

MORTGAGE LOAN INSURANCE

MULTI-UNIT STANDARD RENTAL HOUSING



AT-A-GLANCE

CMHC mortgage loan insurance enables Approved Lenders to offer greater financing choices to borrowers providing standard rental housing accommodations in multi-unit residential buildings.

Loan Purpose

Construction financing, purchase or refinance.

Property Type And Size

- Projects providing standard rental housing (self-contained units).
- Minimum project size of 5 units.

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.


Maximum Loan-To-Value Ratio

Construction financing: up to 85% of lending value as determined by CMHC or 100% of cost, whichever amount is less.

Purchase: up to 85% of the purchase price or lending value as determined by CMHC, whichever amount is less.

Refinance: up to 85% of the lending value as determined by CMHC.

Purchase/Refinance with improvements: up to 85% of the 'as is' or 'as improved' lending value, as determined by CMHC.



Is your multi-unit project eligible for affordability, accessibility or energy efficiency incentives? Check out the [MLI Select page](#) on our website for more information.

Loan Advancing

Construction financing:

During construction the loan can be advanced up to 75% of costs or lending value, whichever is less. The advancing of additional funds is subject to rental achievement.

- Construction costs are to be reviewed and recommended by a quantity cost surveyor (flexibility may be provided in small markets).
- Construction must be completed under a fixed price contract with a general contractor or under a construction management arrangement.
- First and last advances must be approved by CMHC.
- The lender has the option to approve advances occurring between the first and last.

Purchase or refinance of existing properties with improvements:

- Where rental income is not disrupted during construction, the loan advances will be limited to the greater of 75% of the "as improved" value or 85% of the "as is" value.
- Where rental income is disrupted, the maximum advance allowed during construction is based on 75% of the "as improved" value. The advancing of additional funds is subject to rental achievement.

Rental Achievement

Where loan advances are required above 75% level, authorization to advance will be given by CMHC once the Approved Lender has provided evidence acceptable to CMHC, that the property has achieved the projected rent level.

Minimum Debt Coverage Ratio Requirements

		Minimum DCR
Residential space	Rental properties with 5 or 6 units	1.10 (for purchase) 1.20 (for refinance)
	Rental properties with 7+ units	1.20 (term 10+ years) 1.30 (term < 10 years)
Non-residential space	Rental properties 5+ units	1.40 (term 10+ years) 1.50 (term < 10 years)

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.

General Guidelines For Borrower Eligibility

The borrower must demonstrate competence and experience commensurate with the size and type of property for which mortgage loan insurance is being sought. The borrower or a corporation affiliated with the borrower must have at least five years of demonstrated management experience in the operation and management of similar multi-unit residential properties. Alternatively, a formal property management contract must be in place with a professional third party property management firm.

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.

Guarantee Requirements

Construction financing: The borrower and guarantor must provide their covenant/guarantee for 100% of the outstanding amount owing under the housing loan from time to time until stabilized rents have been achieved for 12 consecutive months, at which time the additional guarantee required may be reduced to 40% of the outstanding loan amount owing under the mortgage, from time to time.

Purchase or refinance of existing properties: For new loans on existing residential rental properties, the guarantee amount required by CMHC is 40% of the outstanding loan amount owing under the mortgage, from time to time.

Limited recourse: Where a loan does not exceed 65% of lending value, as determined by CMHC, Approved Lenders may request that the loan be considered non-recourse to the borrower. 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.

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

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.
