

## **5% Down Payment Plan**

This Plan, sponsored by Canada Mortgage and Housing Corporation (CMHC) and G.E. Mortgage Insurance Company (GEMICO) used to be reserved solely for first-time buyers. These restrictions have been loosened over the past few years and most buyers are now able to qualify, even if one has owned a house before.

### **Highlights of the 5% Down Payment Program**

1. Minimum down payment of 5% of the purchase price or the appraised value of the home, whichever is the lesser.
2. The down payment must come from your own resources or from an outright gift from your immediate relatives. If any or all of the down payment is a gift, there must be a gift letter in the prescribed form signed by the relative which states that the funds are not repayable.
3. If the 5% minimum equity requirement (down payment) is being met by way of a gift from immediate relatives, these funds must be in your possession at the time of your application for a mortgage loan.
4. You are also required to demonstrate at the time of application for your mortgage loan that you will be able to cover closing costs of at least 1.5% of the purchase price. This is in addition to the 5% down payment.
5. Minimum loan term for CMHC and GEMICO financing is 6 months with the loan qualification being based on the current 5-year mortgage rate.
6. Maximum Gross Debt Service Ratio (GDSR) = 32% This means that Principal + Interest + Property Taxes + Heating Costs + ½ the Condo Fee (if applicable) must not exceed 32% of your gross income.
7. Maximum Total Debt Service Ratio (TDSR) = 40% This means that Principal + Interest + Property Taxes + Heating Costs + ½ the Condo Fee (if applicable) + Monthly Repayment Obligations for all debts including credit cards and loans cannot exceed 40% of your gross income.
8. The mortgage loan insurance premium charged by CMHC or GEMICO is 3.75% of the total mortgage loan amount. This insurance premium can be paid separately or added to the mortgage loan itself.
9. Your credit history must be in good standing.

---

**Greg Thompson, e-PRO, C-CREC, MVA, Realtor**  
**Royal LePage-Landco Realty, 425 Dundas Street, London, ON N6B 1V9**

Every reasonable effort has been made to ensure the accuracy of the information contained on this page. While the author is a Realtor, he may not be YOUR Realtor. Details, market conditions and requirements do sometimes change. You would be well-advised to seek confirmation of any details contained on this page, either from me or from YOUR Realtor, before relying on this information to lay the foundation for any real estate decision.