. Instead of waiting and saving years for a second home, you can access money based on the value of your primary residence and your present financial profile to help you finance a second property.

WHAT ARE YOUR FINANCING OPTIONS?

The CMHC Second Home program has been the big breakthrough for Canadian second-home buyers – CMHC will insure a property purchased for a family member attending college or university away from home. And the program is very popular as a means of purchasing a vacation property. There are a few provisos here: either the borrower must occupy the property for at least some part of the year, or a family member must occupy the property on a rent-free basis. The property must be winterized, and be accessible for year-round occupancy. And it must be located in Canada. Be careful with island properties; they should have year-round bridge or ferry access. Note, too, that program can't be used to purchase time-shares or similar rental pools.

A SECOND MORTGAGE FOR A SECOND HOME?

Is this the right option for you? A second mortgage is the most common way to use your home equity. No need to wait until you've saved a down payment for a second home investment, but you must have the funds and cash flow to comfortably make both mortgage payments. Your mortgage professional will work out the best terms for you.

IT'S YOUR SECOND HOME

This means that it's primarily for your own or your family's use (although you may rent it out casually and temporarily). If you're looking to purchase an investment property, your mortgage professional can help with that too... but it's not the same as purchasing a second home.

WHAT DO THE MORTGAGES LOOK LIKE?

By far your best bet here is to talk to an independent mortgage broker with access to a wide range of lenders. The mortgages for second homes can vary widely in the rates and requirements – an independent mortgage professional can provide you with more information on your financing options.

If there's a family cottage in your dreams or a student condo in your plans, this is the time to get serious about a mortgage plan to make it happen.

Check out your options.



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