

Ten Things Every Commercial Mortgage Lender Should Know About CMHC-Insured Lending

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16 July 2026

CMHC-insured financing remains one of the most attractive tools for multi-residential lending in Canada, offering lower rates, longer amortizations, and reduced capital requirements for lenders. But the legal landscape around CMHC deals carries nuances that can catch even experienced lenders off guard. Here are ten practical points to keep in mind.

1. The Borrower Structure Matters More Than You Think

CMHC has specific requirements around borrower entities, including restrictions on corporate complexity, foreign ownership thresholds, and the need for satisfactory beneficial ownership disclosure. Getting the borrower's corporate structure right at the outset avoids delays, and potential deal-killers, down the road.

2. Environmental Due Diligence Is Non-Negotiable

Unlike many conventional deals where lenders may accept a Phase I ESA with certain qualifications, CMHC typically requires strict compliance with its environmental standards. Phase I reports must meet current CSA standards, and any flagged issues can trigger Phase II requirements before a commitment is issued. Build this into your timeline early.

3. Security Documentation Has a CMHC Layer

Beyond the standard mortgage, assignment of rents, general security agreement and typical loan documentation, CMHC-insured loans require inclusion of CMHC's general and deal-specific terms, conditions and clauses. Lenders should be aware that certain standard commercial mortgage provisions may need to be reconciled with CMHC's prescribed clauses.

4. MLI Select Can Be a Game-Changer, But With Conditions

CMHC's MLI Select program offers meaningful premium reductions and increased loan-to-value ratios for projects that meet affordability, energy efficiency, or accessibility criteria. However, these commitments are not just marketing, they form part of the insurance conditions, and non-compliance can have real consequences for coverage. Ensure your borrowers understand these are binding obligations, not aspirational targets.

5. Assumption and Transfer Provisions Are Tighter

CMHC-insured mortgages come with additional consent requirements on any transfer or assumption. Even routine changes in ownership structure can trigger CMHC approval obligations beyond those in the lender's own loan documents. This is a point often missed until a borrower is mid-transaction.

6. Appraisal Requirements Follow CMHC's Playbook

CMHC maintains its own appraisal standards and approved appraiser lists. A valuation that satisfies a lender's internal underwriting may not meet CMHC's criteria, and CMHC reserves the right to adjust appraised values or require a second opinion. Coordinate with your borrower early to ensure the appraisal process aligns with CMHC expectations.

7. Construction and Renovation Draws Have Added Oversight

For CMHC-insured construction or improvement loans, draw procedures are subject to CMHC's progress inspection and approval requirements. This can affect draw timing and holdback practices compared to conventional construction financing. Lenders and borrowers alike need to factor this into project cash flow planning.

8. Insurance Coverage Requirements Are Prescriptive

CMHC imposes detailed property insurance requirements that go beyond what many lenders typically mandate. These include specific coverage types, minimum limits, and endorsement requirements. Ensuring the borrower's insurance program is CMHC-compliant well before closing avoids last-minute scrambles.

9. Prepayment and Refinancing Flexibility Can Be Limited

CMHC-insured mortgages often carry more rigid prepayment terms than conventional commercial loans. Borrowers looking to refinance, sell, or restructure may find that early repayment penalties and CMHC consent requirements add cost and complexity. It is worth setting expectations with your borrower from the term sheet stage.

10. Renewal Is Not Automatic and the Rules May Have Changed

At maturity, CMHC-insured loans require a renewal process that involves updated underwriting and compliance with CMHC's then-current policies, which may have evolved since the original commitment. Lenders should not assume renewal will be a formality; beginning the process well in advance of maturity is essential.

CMHC-insured lending offers compelling advantages, but the legal framework demands attention to detail. If you have questions about how to navigate these requirements on your next deal, feel free to reach out.

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