

SHAWN SELANDERS

The Complete Guide to Vacation, Cottage & Second Home Financing in Canada

*What your bank won't tell you about buying a second property
with as little as 5% down.*

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The Down Payment Myth

Ask most Canadians how much they need to put down on a vacation property, cottage, or second home, and you'll hear "20% to 25%." This is wrong — or at best, only true in some circumstances.

Depending on the property type, who will occupy it, which lender you use, and which mortgage insurer they work with, you may be able to purchase a second property with as little as 5% down — the same as a primary residence. On a \$400,000 property, that's the difference between needing \$20,000 or \$80,000.

This guide breaks down every scenario, every insurer, and every major bank's approach so you understand your options before you walk into a bank and accept the first answer they give you.

Three Types of Second Properties

1. Year-Round Second Home (Owner or Family Occupied)

This is a property suitable for full-time, year-round living — winterized plumbing, permanent heating, proper insulation, and year-round vehicular road access. Either you use it personally, or an immediate family member (parent, child, spouse, sibling) lives there rent-free.

Down payment: As low as 5% with insured financing.

All three mortgage insurers (CMHC, Sagen, Canada Guaranty) can insure this type of property. This is the most favourable classification and opens the door to the lowest down payment. The key is that the property must meet residential standards and be occupied by the owner or family — not rented to tenants.

2. Seasonal / Cottage Property

This is a property that may not be accessible year-round — it might only have seasonal road access, boat-only access, no permanent heat source (wood stove or fireplace only), chemical or holding-tank plumbing, or non-potable water. Think: classic Canadian cottage, cabin in the woods, lake property with no winter road.

Down payment: 10% minimum insured (Sagen only), or 20-50% conventional depending on lender.

Only Sagen insures seasonal properties (their "Type B" category). CMHC and Canada Guaranty will not. Not all lenders work with Sagen on cottage properties, and those that do may have additional restrictions like maximum loan amounts (\$350,000 at TD) or higher credit score requirements (680+).

3. Investment / Rental Property

If tenants will live in the property and pay you rent, it's classified as an investment property regardless of its location or quality.

Down payment: 20% minimum. No exceptions. No insurance available.

The Three Mortgage Insurers — Compared

Canada has three mortgage default insurers. Each has different rules for second properties. Understanding these differences is critical because your lender can only offer what their insurer allows.

CMHC (Canada Mortgage and Housing Corporation)

- Crown corporation, government-backed.
- Now allows insured mortgages on up to 2 properties per borrower for homeowner occupancy.
- Property must be suitable for year-round, full-time occupancy with year-round vehicular access.
- Does NOT insure seasonal or cottage properties that lack year-round capability.
- Minimum credit score: 600.
- Down payment: Standard rules — 5% on first \$500K, 10% on remainder up to \$1.5M.
- Some conflicting information exists across CMHC's own publications regarding second home eligibility. Some older sources say only 1 property per borrower. The current CMHC website indicates 2.

Sagen (formerly Genworth Canada)

- Private insurer — largest in Canada by market share.
- Two categories: Type A (year-round, residential quality) and Type B (seasonal/cottage).
- Type A: Up to 95% LTV (5% down). Standard premiums. Must be winterized, year-round access.
- Type B: Up to 90% LTV (10% down). Premium surcharge of 1.10%. Seasonal access OK, boat access OK, no permanent heat required, holding tank plumbing acceptable.
- Maximum of ONE Sagen-insured vacation property per applicant.
- Minimum credit score: 680 for both types.
- Type B: No gifted down payment allowed. Must come from own resources.
- Only insurer that covers seasonal/cottage properties — this makes Sagen critical for cottage buyers.

Canada Guaranty

- Private insurer — "Lifestyle Advantage" program for second homes.
- Properties MUST be winterized with year-round access. Does NOT insure seasonal properties.

- As low as 5% down for qualifying properties.
- Borrowed down payment allowed (unlike CMHC and Sagen in some cases).
- Strong credit profile required.
- Standard documentation and stress test rules apply.

How the Big Banks Classify Properties — The Chaos

This is where it gets messy. Even if an insurer will cover the property, the LENDER decides how to classify it. Different banks have different categories with different rules. The same property could be classified three different ways at three different banks — with dramatically different down payment requirements.

TD Canada Trust

TD has THREE separate categories for non-primary-residence properties:

- Section 4.11 — Cottage Properties: Seasonal OK, boat access OK. Conventional: 50% LTV max, \$500K max loan. Insured (Sagen/CG only): 90% LTV, \$350K max loan. No CMHC.
- Section 4.12 — Recreational/Vacation Properties: Year-round access, meets residential standards. CONVENTIONAL ONLY: 65% LTV maximum (35% down!). NO insured financing available. This is the most punishing classification of any major bank.
- Section 4.13 — Second Home: Owner-occupied or family member rent-free. Up to 95% LTV insured (Sagen/CG). This is the most favourable — standard rules apply.

