FREE GUIDE

Refinance Plus Improvements

How to add a rental suite to the home you own, borrow up to 90% of what it will be worth once the suite is built, and let the rent help pay for it.

LISA PURCHASE
Landlord Mortgage · wealthymortgage.ca

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01 INTRODUCTION

What the suite refinance is

Since January 2025, homeowners can refinance up to 90% of their home's value to build a rental suite, up from the usual 80%.

The value used is what your home will be worth **once the suite is built**, so the suite helps pay for itself before it's even finished. The mortgage is insured, can be spread over up to 30 years, and the money goes to building the suite.

> THE TAKEAWAY
> A basement apartment, an in-law suite or a garden suite can turn part of your home into income, with one mortgage at a mortgage rate instead of a construction loan or line of credit.

02 ELIGIBILITY

Who it's for

RULE	WHAT IT MEANS
You already own the home	It's a refinance of a home you have now
Someone lives there	You, or a close relative living rent-free, live in one of the units
Value under $2 million	Measured once the suite is built
Up to 4 units	Counting the unit you live in
Money for the suite only	No extra equity taken out for other things
Long-term rental	No rentals shorter than 90 days at a time
Approval first	The financing is approved before construction starts

03 WHAT COUNTS

What counts as a suite

The suite has to be legal and self-contained, which means it has all four of these:

Its own entrance
From outside, or a locking door off a shared entry.

A kitchen
Where a tenant can cook for themselves.

A full bathroom
With a shower or a tub.

A place to sleep
A bedroom, or a bachelor (studio) layout.

It also has to meet your city's zoning and building rules. Expect plans, a building permit and a final inspection or occupancy permit. Basement apartments, in-law suites, garden suites and laneway homes can all qualify.

04 BORROWING ROOM

How much you can borrow

Room to borrow = 90% × value once the suite is built – what you owe today

EXAMPLE	REGULAR REFINANCE (80%)	SUITE REFINANCE (90%)
Value once the suite is built	$790,000	$790,000
Limit	$632,000	$711,000
Less current mortgage	- $560,000	- $560,000
Room to build the suite	**$72,000**	**$151,000**

The lender uses the lower of the appraised value once the suite is built and today's value plus the cost. If what you need fits within 80%, a regular refinance may do the job without insurance.

05 THE COST

The insurance premium

Borrowing over 80% means the mortgage is insured. The premium is a percentage of the loan, added to the mortgage rather than paid up front.

BORROWING, AS A SHARE OF THE VALUE	PREMIUM ON THE TOTAL LOAN
80.01% to 85%	2.80%
85.01% to 90%	3.10%

A 30-year amortization adds 0.20%. If your mortgage is already insured, the premium may be worked out differently, which I'll work out for you.

06 QUALIFYING

How the rent helps

An appraiser confirms the fair market rent for the suite, and that expected rent can be used when you qualify for the new mortgage, even before the suite is built.

AFTER IT'S BUILT

The rent helps with the payment every month. It's **taxable income**, and part of your home costs can be deducted against it, so your accountant should be part of the plan.

07 THE PROCESS

The process, step by step

1. **Check zoning and plan the suite.**
   Confirm your city allows it, then get plans and written quotes.
2. **Check your current mortgage.**
   Find your renewal date and any prepayment charge.
3. **Apply before you build.**
   The cost, plans, permit and expected rent go in with the application.
4. **Appraisal.**
   The home is valued as it will be once the suite is built, along with its fair market rent.
5. **Refinance.**
   Your old mortgage is paid out, and the suite money is set aside.
6. **Build.**
   The money is released in stages as the work is done and checked.
7. **Final inspection and rent.**
   Once the suite is approved, you can rent it out.

08 IN PRACTICE

What it could look like

Chris and Dana's home is worth about $700,000. They owe $560,000 at 4.2%, with 22 years left, and pay about $3,242 a month. They want to build a basement suite, quoted at $110,000, and the appraiser expects the home to be worth about $790,000 once it's built, with rent of about $1,900 a month.

	TODAY	AFTER THE SUITE
Mortgage	$560,000	about $690,100
Share of the home's value	80%	85% (before premium)

	TODAY	AFTER THE SUITE
Monthly payment (4.5%, 30 years)	$3,242	$3,480
Rent from the suite	—	- $1,900
What they pay each month	**$3,242**	**$1,580**

$72,000
is all a regular 80% refinance would leave for the suite

~$20,100
insurance premium, added to the mortgage

~$1,660
less a month than they pay today, once it's rented

An illustration, not a real client. Rent is before tax, vacancy and upkeep. Leaves out legal, appraisal and permit costs.

09 BEFORE YOU START

What to watch for

- **You're borrowing more.** Ninety percent leaves only 10% equity, so a drop in home values hits harder.
- **Being a landlord is a job.** Plan for vacancies, repairs and finding good tenants.
- **Construction runs over.** Build in a cushion of 10% to 15%, because the money can only go to the suite.
- **Timing matters.** Refinancing mid-term usually means a prepayment charge. Lining it up with your renewal can save thousands.
- **Your whole mortgage moves to today's rate,** and you'll qualify again, including the stress test.
- **Permits take time.** Approvals and inspections can add weeks or months.

10 COMMON QUESTIONS

Questions I get asked

Can I use it for a garden or laneway suite?

Yes, as long as it's legal, self-contained and on the same property, with up to four units in total.

Can a family member live in the suite?

Yes. A family member can rent it, or you can live in the suite and rent the main house. Someone in the household must live in one of the units.

Can I rent it on Airbnb?

No. It can't be rented for less than 90 days at a time.

What if I'm in the middle of my term?

You may face a prepayment charge. Sometimes the numbers still work; sometimes it's better to wait for renewal.

What does it cost to talk it through?

Nothing. The first call is free and there's no obligation. If we go ahead, I'll explain any costs in writing before you sign anything.

11 YOUR NEXT STEP

Thinking about a suite?

Before you call the contractor, let's check your equity, your timing and the rent, so you know the numbers work.

Book a free strategy call

BOOK A CALL
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