CMHC MLI SELECT PROGRAM

FREQUENTLY ASKED QUESTIONS & OVERVIEW

The CMHC MLI Select Program offers a strategic pathway for investors seeking to capitalize on government-backed financing opportunities for new rental construction projects (minimum 5 units). This program provides mortgage insurance that enables high-ratio lending with the following favorable terms:

- **50-Year Mortgages:** Extendable by an additional 5 years if unforeseen costs are incurred during construction.
- **UP TO 95% Financing:** Only a 5% down payment is required.
    - We will only ever offer projects between 90% - 95% way better then you can get with traditional lending.
- **Below-Prime Interest Rates:** Competitive rates to maximize your returns.

These features translate into a high return on investment, positive cash flow and significant appreciation potential.

Program Criteria:

To qualify for these advantageous financing terms, projects must meet specific affordability, energy efficiency, or accessibility standards. Developers can accumulate points to access the best financing options by:

- Allocating a percentage of units as affordable housing.
- Exceeding building code requirements for energy efficiency.
- Incorporating accessibility features into the design.

Investor Requirements:
Investors must meet certain net worth and liquidity requirements:

- 5% deposit on hand
- Additional 5% in liquid form incase as contingency
- Total net worth of at least 25% of the cost.

ONLY CANADIAN ASSETS COUNT

A turnkey offering
This program is so easy our group handles everything turnkey for buyers:

1. Land acquisition
2. Entitlements
3. Site plan & design
4. CMHC Application
5. Construction management
6. Lease up & stabilization
7. Ongoing property management

All the buyer / investor does is fill out the paper work

What is the CMHC MLI Select Program?

The CMHC MLI (Multi-Unit Mortgage Loan Insurance) Select Program is a flexible mortgage insurance product designed to support the development, refinancing, and acquisition of multi-unit residential properties. The program offers favorable loan terms and insurance benefits for properties that contribute to affordable housing, energy efficiency, and accessibility.

Who is eligible for CMHC MLI Select?

Eligibility is open to Canadian borrowers, including developers, real estate investors, and property managers looking to finance multi-unit residential properties with five or more units. Applicants must meet specific criteria related to affordability, energy efficiency, and accessibility.

What are the key benefits of CMHC MLI Select?
Some of the main benefits include:

- Higher Loan-to-Value (LTV) Ratios: Up to 95% LTV for affordable housing properties.
- Reduced Premiums: Insurance premium discounts based on meeting affordability, energy efficiency, or accessibility standards.
- Extended Amortization: Up to 50-year amortizations are available, offering more favorable repayment terms.
- Streamlined Approval Process: Faster processing times for eligible projects.

How does the program support affordable housing?

The CMHC MLI Select program incentivizes investments in affordable housing by offering lower insurance premiums and higher LTV ratios for properties that maintain below-market rents for a portion of their units. Investors can access more favorable financing by contributing to long-term housing affordability.

What qualifies as an energy-efficient property under the program?

Properties must meet energy efficiency standards through energy-saving renovations or new construction that reduces energy consumption. Projects that meet CMHC's energy efficiency guidelines—like achieving a 15% or greater improvement over provincial energy codes—may be eligible for better terms and premium discounts.

Can I refinance a property with CMHC MLI Select?

Yes, the CMHC MLI Select program allows refinancing of existing multi-unit properties. Refinancing can be used to free up capital for reinvestment or for upgrading the property to meet energy efficiency and accessibility standards, which could make it eligible for additional benefits under the program.

What is the maximum loan-to-value ratio for the program?

The maximum loan-to-value (LTV) ratio varies depending on the property's eligibility in areas like affordability, energy efficiency, and accessibility. In some cases, you can qualify for up to 95% LTV, which provides greater financing flexibility.

How does the program address accessibility?

The program encourages accessibility by offering incentives for properties that improve or maintain accessibility features. Properties with enhanced accessibility features, such as barrier-free units or common areas, may qualify for better financing terms and lower premiums.

Is there a limit on the number of units that can be insured?

There is no strict limit on the number of units that can be insured, but the property must consist of at least five units to qualify as a multi-unit residential property. Larger developments may receive additional benefits under the program depending on the extent to which they meet affordability, energy efficiency, and accessibility criteria.

Are there any costs associated with applying for CMHC MLI Select?

All associated costs are built into the purchase price; but there may be costs involved, such as appraisal fees, legal fees, and insurance premiums. However, the CMHC MLI Select program offers premium discounts for projects that meet the program's goals related to affordability, energy efficiency, and accessibility, which can lower the overall cost of financing.

Can CMHC MLI Select be used for new construction projects?

Yes, CMHC MLI Select can be applied to both new construction projects and the acquisition or refinancing of existing multi-unit properties. New projects that incorporate affordable housing, energy efficiency, or accessibility features are especially well-suited for the program.

How does CMHC MLI Select help investors shift from retail to wholesale investing?

CMHC MLI Select allows investors to access "wholesale-level" real estate opportunities by offering favorable financing options for large multi-unit residential properties. Retail investors typically buy single-family homes or small properties, often with less favorable terms. In contrast, CMHC MLI Select supports larger investments (buildings with five or more units), which benefit from higher loan-to-value ratios, longer amortization periods, and lower insurance premiums—creating a path to greater wealth accumulation through scale.

What are the recent updates to the CMHC mortgage inclusion rate and amortization terms?

In recent updates, CMHC increased the mortgage inclusion rate to allow loans of up to $1.5 million with amortizations extended to 30 years for residential properties. Additionally, they expanded the scope for smaller multi-unit properties (e.g., 3-plexes and 4-plexes) to access 90% loans with 30-year amortizations. This broadens access to more flexible financing for investors looking to purchase or refinance smaller multi-unit residential buildings.

