Laneway House Mortgage FAQ

Is this product available for a standalone laneway i.e. empty land with no other property?

Not at this time.

Is this product available for accessory dwelling units?

Only if the unit is fully detached from the primary dwelling on the lot, and conforms to local zoning, by-laws, and other regulations such as access requirements.

Is this product available in the name of a holding company?

Yes!

If my client has an existing Equitable Bank Alternative 1st mortgage, can I apply?

Yes!

If my client has an existing Equitable Bank Evolution Suite (Prime Insured) 1st mortgage, can I apply?

No. The laneway house mortgage cannot be done behind an insured mortgage. The borrower would have to refinance the existing mortgage into an Equitable Bank Alternative mortgage.

If my client has an existing Equitable Bank Reverse Mortgage, can I apply?

No. The laneway house mortgage cannot be done behind a reverse mortgage.

If my client has a first mortgage with another lender, can I apply?

Equitable Bank will not offer construction financing behind another lender. The laneway house mortgage could only be offered if the existing 1st mortgage is refinanced by Equitable Bank.

If my client is purchasing a new home, can they also apply for the laneway house mortgage?

Yes! Please note the mortgage for the purchase and the mortgage for the laneway house construction will be separate mortgages with different mortgage charges and documentation.

Can rental income from the secondary suite be used for qualifying?

Yes. The appraisal must include fair market rents. Equitable Bank will add 95% of rental income to the borrower's total income for qualifying.

Is the laneway house mortgage eligible for extended ratios?

No, the Extended Ratio Program is not applicable. The TotalWORTH® product may be considered if the borrower has significant liquid assets well above the requirements of the laneway house mortgage.

Do construction budgets need to be provided in a standard template?

No. Equitable Bank will review what is available.

There is a requirement for 25% of budgeted construction costs. Can this be gifted?

No, this must be the borrower's own funds.

There is a requirement for 25% of budgeted construction costs. Can this be an equity takeout from a refinance?

Yes, assuming the funds will be available at the time the laneway house mortgage closes to be used towards construction.

What is the closing process?

The laneway house mortgage follows Equitable Bank's standard closing process. One benefit to clients is subsequent draws are handled by Equitable Bank.

Will Equitable Bank conduct inspections prior to each draw in addition to the appraiser?

No. Equitable Bank reserves the right to conduct its own inspections, but does not expect to do so frequently.

Are there exceptions to the number of draws?

Not at this time.

There are construction lien holdbacks that are not released until a minimum of 45 days. What if I want to refinance with Equitable Bank before then?

We will ideally require waiting until the end of the lien registration period (45 days in AB, 55 days in BC, 60 days in ON) to release the holdback and refinance, but may do so early depending on the circumstances.

Is there a maximum loan size?

We expect our internal maximum will be sufficient for laneway and garden suite construction projects.

Is there a minimum unit size?

No. The unit must satisfy all regulations and requirements, and the loan must be a minimum size of $200,000.

Can I promote this product within my brokerage and on social media?

Yes!

What happens if construction is not complete at the end of the 12 month term?

Equitable Bank may offer terms of 3, 6, or 12 months depending on the circumstances. An extension agreement must be signed.

What is the exit strategy?

We would expect the borrower to refinance the construction mortgage, and Equitable Bank 1st mortgage if applicable, into a new single charge amortizing mortgage with Equitable Bank. If requested we may also consider refinancing the construction mortgage into a standalone HELOC behind Equitable Bank's 1st mortgage, subject to debt service qualification.

Are there other unique qualification requirements?

Please refer to the credit parameters provided. Additionally, you are encouraged to provide income documents upfront so we can ensure the borrower will also qualify for takeout financing.

Why is the approved appraiser list limited?

Initially we want to work with appraisers we know are experienced for construction financing. We require an appraisal with the as-complete and as-if complete values, as well as ongoing progress reports.

Why should my client go with this product instead of a HELOC or equity takeout?

One major benefit is we lend against the as-if complete appraisal value. Using a HELOC or standard mortgage funds may also go against the standard charge terms of your client's mortgage and be grounds for default.