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## Energy-efficient homes may be eligible for CMHC mortgage refunds

As part of its program to promote energy efficiency, Canada Mortgage and Housing Corporation is now offering a 10 per cent refund on its mortgage loan insurance premiums to purchasers of new or resale energy-efficient homes, or those who renovate homes to make them more energy efficient.

Purchasers of energy-efficient homes will also be eligible to opt for a longer amortization, up from 25 years to 35 years. Since the amortization is the period of time needed to repay a mortgage if it was allowed to run its full course, extending the payout period to 35 years from the regular maximum of 25 years will significantly reduce monthly mortgage payments.

For example, on a \$200,000 mortgage at 4.5 per cent, the monthly payment savings would be about \$165, but running the mortgage for an additional 10 years would cost an extra \$62,000 in interest over the term.

The new CMHC policy is part of the Canadian government's program to promote conservation of energy and reduce greenhouse gas emissions. Here's how it works: Environment Canada and Natural Resources Canada (NRCan) have set up the Energuide for Houses program to help homeowners make energy-saving choices when buying or renovating a home. For a fee of about \$300 to \$350, a qualified private energy advisor will evaluate a home to determine its energy efficiency rating on a scale of zero to 100; see <http://www.energuideforhouses.gc.ca>. Energy advisors can be found on the same website.

Consumers thinking of building or buying an energy-efficient home should be looking for one that:

- \* Is an R-2000 model.
- \* Has an Energuide for Houses rating of 77 or more.
- \* Was or will be built under a CMHC-eligible energy-efficient building program.
- \* Is a condominium unit in a high-rise that meets the requirements of NRCan's commercial building incentive program.

Houses that qualify could be eligible for a reduction of 10 per cent on CMHC premiums for high-ratio mortgage insurance. In actual dollars and cents, the savings could be substantial. For example, on a \$200,000 mortgage with a 90 per cent loan-to-value ratio, the regular CMHC premium would be 2 per cent, or \$4,000. A 10 per cent reduction would create a refund of \$400. With a 95 per cent mortgage and a 2.75 per cent premium, the 10 per cent energy savings would be \$550.

In addition, the premiums in Ontario are subject to the provincial sales tax, so the actual savings in these examples would be \$432 and \$594 respectively. As well, interest would accrue on this money for as long as 25 or 35 years until it is paid off making the energy refund even more attractive.

Anyone planning to buy, or build, a home should be looking for one that has a rating of 77 or higher on the EnerGuide scale and should obtain an EnerGuide for Houses evaluation as the first step in qualifying for the 10 per cent insurance premium refund. This also applies to owners of existing homes who want to finance an energy-efficient renovation with a CMHC-insured mortgage loan.

The bottom line is that the cost of the energy evaluation is roughly offset by the reduction in the mortgage insurance costs. The payoff, according to CMHC, is the welcome reduction in monthly utility expenses, a lowering of greenhouse gas emissions, and ultimately, a house that is more attractive to future buyers because of its energy-saving attributes.

The whole point of the new CMHC plan is to raise public consciousness of the energy-saving features of every home and condominium across Canada. Builders of new homes and sellers of existing homes will not miss the opportunity to promote a home's energy-saving features when the Energuide numbers are in common usage by industry stakeholders.

Given the choice between two identical homes, one with an EnerGuide rating below 77 and one with a much higher rating, buyers will drift toward the one with better insulation even if they have no intention of having high-ratio CMHC financing.

I don't think it will be long before an EnerGuide rating will become a standard advertised feature of qualifying homes across the country. This is one government project that deserves a great deal of credit. It's a significant move in the right direction.

More details are available on the CMHC website at [http://www.cmhc-schl.gc.ca/en/moinin/moinbuho/moinbuho\\_022.cfm](http://www.cmhc-schl.gc.ca/en/moinin/moinbuho/moinbuho_022.cfm).

Another recent CMHC move which isn't quite as inspired is a plan to include a free title insurance policy with all CMHC-insured mortgage loans. Although no details have yet been announced, it appears from the announcement that all of the CMHC title insurer business will be directed to only one unnamed title insurance company.

This will remove the important ability of homeowners to select their own title insurance company from those in the marketplace. In our free-market economy, consumers should have the ability to choose which suppliers they will deal with, including lenders, fire insurers and title insurers. In my view, government agencies should be very cautious when granting monopolies to private suppliers.

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[http://www.cmhc-schl.gc.ca/en/moinin/moinbuho/moinbuho\\_022.cfm](http://www.cmhc-schl.gc.ca/en/moinin/moinbuho/moinbuho_022.cfm)

### Energy-efficient Housing Made More Affordable with Mortgage Loan Insurance

More than 17 percent of the energy consumed in Canada is used to run our homes. Buying an energy-efficient home or making energy-saving renovations can offer big savings. A 10% CMHC mortgage loan insurance premium refund may be available when you use CMHC insured financing to purchase an energy-efficient home or make energy-saving renovations.

#### Mortgage Loan Insurance

For most people, the hardest part of [buying a home](#) especially a first home is saving the necessary down payment. To help, CMHC offers lenders [Mortgage Loan Insurance](#), which allows you to buy a house with as little as 5% down. Offered through most financial institutions, this simple solution has enabled millions of Canadians to realize the dream of homeownership.

CMHC made down payments even easier to obtain by [allowing qualified home buyers to use additional sources of funds](#) such as a loan or lenders' cash back incentives.