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How does the 95% loan-to-cost feature work under CMHC MLI Select?

Under the CMHC MLI Select program, qualifying projects can receive up to 95% financing of total project costs. This includes not just the mortgage but also all development expenses such as architectural fees, legal costs, and development charges. This means that investors only need to cover 5% of the total project cost out of pocket, offering a highly capital-efficient way to fund large-scale real estate developments.

What are the key incentives for achieving 100 points in the MLI Select program?

Projects that achieve 100 points across the three core pillars—affordability, accessibility, and energy efficiency—can access the most favorable terms under CMHC MLI Select. This includes:

- **Lower insurance premiums:** Reduced costs for mortgage insurance, saving money over the life of the loan.
- **Higher financing:** Up to 95% loan-to-cost coverage, minimizing upfront capital requirements.
- **Extended amortization:** Up to 50-year amortizations, significantly lowering monthly mortgage payments and improving cash flow.

What does CMHC consider "affordable housing"?

CMHC defines affordable housing based on benchmark rents for specific areas. This does not mean low-income or government-subsidized housing. Instead, it refers to units that are rented at or below the area's benchmark affordable rent. Depending on the project, only a portion of the units may need to meet these criteria (as low as 10%) to qualify for incentives under CMHC MLI Select.

What is limited recourse financing, and how does it benefit investors?

Limited recourse financing means that, unlike traditional mortgages where the borrower is personally liable for the entire loan, the lender cannot pursue the borrower for more than a limited portion of the loan in the event of default. This feature of CMHC MLI Select provides a layer of protection for investors, reducing their personal risk when taking on large, multi-unit real estate projects.

What role does energy efficiency play in CMHC MLI Select?

Energy efficiency is one of the three pillars in the CMHC MLI Select scoring system. Projects that include energy-saving measures, such as high-efficiency HVAC systems or improved insulation, can earn points toward better financing terms. These improvements not only benefit the environment but also reduce long-term operating costs for the building, making the project more sustainable and attractive for tenants.

How can CMHC MLI Select make a project cash flow positive?

One of the most powerful benefits of CMHC MLI Select is the option for extended amortization periods of up to 50 years. By spreading out mortgage payments over a longer time frame, monthly debt service payments are significantly reduced, allowing many projects to achieve positive cash flow even from day one. This, combined with high loan-to-cost ratios, maximizes profitability.

Does CMHC MLI Select require that all units in a project be affordable?

No, not all units in a project need to be affordable to qualify for CMHC MLI Select benefits. Depending on the region and project, as little as 10% of the units may need to meet the area's benchmark affordable rent. This flexibility allows developers to incorporate affordability while maintaining profitability across the rest of the units.

How does CMHC MLI Select support accessibility in buildings?

To qualify for additional points, projects can include accessibility features such as barrier-free units or accessible common areas. These features are designed to make the property inclusive for individuals with disabilities, allowing projects to meet societal needs while qualifying for better financing terms.

What is the significance of building smaller units for affordable housing?

Smaller units like studios or basement apartments often qualify as "affordable" in housing programs. These units may have lower rent, but they are still rented on the open market. Affordable doesn't mean low-quality or problematic tenants—you're still able to select the best tenant based on applications.

Can additional charges be applied to affordable units?

Yes, while the unit itself is rented at a lower price point, you can charge additional fees for extras like parking or storage lockers. The affordability aspect applies only to the unit, not additional services.

What are the benefits of investing in energy-efficient building design?

Energy-efficient designs add long-term value by reducing utility costs and increasing the overall resale or refinancing value of the property. In some cases, local municipalities may offer incentives for installing energy-saving systems like high-efficiency boilers, which can significantly offset costs.

How does the accessibility requirement work in building codes?

Meeting accessibility requirements is relatively straightforward, as most building codes already mandate barrier-free units. Including these units doesn't usually add extra cost and helps in meeting the criteria for various incentive programs.

What are the key benefits of the CMHC MLI Select program?

The program offers below-prime interest rates, up to 95% loan-to-cost financing, and fixed-rate mortgages with up to 10-year terms. These terms are far more favorable than traditional construction financing, making it easier to build rental units while securing stable, long-term returns.

How does CMHC ensure a project's financial viability?

CMHC conducts its own thorough analysis, including a Debt Service Coverage Ratio (DSCR) requirement of 110%. This means the rental income must cover at least 110% of the building's costs, ensuring a sound financial foundation before any loan is granted.

Why aren't more small investors taking advantage of CMHC's program?

Building construction is a complex, full-time job filled with challenges, making it less appealing to smaller investors. Most investors prefer the simplicity of being landlords over the demands of construction management. Large developers tend to dominate this space because they have the resources and expertise to navigate these programs.

Can individuals with low personal income or poor credit qualify for the CMHC MLI Select program?

Yes, CMHC focuses on the strength of the building's financials rather than personal income or credit. As long as you can provide the required 5% deposit and have a net worth of 25% of the project value, you can qualify for financing, regardless of personal income or credit score.

What is Peripassu, and how does it benefit real estate investors?

Peripassu allows for second mortgages on a project, meaning once the building is stabilized, you can pull out up to 95% of the loan-to-value. This provides additional flexibility in financing by allowing investors to access more capital as the building appreciates in value and ultimately re-invest that money.

Is there a possibility that the project fails to obtain CMHC approval?

Yes, but in such cases, the deposit will be returned in full.

How long will CMHC support this program? Is there a guarantee of mortgage renewal with CMHC insurance?

The program offers a guaranteed certificate for 50 years. However, the government may discontinue the program for future projects.

How are rental rates decided?

We use the local market data combined with CMHC benchmark rents for the area.