

INVESTING



Instead of needing 15 per cent down, Canadians will be able to buy a second property with no money down. Bloomberg

CMHC lowers investment threshold for homebuyers

Crown agency opts to waive down payment

GARRY MARR
CANWEST NEWS SERVICE
TORONTO

You have to wonder what David Dodge will be thinking this time. Just over a year ago, the Bank of Canada governor met with **Canada Mortgage and Housing Corp.** because of his fears exotic mortgages were juicing an already robust Canadian housing market. Now, CMHC has decided it is going to let Canadians buy investment properties with no down payment.

The Crown corporation, which controls about 70 per cent of the mortgage insurance market in Canada, has quietly introduced changes that lower the down-payment threshold for an investment property. Instead of needing 15 per cent down, Canadians will be able to buy a second property — not to mention a third and fourth and fifth — with no money down.

"These enhancements will ensure continued supply of affordable rental accommodations

across Canada," said Pierre Serre, vice-president of insurance products with CMHC.

Critics charge CMHC once again has moved into risky territory, the last time being its decision to allow Canadians no money down on a principle residence. "Look at the fee, anytime it's that high, you know there is a lot of risk," said one senior mortgage industry observer.

The mortgage insurance fee for the new product is 7.25 per cent of the total amount of the loan. So, a \$300,000 mortgage would have a \$21,750 mortgage insurance fee.

Instead of paying the fee up front, CMHC will allow that fee to be added to the overall mortgage which can be amortized over as many as 40 years. Based on 5.8-per-cent interest, the current discounted rate for a five-year term, it would cost just over \$1,700 a month to carry that \$21,750 mortgage.

By law, any consumer with less than a 20-per-cent down payment must buy mortgage insurance if they are borrowing money from a financial institution covered under the Bank Act.

None of CMHC's competitors are coming close to this new offer. Genworth Financial Canada — the other dominate player with about 30 per cent of the

mortgage insurance market — requires investors to have at least 10 per cent down.

Back in July, 2006, Dodge demanded a meeting with the federal crown corporation. He was concerned about products like interest-only mortgages which give consumers the option of not making a principle payment for the first 10 years of a mortgage.

Serre said CMHC did consider the issue of whether the changes could over-stimulate the market. "We look at those kind of considerations all the time," he said, adding that to get a loan consumers will have to meet certain criteria in terms of their overall debt load. "We're not trying to get people into situations they can't manage."

Some question whether there was any need for the latest change, given how strong the market in Canada remains.

The Building Industry and Land Development Association said this week condo sales in Toronto — the largest market for new high rises in North America — were up 31 per cent over the first nine months of the year

from a year earlier.

"I'm not sure why CMHC is relaxing the rules, the logic escapes me," said Stephen Dupuis, chief executive of BILD. "The market is strong. I look at what is happening in the United States and wonder if there is a need to be so free with credit."

The real reason for the new program, suggest some commentators, is CMHC trying to fend off competitors in the marketplace. In a constant battle with Genworth, CMHC is also facing up to four new mortgage insurers who have applied to do business in Canada or are already licensed to do so.

"There are competitors in the marketplace that didn't exist before. They are reacting to competition that hasn't even materialized yet," said Dupuis.

CIBC World Markets senior economist Benjamin Tal said the latest changes by CMHC are probably just the beginning. "The genie is out of the bottle, this mortgage market is starting to move. Over the past 16 months we've seen more changes than the past 30 years," said Tal.

FROM CI MOVIE: Funding model first of its kind

Gwyn Morgan, former CEO of **EnCana**, said he decided to invest in the limited partnership "partly because of emotion and nationalism, and partly it's an investment."

"I think it's an amazing, important project and I was taken by the passion of Paul Gross and the others involved in the project," said Morgan. "This is something I was convinced needs to be done and too often in this country we don't recognize the sacrifices and history of our people including the people that fought for the country."

Morgan said he hopes the film will be successful at some financial level, but that wasn't the motivation for him to invest.

Gross said he didn't know what to expect when he visited the corporate boardrooms of Calgary, seeking investment, because the structure of the funding model was so unique and new to people.

