

How to Afford that Home Renovation!

Is your home in desperate need of an upgrade? Are you dying to renovate your bathroom, kitchen or other space but not sure how to fund this renovation project? Did you find a home you'd like to buy but it needs work?

We've got good news! When it comes to covering the costs of renovating, there are some options available to you outside of some good ole savings!

Mortgage Refinancing

One option for funding a renovation could be through mortgage refinancing. Keep in mind, you'll want to do this at the end of the mortgage term to avoid breaking your mortgage and owing penalties. Some mortgage products may allow you to refinance outside of that, but you will want to check with your mortgage professional. Refinancing will allow you to borrow up to 80% of your home's appraised value (less any outstanding mortgage balance). Refinancing your mortgage (if approved) will allow you to access funds immediately and tends to have lower interest rates than a standard credit card or personal loan. This is best suited to larger scale renovations or remodels.

Purchase Plus Improvements (PPI) Mortgage

If you haven't yet bought that home, financing your renovation at the time of purchase with a purchase plus improvements mortgage can save you some hassle down the line. This type of mortgage is available to assist buyers with making simple upgrades, not conduct a major renovation where structural modifications are made. Simple renovations include paint, flooring, windows, hot-water tank, new furnace, kitchen updates, bathroom updates, new roof, basement finishing, and more. Depending on whether you have a conventional or high-ratio mortgage, if it is insured or uninsurable, and which insurer you use, the Purchase Plus Improvements (PPI) product can allow you to borrow between 10% and 20% of the initial property value for renovations.

Financing Improvements Upon Purchase

Similarly to the PPI mortgage solution above, there is another option allowing you to finance your renovation project at the time of a new purchase by adding the estimated costs to your mortgage with CMHC Mortgage Loan Insurance. You can obtain financing with only 5% down payment.

for both the purchase of your home and the renovations for up to 95% of the value after renovations! Plus, there are no additional fees or premiums and you can earn added rebates for energy-saving renos.

Line of Credit or Home Equity Loans

Lastly, you always have the option of utilizing a secured line of credit or home equity loan to pay for your renovation. Securing your renovation loan against the equity in your home can typically be up to 80% of the property value; accessible at any time. This will typically provide lower interest than non-secured financing and allows you to access funds at any time.

