



PRINCE EDWARD ISLAND
ÎLE-DU-PRINCE-ÉDOUARD

HOUSING CORPORATION ACT SECOND MORTGAGE LOAN PROGRAM REGULATIONS

PLEASE NOTE

This document, prepared by the *Legislative Counsel Office*, is an office consolidation of this regulation, current to February 1, 2004. It is intended for information and reference purposes only.

This document is *not* the official version of these regulations. The regulations and the amendments printed in the *Royal Gazette* should be consulted on the Prince Edward Island Government web site to determine the authoritative text of these regulations.

For more information concerning the history of these regulations, please see the *Table of Regulations* on the Prince Edward Island Government web site (www.princeedwardisland.ca).

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HOUSING CORPORATION ACT
Chapter H-11

SECOND MORTGAGE LOAN PROGRAM REGULATIONS

Pursuant to section 38 of the *Housing Corporation Act R.S.P.E.I.* 1988, Cap. H-11, Council approved the following regulations:

1. Definitions

In these regulations

- (a) “**applicant**” means a person who is making application for a second mortgage loan under these regulations;
- (b) “**approved applicant**” means an applicant whose application for a second mortgage loan under these regulations has received final approval from the Corporation;
- (c) revoked by EC639/93;
- (d) “**conditional approval**” means a conditional approval by the Corporation of a second mortgage loan to an applicant;
- (e) “**Corporation**” means the Prince Edward Island Housing Corporation;
- (f) “**final approval**” means a final approval by the Corporation of a second mortgage loan to an applicant whose application has been conditionally approved and the applicant has been successful in obtaining first mortgage financing;
- (g) “**fixed debt**” means the annual amount of regularly scheduled loan payments, excluding mortgage loan payments;
- (h) “**gross debt service ratio**” means the ratio of shelter costs to gross household income;
- (i) “**gross household income**” means the annual income in whatever form received by the applicant and spouse, and includes salaries, commissions, fees and pensions, but in the case of self-employed persons, the establishment of such income shall be at the discretion of the Corporation;
- (j) “**housing unit**” means housing accommodation, in whatever form, intended for year-round occupancy and providing therein living, sleeping, eating and food preparation facilities for a family;
- (k) “**progress payment**” means the disbursement of loan funds to an approved applicant based on the value of in-place work as determined by the Corporation;
- (l) “**shelter costs**” means the annual payments of principal and interest on the first and second mortgages, annual property tax payments, and the estimated annual payments for heating the housing unit;

- (m) “**total debt service ratio**” means the ratio of shelter costs plus fixed debt to gross household income. *(EC191/87; 639/93)*

2. Eligibility

To be eligible to make application for a second mortgage loan under these regulations, a person must have applied for a first mortgage loan from a private lender. *(EC191/87)*

3. Application

An applicant shall submit a completed application to the Corporation in such form as prescribed by the Corporation. *(EC191/87)*

4. Maximum loan

The maximum second mortgage loan available to an applicant under these regulations is \$15,000. *(EC191/87)*

5. Requirements for conditional approval

To be eligible for a conditional approval under these regulations, an applicant must show to the satisfaction of the Corporation

- (a) revoked by EC5/89;
- (b) that the sale price or construction cost of the housing unit which he intends to buy or build does not exceed \$86,000. (In the case of a newly constructed housing unit, the construction cost established by the first mortgage lender shall be taken);
- (c) that he is making an equity contribution toward the purchase or construction of the housing unit which amounts to at least 10% of the purchase price or construction cost;
- (d) that he has established a favourable credit rating;
- (e) that his gross debt service ratio will be acceptable to the Corporation;
- (f) that his total debt service ratio will be 40% or less. *(EC191/87; 5/89; 473/90)*

6. Eligible units

Any housing unit, including a mobile home, is eligible for a second mortgage loan under these regulations provided that a real property mortgage can be registered against the property. *(EC191/87)*

7. Evidence

An application under these regulations must be supported by evidence of eligibility, as required under section 5, in such form as the Corporation may require. *(EC191/87)*

8. Conditional approval

Where, in the opinion of the Corporation, the applicant has provided satisfactory evidence of eligibility, the Corporation shall issue the applicant a conditional approval for a second mortgage loan. *(EC191/87)*



9. Evidence of first mortgage

Where an applicant whose application has been given conditional approval provides evidence satisfactory to the Corporation of his first mortgage loan approval by a private lender, the Corporation shall issue the applicant a final approval for a second mortgage loan. *(EC191/87)*

10. Cancellation

If, after a period of 60 days, an applicant whose application has been given conditional approval fails to provide the Corporation with satisfactory evidence of first mortgage loan approval by a private lender, the Corporation shall cancel the conditional approval. *(EC191/87)*

11. New application

Where a conditional approval has been cancelled under section 10, the applicant may make a new application for a second mortgage loan under these regulations. *(EC191/87)*

12. Progress payment

- (1) Where the second mortgage loan funds are being used for new construction, the funds may be advanced on a progress payment basis.

Amount of payments

- (2) The amount of the progress payment shall be based on the value of completed, in-place work as determined by the Corporation, and by such other evidence of an approved applicant's expenditures as may be requested by the Corporation. *(EC191/87)*

13. Security

The mortgage loan by the Corporation shall be secured by a registered second mortgage upon the housing unit, held in favour of the Corporation. *(EC191/87)*

14. Amortization period

The amortization period of the second mortgage shall not exceed 15 years. *(EC191/87)*

15. Interest rate

The interest rate on second mortgage loans issued under these regulations shall be the greater of

- (a) 1% above the interest rate on the first mortgage loan; or
(b) 1% above the Corporations's cost of borrowing at the time the loan is issued.
(EC191/87)

16. Conditions

The mortgage securing the second mortgage loan shall be non-transferable and non-assumable. *(EC191/87)*

17. Fire insurance

The Corporation shall require that the approved applicant has fire insurance on the housing unit on which the second mortgage was secured, adequate to cover the outstanding balance of

the second mortgage loan, and made payable to the Corporation in the event of loss.
(EC191/87)

18. Default

- (1) In the event of default on the second mortgage by the approved applicant, where a loan becomes due and payable, the Corporation may take whatever steps it considers advisable to ensure repayment by the approved applicant of the outstanding balance to the Corporation.

Application of payment

- (2) The Corporation shall first apply all payments from or on behalf of the approved applicant in payment of legal costs, if any, before applying the payment to the balance outstanding on the defaulted second mortgage loan. (EC191/87)

19. False statements

In the event that an applicant makes any statement in the application for a second mortgage loan that is false in any material respect, all second mortgage loan funds advanced to the applicant by the Corporation shall immediately become due and payable, and the Corporation shall take any action that it considers proper in the circumstances to secure payment.
(EC191/87)

