

A modern two-story house with a dark grey roof and light grey walls. The house features large windows and a balcony. In the foreground, there is a swimming pool with a wooden deck. The scene is set during the day with a clear blue sky and some greenery.

# GUIDE 101: MORTGAGE INSURANCE FOR NEW CONSTRUCTION HOMES IN CANADA

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***Mortgage default insurance*** protects the lender if a borrower is unable to repay their mortgage. In Canada, this insurance is required when a homebuyer makes a down payment of less than 20% of the purchase price.

Although the borrower pays the premium, the policy protects the lender against financial loss in the event of mortgage default. It's a mandatory add-on as it makes homeownership more accessible with a smaller down payment, and protects the lender.

## Key points to know

- **When is it required:** Mortgage default insurance is required when a homebuyer provides a down payment of less than 20 % of the property's purchase price.
- **Included in mortgage payments:** Premium is usually added to the total mortgage amount at closing, which means most buyers repay it through their regular mortgage payments rather than as a separate bill.
- **Ends after 20% equity:** Once a homeowner reaches at least 20% equity in the [property](#), mortgage default insurance is no longer required for future financing.

## What Does Mortgage Default Insurance Cover?

Mortgage default insurance protects the lender if the borrower stops making payments and the [property](#) is sold for less than the remaining mortgage balance. It covers the lender's financial loss.

If the borrower defaults, the lender may take legal steps to recover the debt, including selling the property. If there is still a shortfall after the sale, the borrower remains responsible for the remaining balance.



## TYPES OF MORTGAGE INSURANCE FOR NEW HOMES

In Ontario, three organizations work with lenders to support insured mortgages. They operate under federal regulations and follow similar underwriting guidelines across Canada.

These include:

- **Canada Mortgage and Housing Corporation (CMHC):** A federal Crown corporation and the largest mortgage insurer in Canada.
- **Sagen:** A private mortgage insurance provider formerly known as Genworth Canada.
- **Canada Guaranty Mortgage Insurance Company:** Another private insurer that provides mortgage insurance products to lenders nationwide.

Although the providers differ in ownership and branding, their premium structures and underwriting guidelines are largely similar because they follow rules set by the federal government and financial regulators.

### How Much Does Mortgage Insurance Cost in Canada?

Mortgage default insurance premiums in Canada are calculated as a percentage of the mortgage amount and depend primarily on the size of the down payment. The smaller the down payment, the higher the [insurance premium](#) because the lender assumes greater risk.

Current guidelines of typical premium rates include:

<b>Down Payment Range</b>	<b>Mortgage Insurance Premium</b>
5%–9.99%	~4.00% of mortgage amount
10%–14.99%	~3.10% of mortgage amount
15%–19.99%	~2.80% of mortgage amount

## What Happens If You Miss Mortgage Payments in Canada?

Missing a mortgage payment does not trigger immediate foreclosure, but it does start a process that can escalate if not addressed early.

- **Missed payment:** Lender may charge a late fee and report it to credit bureaus  
Repeated missed payments: Lender will contact you and may offer repayment options
- **Default stage:** After several missed payments, the mortgage is considered in default
- **Legal action:** Lender may begin power of sale or foreclosure proceedings
- **Property sale:** Home may be sold to recover the outstanding mortgage balance

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**If** the sale does not cover the full amount owed, you are still responsible for the remaining balance.