"It's something that people are intrigued by," he said of the film's story. "It can be, of course, enormously profitable. And it's also something that can have deep cultural significance which I think a lot of wealthy individuals have a great deal of interest in."

Sheila O'Gorman, associate producer of the film who was involved in fundraising aspects, said the film's funding model is the first of its kind in Canada.

The Alberta government under former premier Ralph Klein committed a leading contribution of \$5.5 million to the project in November 2005. Telefilm Canada has contributed \$3.5 million.

Private investors have been asked to put in \$250,000 for the limited partnership in an effort to raise \$6 million. So far, \$5.5 million has been raised that way with two units still available.

"It's about relationship-building with people. When you are asking them for \$250,000 of their money to invest in a project they have to think outside of the box. These are patriotic Canadians who believed in what it



"I think it's an amazing, important project"

GWYN MORGAN,
FORMER ENCAN CEO

was we were trying to accomplish here," said O'Gorman.

Fichman said film officials have also approached corporations for sponsorship money, with CIBC on board.

"We're in discussion with a number of others right now," said Fichman.

As well, producers are working closely with the Dominion Institute to lead an educational campaign and produce a comprehensive educational package that will be mailed to schools across the country before the film's release.

Fichman said the film has become an official project of the institute and private individuals can give a charitable donation, with a tax receipt, to be earmarked for the project. So far, about \$1.75 million has been raised.

Film officials also say support has come from the private media sector through contributions from Movie Central, The Movie Network, the Harold Greenberg Fund, and **CanWest MediaWorks**.

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Leaders in Innovation

John McDougall, President and CEO of the Alberta Research Council (ARC), is pleased to announce the appointment of Dr. Axel Meisen as Chair of Foresight, effective January 2008.



Dr. Axel Meisen
Chair of Foresight

Dr. Meisen comes to ARC from his position as President and Vice-Chancellor of Memorial University of Newfoundland, the largest university in Atlantic Canada. A distinguished Canadian academic having held senior positions on both the Atlantic and Pacific coasts, Dr. Meisen has overseen an increase in Memorial University's research revenues from approximately \$35 million to \$90 million since 1999. He is a Chemical Engineer with a wide range of research interests with a particular focus on applied research related to oil and gas. Dr. Meisen has experience in both the public and private sectors and an extensive network of national and international contacts.

Dr. Meisen will engage pre-eminent thinkers from across Canada and around the world to define issues where ARC can strengthen its role as an agent for economic development for Albertans. He will take foresight activities from conceptualization to implementation. His work will build upon ARC's contributions towards science and technology policy in Alberta.

Dr. Meisen will report to the President and CEO as well as consult with the ARC executive leadership team, senior government officials and industry leaders, among others. The Chair positions ARC as a strategic leader in foresight, ensuring a diversified and sustainable economy for the future of all Albertans.

For further detailed information on these exciting opportunities go to www.arc.ab.ca

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Board of Governors Bow Valley College

Bow Valley College is pleased to welcome Wayne Chiu to the Board of Governors.



Wayne Chiu,
Bow Valley College
Board of Governors

Wayne Chiu is the Founder and President of Trico Developments Corporation and Trico Homes Inc. Trico Homes has also been honoured as one of "Canada's 50 Best Managed Companies" (2005/2006/2007) and as one of the "Best Workplaces in Canada" (2006/2007), along with more recent recognition from the Better Business Bureau of Southern Alberta (2006 Ethics Award) and Volunteer Calgary (2007 Leaders in Business).

Wayne, a Civil Engineering graduate from the University of Manitoba and a qualified master builder, serves on the Board of Resverlogix and West Island College.

Wayne and his wife and business partner Eleanor continue to be major supporters of the Kids Cancer Care Foundation and have supported such diverse organizations as the Calgary Chinese Community Services Association, UNICEF Canada, Asian Heritage Month, the Calgary Immigrant Aid Society, Bow Valley College, Leighton Art Centre, and the GlobalFest International Fireworks competition. Wayne has been recognized as an "Immigrant of Distinction" and was awarded the "Generosity of Spirit Award" by the Association of Fundraising Professionals for his philanthropic work within the community.

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