MULTI-UNIT

AFFORDABLE HOUSING

AT-A-GLANCE

CMHC mortgage loan insurance offers flexibilities to encourage the construction, preservation and improvement of affordable rental properties, helping Canadians meet their rental housing needs. Flexibilities include higher loan-to-value ratios, lower debt coverage ratios, and reduced premiums.

PROPERTY TYPE AND SIZE

- New and existing affordable housing projects including: standard rental housing, single room occupancy (SRO), supportive housing and retirement homes.
- Minimum project size of 5 units except retirement homes where a minimum of 50 units/beds is required.

NON-RESIDENTIAL COMPONENT

Not to exceed 30% of gross floor area nor 30% of total lending value. Loan relating to non-residential component must not exceed 75% of lending value of non-residential component.

AFFORDABILITY CRITERIA FOR NEW CONSTRUCTION

Option A: The total residential rental income of the project must be at least 10% below its potential residential rental income as supported by an appraisal report; and a minimum of 20% of the units must be affordable with rents at or below 30% of the median household income in the subject market (available on Statistics Canada website); OR

Is your project eligible for an energy-efficient housing premium refund? Check out the Energy-Efficient Properties information sheet for helpful information.

Option B: The affordability requirement may be met if the proposal has been approved under other housing programs/initiatives (federal, provincial, territorial, or municipal) that provide support for development of affordable rental housing such as capital grants, municipal concessions or expedited planning processing.

In all cases, the borrower must commit to maintain affordability for a minimum of 10 years from the date of first occupancy of the project.

AFFORDABILITY CRITERIA FOR EXISTING PROPERTIES

Option A: 80% of the units in the project must be at or below the 30th percentile of rents (available on cmhc.ca) in the subject market for units of a similar type (i.e. number of bedrooms); OR,

Option B: The affordability requirement may be met if the project has been approved under other housing programs/ initiatives (federal, provincial, territorial, or municipal) that provide support for development/maintenance of affordable rental housing such as capital grants, municipal concessions, etc.

In all cases, the borrower must commit to maintain affordability for a minimum of 10 years from the interest adjustment date.

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ELIGIBLE TRANSACTIONS FOR EXISTING PROPERTIES

Financing must result in the preservation of affordable units.

Option A: eligible transactions are limited to refinance for capital repairs/improvements to the subject property.

Option B: eligible transactions include:

- Purchase of an affordable housing project (subject property).
- Refinance of subject property (with limitations on use of funds) restricted to:
  1. Completion of capital repairs/improvements on the subject property.
  2. Purchase and/or capital repairs/improvements to another existing affordable property.
  3. Construction of a new affordable housing property.

MAXIMUM LOAN-TO-VALUE RATIO

New construction: residential component up to 95% loan-to-cost; non-residential component up to 75% loan-to-cost.

Existing properties: residential component up to 85% loan-to-value; non-residential component up to 75% loan-to-value.

LOAN ADVANCING

New construction: the loan may be advanced up to 95% of costs during construction.

Existing properties: the loan may be advanced up to 85% of value.

The full loan is available once construction/improvement is complete.

MINIMUM DEBT COVERAGE RATIO REQUIREMENTS

	Minimum DCR*
Residential space:	
• Standard rental housing with 5+ units	1.10
• Other shelter models:	
• single room occupancy and supportive housing (5+ units)	
• retirement homes (50+ units)	1.20
Non-residential space	1.40

*Regardless of loan term, based on actual rents. Includes fees, premiums, and replacement reserves.

INTEREST RATE

Fixed interest rate or floating (with ceiling rate).

AMORTIZATION

CMHC may consider amortization periods of up to 40 years. A premium surcharge applies for amortization periods greater than 25 years. The amortization period must not exceed the remaining economic life of the property, as determined by CMHC.

SECURITY TYPE

First, second and pari passu mortgages are permitted. Second mortgages are permitted as an interim measure.

REPLACEMENT RESERVE REQUIREMENTS

To mitigate the risk from cash flow fluctuations and to ensure adequate funds are available for future capital repairs, replacement reserves have been established at a minimum of 2% effective gross income (EGI). Flexibility in reserve requirements may be considered and at CMHC's discretion, a higher replacement reserve could be required.

PREMIUMS

Reduced premiums apply. Please refer to the fees and premiums information sheet.

GENERAL GUIDELINES FOR BORROWER ELIGIBILITY

Property Management Experience: at least 5 years' experience operating a housing property of similar type and size.

Credit and Repayment History: at least break even cash flow over past 5 years with excellent credit and repayment history.

Construction Management Experience: have successfully completed a similar project on time and within budget. Alternatively, borrowers must enter into a fixed price contract with a general contractor who has experience building projects of similar size, cost, building form and construction type in the same market area. Borrowers must have a demonstrated ability to withstand unexpected increases in construction cost.

For newly formed groups, substitutes will be considered.

BORROWER NET WORTH

The borrower must have minimum net worth equal to at least 25% of the loan amount being requested, with a minimum of $100,000. Flexibility in CMHC's standard net worth requirements may be available.

GUARANTEE REQUIREMENTS

Construction financing: the borrower and guarantor must provide their covenant / guarantee for 100% of the loan during construction and rent-up. After rent-up, when the project has achieved the rental income used in the underwriting of the loan, the loan may become non-recourse to the borrowers and guarantors for deficiency after enforcing the security on default.

Purchase or refinance of existing properties: for existing properties, with a LTV ratio up to 85%, the loan may be non-recourse to the borrowers and guarantors for deficiency after enforcing the security on default.

Limited recourse: CMHC will assess the application to determine eligibility for non-recourse lending. The recourse of the Approved Lender shall be limited to the property and the other assets taken as security and not personally against the borrower. Note that in accordance with CMHC policy, the borrower remains liable under a non-recourse loan for fraud and environmental liability.

In all cases, CMHC may require additional risk mitigation measures as it deems appropriate (e.g. equity retention, replacement reserves, collateral security, personal guarantees).

PREMIUM DISCOUNT TRANSFER

The intent of the premium discount transfer is to create an incentive for housing investors to donate funds to non-profit groups without charitable status who are developing affordable housing. CMHC will provide additional information regarding premium discount upon request.

CMHC mortgage loan insurance provides access to preferred interest rates lowering borrowing costs for the construction, purchase and refinance of multi-unit residential properties and facilitates renewals throughout the life of the mortgage.

For additional information on fees and premiums, documentation requirements and other multi-unit products, please refer to the applicable information sheet.

cmhc.ca/multi-unit   **1-877 Multi GO**