

Canadian Home Buyers Question Cancellation of 40-Year Mortgages

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VANCOUVER, July 11 /CNW/ - In an effort to save Canada from duplicating the US housing crisis, Canada Mortgage and Housing Corporation announced a halt last week to 40-year mortgages and 100 per cent financing. Experts say the decision will prevent property values from spiraling out-of-control; but local homeowners are questioning the decision.

"This is a precaution on the government's part," explained Mike Averbach, mortgage specialist and founder of Averbach Mortgages. "The US was too lenient with credit terms and very flexible with mortgages. CMHC has made a drastic move to prevent the same crisis from occurring in Canada."

Averbach insists Canada is not at risk of heading into a similar housing crisis, however, and says his clients are already asking for proof that warrants the policy change. He explained, in the States companies were insuring mortgages well beyond home value so when a change in the market occurred, insurance companies experienced a huge financial loss. Despite foreclosures and defaults, the US has maintained extended amortization periods.

"There are definitely groups that will be affected by this change," said Averbach. "The 40-year amortization mortgage is a terrific benefit, especially for the self-employed who need the flexibility of minimum monthly payments."

CMHC, a crown corporation is only one of the three insurers in Canada, however. Private companies like Genworth Financial Canada, aren't affected by the policy change. Genworth was the first insurer to implement the 40-year amortization mortgage five years ago. Averbach predicts a large number of Canadian homeowners will be asking for Genworth mortgage insurance over CMHC to take advantage of more flexible features because it's a better lifestyle fit. Genworth has not announced any changes to their products at this time.

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