



**Alex Kotai**, BBA, PFP  
 President & Senior Mortgage Advisor,  
 Residential and Commercial  
**Direct 604.557.3461**

36365 Sandringham Drive  
 Abbotsford, BC V3G 2M4  
 Bus 604.556.3893  
 Fax 604.852.3897  
[alexkotai@yourmortgagesource.org](mailto:alexkotai@yourmortgagesource.org)

## Your Mortgage Source Info Letter – April 2010 Edition

### **This month’s feature: More Updates on the Recent Government Changes**

Recently the government changed some of the rules on mortgage qualification which we outlined in our last infoletter. In addition to those changes they announced a couple of more changes in the last few weeks.

The first change is to the Stated Income program for self employed people. Currently, if you are self employed for two years or more and have clean credit you are able to state your income on a CMHC insured mortgage. This means you don’t have to prove enough income to qualify but just need to prove that you are self employed. Then we are able to state a reasonable income for your profession and use that income to help you qualify. This program is beneficial for those who are self employed and write off a lot of their income. Now CMHC will only allow customers to state their income if they have been self employed for 2 years but no more than 3 years. This will eliminate a lot of people from using the program. On a conventional mortgage however, various lender still offer stated income mortgages with financing in the 75% - 80% range.

The 2<sup>nd</sup> major change is the way rental income is treated. Currently we are allowed to take 80% of the rental income you may have from a basement suite or a rental property and deduct that right off of your mortgage payment. The new rules allow us to only use 50% of the rental income and now we must add that 50% on to your income and make you qualify for the full mortgage payment. For the average client this will increase a person’s debt service ratio by 17% which will make it much more difficult for clients to qualify for mortgages on multiple properties. We have not received word yet on how lenders will be treating rental income on conventional mortgages.

Finally, as most of you know fixed interest rates went up this week. Most lenders raised rates by .60% on their 5 year fixed rate mortgages. You can now get a 5 year mortgage in the 4.3% - 4.5% range. This is still very low compared to all-time mortgage rates but will raise the cost of borrowing for clients applying for a mortgage going forward. Prime rate has not moved yet however, there are rumblings out there that Prime will be going up a little in the next few months. We will keep you posted on any news we receive.

If you require any further information regarding this article or any other mortgage matters please contact our office at 604-556-3893. Also, as a reminder to anyone looking for a mortgage, we offer **4 month pre-approvals** at no cost to you. This means that you can get a rate hold for up to 4 months to protect yourself in case rates rise.

<b>Rates</b>	<b>5 Year VRM: 1.85%*</b>	<b>5 Year Fixed: 4.29%</b>	<b>1 Year Fixed: 2.45%</b>
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Rates fluctuate daily and we may be able to obtain better rates than those shown below. Please call our office for the most up-to-date Best Rates. \*Based on current prime rate of 2.25%. Rates above are best rates available and may vary depending on quality of the credit application. All mortgages are subject to credit approval.



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