



# Revenue Properties

So, you are looking to purchase a second property! Congratulations! This is a great opportunity for you to expand your financial portfolio and ensure stability for the future. However, before you launch into this purchase there are a few things you should know.

Buying a property for the purpose of renting it out to someone else comes with different qualifying criteria and mortgage product options than traditional home purchases. Before you look at purchasing a rental property, there are a few things to consider:

1. The minimum down payment required is 20% of the purchase price, and the funds must come from your own savings; you cannot use a gift from someone else.
2. Only a portion of the rental income can be used to qualify and determine how much you can afford to borrow. Some lenders will only allow you to use 50% of the income added to yours, while other lenders may allow up to 80% of the rental income and subtract your expenses.
3. Interest rates usually have a premium when the mortgage is for a rental property versus a mortgage for a home someone intends on living in. The premium can be anywhere from 0.10% to 0.20% on a regular 5-year fixed rate.

Rental income from the property can be used to debt service the mortgage application, but do bear in mind that some lenders will have a minimum liquid net worth requirement outside

of the property. Also, if you do eventually want to sell this property it will be subject to capital gains tax. Your accountant will be able to help you with that aspect if you do decide to sell in the future.

## AIR BNB ON YOUR MIND?

More and more Canadians are hopping on the short-term rental train as Air bnb's popularity has sky-rocketed over the last few years. It's not a bad way to earn extra money, but don't forget there are a few things to consider:

- Check strata/city bylaws
- Contact your insurance provider to get correct coverage
- Talk to your mortgage broker to see if a short-term income property can affect your approval
- Consider tax implications, and talk to an accountant

The more services you provide as a host, the greater the chance that your rental operation will be considered a business.

*If you're looking to get started with a second property, don't hesitate to reach out to a Dominion Lending Centres mortgage expert today to discuss your goals and find the best fit!*

