

Virtual Advice Event Questions and Responses



Put Your U.S. Equity to Work for You the Canadian Way Virtual Advice Event

Questions and Responses from the April 14, 2021 event presented by Alain Forget, RBC Bank

The responses to the questions set forth below offer general information only and are not intended as legal, financial or other professional advice. You should consult your professional advisor about your specific situation.

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QUESTION: *Can I use my Canadian credit score to get a mortgage to purchase a U.S. home?*

RESPONSE: Yes, RBC Bank can qualify you using your Canadian credit history, assets, income, debts from Canada.

QUESTION: *I already own an apartment in Orlando, Florida (debt-free) and have been interested in finding out if I would get a U.S. Dollar loan or refinance, however every time I've called RBC U.S. and asked if I would qualify, I was told that the U.S. property needs to be my "primary residence" which is not logical :) so until I saw the email about this session, I thought there was no avenue for any refinance loan from RBC. The Orlando apartment, obviously, is rented out for a long term rental.*

RESPONSE: Yes, RBC Bank offers refinancing as a mortgage "cash out" for investment properties – up to 75% of the value of the home. However a HELOC on investment property is not available.

QUESTION: *Will that RBC mortgage be on the Canadian side or the U.S. side for someone who has a cross border account?*

RESPONSE: RBC Bank is a U.S. national residential lender just for Canadians so it will be in the U.S. and in USD since the property is located in USA.

QUESTION: *What is FIRPTA and ITIN?*

RESPONSE: FIRPTA means Foreign Investment in U.S. Real Estate Property Tax Act – withholding of 10% from the IRS on the sale of a U.S. property by non U.S. person. ITIN means Individual Tax payer Identification Number for non U.S. residents.

QUESTION: *Does RBC write 'jumbo' mortgages in the U.S.? These are mortgages above \$548,250 U.S. in 2021.*

RESPONSE: Yes, RBC Bank can consider up to \$2M USD.

QUESTION: *Why is it impossible to get home equity for rental properties? I have a rental property in Arizona under an LLC, but have not been able to get home equity or cash out refinancing from RBC.*

RESPONSE: It's a bank lending policy to not offer HELOC on investment property, but mortgage refinancing can be considered.

QUESTION: *Is Home Equity Line against U.S. property or Canadian Property?*

RESPONSE: U.S. property only.

QUESTION: *I spent several months going through the paperwork to move my U.S.-owned home from a different U.S. bank into my RBC fold. Everything was started before the pandemic, then approved after the pandemic was in place. The mortgage never went through because we were unable to travel to the U.S. to sign the documents. The forms couldn't be signed here in Canada and we couldn't travel to the states to sign with no travel being allowed. How can we move forward or do we have wait until we're allowed to travel there?*

RESPONSE: Unfortunately, CA is restricting any mortgage/HELOC non-situs closing as they must be signed in the state. However there might be a potential option depending on your Title Escrow Company in CA to have a closing in Canada under very specific considerations and requirements to comply. Please contact 1 866-283-5928 to speak with one of our Mortgage Advisors on this issue.

QUESTION: *Just to confirm, property in Texas is not eligible for HELOC? That is correct.*

RESPONSE: Unfortunately, Texas doesn't allow any refinancing options (Mortgage or HELOC) at all.

QUESTION: *I have a current HELOC loan with you, can I reset it with the new offer? The home is in LaQuinta California...*

RESPONSE: Yes, please contact our Mortgage Advice Center to discuss.

QUESTION: *Is there any additional paperwork required if the title of the property is held under a Florida Land Trust? Do we need to own the property personally or can it work under an LLC?*

RESPONSE: We recommend you seek professional cross border legal and tax advice. Visit rbcbank.com/hpa.

QUESTION: *Why doesn't RBC offer fixed rate mortgage?*

RESPONSE: RBC Bank offers 3, 5, 7 or 10 year terms with 30 amortization. Fixed rate mortgage like 15 or 30 years require more regulatory oversights and guidelines and since RBC Bank is a portfolio lender just for Canadians we estimate that there is very limited demand and needs for such products.

QUESTION: *Does owning our U.S. property in a (family owned) CDN corporation complicate having a U.S. credit line/mortgage?*

RESPONSE: Unfortunately, we can't offer HELOCs for CDN corporation. However, mortgages can be considered under specific considerations.

QUESTION: *Given the land border closure, how does the signing process work?*

RESPONSE: RBC Bank offers a full remote mortgage process from application to closing. We can arrange a closing as mail away (signing of all the docs) in Canada under specific considerations such as a legal witness.

