

PURCHASE + IMPROVEMENT MORTGAGE

Turn that "almost perfect" property into the property of your dreams...

Shopping for a home can be an exciting time. It can also be a bit deflating if you find a property that comes so close, but doesn't quite tick all the boxes. That's where the Purchase Plus Improvement Mortgage comes in.

This type of mortgage allows homeowners to renovate a newly-purchased or refinanced home and roll the cost of the improvement into the balance of the mortgage. Borrowers can benefit from (lower) interest rates associated with a mortgage while enjoying the simplicity of one payment and the added benefit of avoiding additional debt (via higher interest rate options).

How Does it Work? Up to 95% of the property's "as improved" value can be financed through available lenders. The as improved value = purchase price + value of improvement. This means your down payment will need to be based on the post-improvement value. See the working example provided.

A Purchase Plus Improvement mortgage can take a bit longer to approve as you will need time to acquire contractor quotes to present to the lender (proof of improvement/anticipated as improved value). Be sure you work in a few extra days for your financing condition.

The funds for the renovation portion of your mortgage will not be released until the work is completed. You must be prepared to finance the renovations/improvements up front. Be sure to keep all your receipts for reimbursement. You will typically be given 90 days from the day your mortgage funds (not including improvement portion) to complete the improvements proposed to the lender. You must complete the improvement as described by the contractor quotes you provide (ie. you will not get reimbursed for a kitchen renovation if you have a quote for a new master bathroom).

Once the improvements are finished, an appraiser or inspector will be sent to your home to confirm the renovations were done per the quotes provided at the time of approval and to confirm they were completed in a professional manner.



For further information on how this mortgage option could work for you, please reach out before you make an offer.

Jamie Arvater
Mortgage Broker

Working Example:

Typical Mortgage Financing:

\$300,000 Purchase Price
 \$ 15,000 - 5% down payment
\$ 11,400 + insurance premium (CMHC)
 \$296,400 Total Mortgage

Monthly mortgage payment = \$1,239.43
 (based on a 5 year fixed rate of 1.89%/25 year amortization)

Purchase + Improvement Mortgage Financing:

\$300,000 Purchase Price
 \$ 20,000 Proposed Improvements
 \$ 320,000 As Improved value of home
 \$ 16,000 - 5% down payment
\$ 12,160 + insurance premium (CMHC)
 \$316,160 Total Mortgage

Monthly mortgage payment = \$1,322.06
 (based on a 5 year fixed rate of 1.89%/25 year amortization)

