THE GLOBE AND MAIL

New mortgage rules go into effect, part of Liberal plan to limit risks

ALEXANDRA POSADZKI

TORONTO — The Canadian Press
Published Monday, Feb. 15, 2016 8:54AM EST
Last updated Monday, Feb. 15, 2016 10:14PM EST

Canadians looking to buy homes between $500,000 and $1-million will have to put down larger down payments as new federal rules took effect Monday.

Under the changes, home buyers must now put at least 10 per cent down on the portion of a home that costs more than $500,000.

Buyers can still put down five per cent on the first $500,000 of a home purchase. Homes that cost more than $1-million still require a 20 per cent down payment.

Phil Soper, president and CEO of Royal LePage, says the new rules aim to slow the breakneck pace of price growth in the red-hot markets of Toronto and Vancouver without affecting markets that are lagging, such as those in oil-dependent provinces.

“The problem with monetary policy is that it impacts the struggling Calgary market or the just fine Winnipeg market and the overheated Vancouver market in equal amounts,” Soper said.

“If you lower interest rates, you lower interest rates for all. And that’s not what the country needed. This change ... is the first attempt to recognize the fact that some parts of the country are in need of a mild tap on the break, while other parts of the country really need to continue to receive stimulus.”

When the new rules were announced in December, Finance Minister Bill Morneau said he estimated they would affect about one per cent of the overall real estate market. Some industry observers predicted a surge in sales activity as homebuyers would look to pre-empt bigger down payment requirements.

Soper says real estate markets in Ontario, B.C. and Quebec have been “boisterous” in the first five weeks of the year — but he says it’s unlikely that the new mortgage rules are responsible.

“I think it has much more to do with clean sidewalks from a mild winter and low mortgage rates than it does with impending changes that tweak mortgage insurance regulations,” Soper said.

“It’s just not a big enough change to have materially impacted home sales volumes in the country.”

Ottawa tightened rules for new insurable loans four times between 2008 and 2012, including upping the minimum down payment to five per cent and reducing the maximum amortization period to 25 years from 30.