The critical question at TD: Is the property a "recreational" property or a "second home"? If TD classifies your year-round lake house as "recreational," you need 35% down. If it's classified as "second home" because your family member lives there, you need 5%. Same property. Same buyer. Wildly different outcomes.

Scotiabank

- Type A — Year-round, residential quality: Up to 95% LTV insured (Sagen or CMHC). Conventional up to 80% LTV. This is the most buyer-friendly classification for year-round properties.
- Type B — Seasonal, no permanent heat: Up to 90% LTV insured (Sagen only). Conventional up to 75% LTV.
- Scotia is generally more flexible than TD for vacation properties.

RBC Royal Bank

- "RBC Vacation Home Mortgage" — advertises financing up to 95% of property value with insurance.
- Default insurance required for financing over 80%, and sometimes over 65% depending on property type.
- Least detailed public guidelines — "depends on property type and other factors."

- Generally considered flexible for vacation properties, but specifics are case-by-case.

The Bottom Line on Lender Classification

The same lakefront property near Sylvan Lake could require anywhere from 5% to 35% down depending on which bank you walk into, how they classify the property, and which insurer they use. At TD, a year-round vacation property classified as "recreational" needs 35% down. At Scotiabank, the same property classified as "Type A" needs only 5% down. This is not an exaggeration — it's how the system works.

A mortgage broker shops 20+ lenders to find the one that classifies YOUR property in the most favourable category. This one decision could save you \$60,000 or more in down payment.

Real-Life Scenarios

Cabin in the Rockies (Canmore, Invermere, Fernie)

If the property has year-round road access, permanent heating, and winterized plumbing — which many mountain properties do — it can qualify as a Type A / second home with as little as 5% down. Remote cabins on seasonal roads typically need 10% through Sagen, or 20%+ conventional.

Lake Property (Sylvan Lake, Gull Lake, Pine Lake)

Many Alberta lake properties are year-round homes with full services. These can often qualify for insured financing at 5% down through the right lender. Seasonal-only properties with no permanent heat may qualify at 10% through Sagen. Check with your broker before assuming 20%.

Home for Aging Parents

If your parent lives in the property rent-free, it qualifies as "owner-occupied" under CMHC guidelines. Standard 5% down payment rules apply. This is one of the most underused options in Canadian mortgage lending.

Condo Near Your Child's University

Buying a property for your child to live in while attending U of C, U of A, or U of L qualifies as family-occupied — 5% down. After graduation, you can sell it or refinance as a rental. Many Alberta families use this strategy.

Home for a Sibling Going Through Divorce

If your brother or sister needs a place to live after a divorce, you can purchase a property for them at 5% down if they're an immediate family member occupying it rent-free. Sagen specifically lists siblings in their eligible family members.

Qualification Challenges

Getting the down payment is often the easy part. Qualifying to carry two properties simultaneously is where most buyers hit the wall. Here's what lenders look at:

- Stress test on BOTH properties: You must qualify at contract rate + 2% (or 5.25%, whichever is higher) on both your primary home and the second property.
- GDS and TDS include BOTH homes: Both mortgages, both property taxes, both heating costs, and any condo fees (50%) or HOA fees (100%) for both properties.
- Support payments: Child support, spousal support, and alimony payments are factored into your TDS. Some lenders deduct them from income; others add them as a debt. Both reduce your qualifying power.
- Existing debts: Car loans, credit cards, lines of credit — all count against your TDS on top of both property costs.
- Credit score: Most insured second-property programs require 680+ (Sagen, TD cottage). Some conventional programs accept 650+.

A mortgage broker can run your numbers across multiple lenders to find which one gives you the best chance of approval. Different lenders have different qualification flexibility — particularly for how they treat rental income offsets, support payments, and property classifications.

Why a Mortgage Broker Is Essential for Second Properties

- Access to 20+ lenders: Each lender classifies properties differently. A broker finds the most favourable classification.
- Access to all three insurers: Not all lenders work with all insurers. A broker matches you with the lender that uses the insurer most likely to approve your property.
- Free service: The lender pays the broker's fee. There is no cost to you for most residential mortgages.
- Potential savings: The difference between the worst and best classification for the same property can be \$60,000+ in down payment. A 15-minute call could be the most valuable financial conversation of your year.
- Experience with edge cases: Seasonal properties, boat-access cottages, family-occupied homes, and mixed-use situations all require specific knowledge of which lender handles them best.

Important Disclaimers

This guide provides general information only and is not a commitment to lend, a rate guarantee, or a pre-approval. Insurer guidelines, lender policies, and qualification criteria change frequently. All information must be verified with your mortgage broker before making any decisions.

Down payment requirements, property eligibility, and qualification depend on your specific financial situation, the property type, location, and the lender/insurer combination. Support payments (child support, spousal support, alimony) affect qualification. 50% of condo fees and 100% of HOA fees are included in debt servicing calculations.

Information in this guide was compiled from publicly available lender and insurer guidelines as of March 2026. Policies change without notice. Always confirm current rules with your mortgage broker.

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Ready to explore your options?

Shawn Selanders

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