### **Help the Planet, Help Your Wallet**

CMHC has added environmentally friendly features to the Mortgage Loan Insurance it offers. If you use CMHC insured financing to [buy an energy-efficient home](#), [purchase a house and make energy-saving renovations](#) or [renovate your existing home](#) to make it more energy-efficient, a 10% refund on the [Mortgage Loan Insurance premium](#) may be available. You could also have the added flexibility of a longer amortization (the period of time required to repay your mortgage) from 25 years to a maximum of 35 years (**for all new CMHC mortgage loan insurance applications approved as of January 2005**), significantly reducing your monthly payments.

The Government of Canada actively promotes energy conservation and initiatives to reduce greenhouse gas emissions that contribute to climate change. CMHC is working with Environment Canada and Natural Resources Canada (NRCan) to inform Canadians of the benefits of the [EnerGuide for Houses](#) program, [Canada's One-Tonne Challenge](#) and Mortgage Loan Insurance for Energy-Efficient Homes.

### **How It Works**

#### **Obtaining an EnerGuide for Houses Rating**

NRCan developed the EnerGuide for Houses program to help homeowners make energy-saving choices when buying a home or renovating. For a fee, a qualified energy advisor will evaluate the house to determine its energy efficiency rating on a scale of 0-100.

For more information on EnerGuide for Houses, visit:

<http://www.energuideforhouses.gc.ca>

To find an energy advisor in your area, visit:

<http://oee.nrcan.gc.ca/houses-maisons/english/homeowners/contactorganization/ContactServiceOrganization.cfm?PrintView=N&Text=N>

### **If You're Thinking of Buying or Building a Home**

#### **Step 1: Find out how energy-efficient it is**

If the house you're considering buying is: (1) an energy-efficient R-2000 model; (2) has an EnerGuide for Houses rating of 77 (on or after July 27th, 2005<sup>1</sup>) or above; (3) was or will be built under a [CMHC-eligible energy-efficient building program](#); or (4) the high-rise building in which the condominium unit you're considering buying meets the requirements of NRCan's Commercial Building Incentive Program, you could be eligible for a 10% mortgage loan insurance premium refund and extended amortization when you use CMHC insured financing to purchase that home or condominium unit.

The house's energy efficiency rating can be obtained by:

- having an EnerGuide for Houses evaluation;
- obtaining an R-2000 certificate or CMHC declaration from your R-2000 certified builder;
- obtaining a CMHC declaration from your builder that is a member of a [CMHC-eligible energy-efficient building program](#); or
- for condominium units, a letter from Natural Resources Canada (NRCan) or the project engineer for high-rise condominium units must be obtained.

If you are planning on building a new home and your builder is not R-2000 certified or a member of a [CMHC eligible energy-efficient building program](#), you should have an [energy advisor](#) evaluate the building plans before the house is built. This can help you ensure that you will meet CMHC's requirements once the construction of the home is complete and it is evaluated.

<sup>1</sup> An EnerGuide for Houses rating of 80 is required for purchases occurring on or after November 18th 2004 and until July 26th 2005.

#### **Step 2: Boost your energy efficiency**

If the house you plan to buy rates below 77 (effective July 27th, 2005. A rating of 80 is required for purchases and renovations occurring on or after November 18th, 2004 and until July 26th, 2005) on the EnerGuide scale, to be eligible for a 10% premium refund, you will need to obtain an EnerGuide for Houses evaluation and renovate using part of the CMHC insured funds based on your energy advisor's list of recommendations in order to increase your score by at least 5 points and to at least 40 overall.

#### **Step 3: Discuss and arrange a CMHC-insured mortgage**

Talk to your lender and ask for a CMHC insured mortgage.

#### **Step 4: Confirm the improvement**

After you make the renovations recommended by your energy advisor, you will need to have a second assessment done to determine the energy-saving effectiveness of the renovations. To be eligible for the 10% premium refund, the second rating must show that the house has achieved an increase of 5 points to a minimum overall rating of 40. This same process may also make you eligible for an additional federal [energy efficiency grant](#) through NRCan.

#### **Step 5: CMHC 10% Premium Refund**

Download and print the form:

[Energy-efficient Premium Refund Form](#) ☐

Follow the instructions on the form to apply for your refund.

### **If You Own a Home and are Thinking of Renovating**

#### **Step 1: Obtain an EnerGuide for Houses rating**

If you plan to use CMHC insured financing to make energy-saving renovations, a 10% mortgage loan insurance premium refund may be available.

Contact an energy advisor to obtain an EnerGuide for Houses rating for your home. If the rating is below 77 (effective July 27th, 2005. A rating of 80 is required for purchases and renovations occurring on or after November 18th, 2004 and until July 26th, 2005), you will receive a list of straightforward recommendations to increase your score.

#### **Step 2: Discuss CMHC insured refinancing**

Talk to your lender or your financial institution about which options are available to you.

#### **Step 3: Improve your rating**

Using your energy advisor's recommendations, renovate or upgrade to increase your EnerGuide for Houses rating using CMHC insured funds. You'd be amazed at the difference a more efficient furnace, better insulation or simple draft-proofing can make. Not only will you be reducing greenhouse gas emissions, but you'll also see welcome reductions in your monthly utility expenses.

#### Step 4: Confirm the improvement

Your EnerGuide advisor will assess your home again after the energy-saving renovations are finished. If this test shows that the house's energy rating has improved by at least 5 points and has achieved an overall rating of at least 40, the 10% premium refund may be available. You may also be eligible for a federal [energy efficiency](#) grant through NRCan.

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