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WHY IT'S HARDER TO GET HOME FINANCING

If you're finding it hard to secure a mortgage, you're not alone. Tougher rules on lending have hit home, particularly with young, first-time buyers, self-employed buyers, real estate investors and buyers who made pre-construction purchases.

CHANGES TO MORTGAGE RULES

The federal government has changed mortgage requirements four times since 2008 and many people no longer qualify for government-backed insured mortgages, which are required if you have under 20 per cent down payment.

The biggest change is the amortization period. "Amortization periods were available for up to 35 years," says Fraser Valley RE/MAX Treeland Realtor Kevin Horn. "In 2012 this was reduced to 25 years or less for government-backed mortgages. Today you have to demonstrate to your lender you can support the mortgage with your job or any other sources of income you have."

(Shorter amortization periods mean higher mortgage payments which leaves owners with less disposable income.)

Another change affects refinancing. Lenders no longer offer refinancing to owners who still owe more than 80 per cent of the value of their property.

WHO IS AFFECTED MOST?

The current rules are affecting anyone who has a down payment of only five-to-20 per cent. They must qualify for their mortgage at the posted five-year fixed rate, which is probably higher than what they will actually be paying.

"It's tough for first-time buyers who tend to be young people," says Horn. "They often don't have high incomes, large down payments or a long employment history."

Self-employed buyers are another vulnerable group, because they have to prove they have the ongoing income to pay. Lenders require a great deal of paperwork before they will consider self-employed mortgage applicants. And the CMHC has another hurdle for people not on salary. They cannot include the income of a guarantor in their debt-service ratio unless the guarantor will occupy the property, which in most cases rules out having a guarantor at all.

The stricter lending rules have also taken a toll on pre-construction buyers. There have been many stories of people who qualified for mortgages before July 2012 and made down payments before building commenced. However, with the buildings now completing, some home buyers are finding they no longer qualify for mortgages, and some are forced to sell.

Investors have also been feeling the pinch of tougher mortgage rules. Because they may have mortgages on more than one property at a time, investors often make minimum payments on their mortgages. If an investor still owes more than 80 per cent of the value of the home, this can cause problems at refinancing time.

WORDS OF ADVICE

Horn believes this is still a good time to buy. Interest rates are at close to record low levels and the housing market appears to be back on track.

"Save as much money as you can for your down payment and eliminate as much debt as you possibly can," he advises. "Make sure you're not overextending yourself. Rising interest rates can make it very difficult to make payments if you're living close to debt. Make sure you're aware of all the costs of the purchase. The best advice is to discuss your options with a mortgage broker."

> "Tougher mortgage make it harder for some to qualify