QUESTION: *Can you refinance an existing RBC mortgage to a lower rate?*

RESPONSE: Yes, under certain specific conditions and depending how far you are in your original term, etc.

QUESTION: *What financing options does RBC provide to a Canadian resident looking to invest in multifamily U.S. properties for the 1st time?*

RESPONSE: RBC Bank is a U.S National Residential Lender just for Canadians and can offer residential mortgage up to a four-plex under specific criteria.

QUESTION: *Does RBC offer construction mortgage loans in the U.S.?*

RESPONSE: No construction loan are offered by RBC Bank. However, if you buy a new construction home from a builder we close the mortgage at the take-over of the finished home or if you build we can refinance when the property is completed.

QUESTION: *Does RBC finance rental properties? If so what's the loan to value limit and the rate premium relative to a vacation home?*

RESPONSE: As a U.S. National Residential Lender just for Canadians, RBC Bank offers mortgages on primary, second/vacation home (80% LTV) and investment property (75% LTV) with very competitive rates. For investment property rates are usually around 1% more than the rates for second/vacation home.

QUESTION: *Is HELOC product available for Condos owned with a Land Lease?*

RESPONSE: HELOCs can be offered on second/vacation home condos. However, not if the property purpose is for rental as an investment. Unfortunately, we can't offer a HELOC if the condo is owned with a Land Lease.

QUESTION: *What are RBC's general underwriting criteria for Canadians? Do you apply more or less similar underwriting rules that you use in Canada in terms of credit score, employment, etc.?*

RESPONSE: Similar underwriting guidelines than in Canada with more documentation requirements.

QUESTION: *Hi, my wife and I have a current mortgage with RBC for our vacation home in California. The rate is 3.75% and we have 2 1/2 years left on the term. Mortgage is around \$270k. Is it worth trying to renegotiate our mortgage with RBC to take advantage of lower rates now?*

RESPONSE: Right now the rates are similar depending of the term. As an example currently our 10 year term is around 3.75%.

QUESTION: *We have an AZ home no debt, value 450,000 U.S. We have a Canadian mortgage of 290,000. Does it make sense to get PLC equity to pay off Canadian Mortgage?*

RESPONSE: It might be an option to consider depending of the currency exchange rate when you purchased your U.S. property and the rate on your Canadian mortgage and if there is any penalty involved.

QUESTION: *Having said all services you offered, may I know what is the turn around? Is there any documentation to us (applicant) I mean, required documentation?*

RESPONSE: The turn-around time for an HELOC or Mortgage in the U.S. is about 30-45 days. The required documentation list to apply for a U.S. mortgage is available in our U.S. Mortgage Advice Center at rbcbank.com/ushomes.

QUESTION: *What if I have a home with no mortgage in the U.S. which is rented out to cover costs of running it as a vacation rental. I am thinking of using the equity in this to help with purchasing a new home in Canada. What do you recommend?*

RESPONSE: You can consider applying for a U.S. mortgage cash-out on your rental/vacation U.S. home, the proceeds of which you can use (USD to CAD) to help buy a new home in Canada.

QUESTION: *Under investment opportunity you mention Canada but not using U.S. home equity to purchase an income property in the U.S.*

RESPONSE: You can use U.S. home equity if you already own a U.S. property and use the proceeds to purchase an income producing property in the U.S. or in Canada.

QUESTION: *I refinanced 3 properties I have in Florida 2 years ago with RBC. Would I be able to get a HELOC for these properties? Is it a good idea to get a HELOC considering the home equity might not be too high?*

RESPONSE: HELOCs are available only on second/vacation homes, not for rental investment properties. However if they are not rentals but second homes and the equity has been built in the last two years a HELOC can be added on top of the mortgage up to a combined maximum of 80% of the current appraised value. The HELOC must be at least for \$25K each subject to underwriting approval.

QUESTION: *What is the lowest amount RBC will do a mortgage for in the U.S.?*

RESPONSE: For mortgage it is around \$85K and for HELOC \$25K.

QUESTION: *Can I set up a HELOC but then not use it for a year, but then draw up the HELOC at a later date?*

RESPONSE: Yes, this is the main purpose of an HELOC – to give you the flexibility to use the credit made available when you need it.

QUESTION: *If RBC is already my U.S. lender, how long does it take to set up a HELOC?*

RESPONSE: Usually between 30-45 days. In this case might be a little less since you already have a mortgage with RBC Bank.

QUESTION: *Is it cheaper to get a HELOC than a mortgage? What are the current rates for each?*

RESPONSE: They are two different financing/refinancing options. Mortgages have a fixed rate for a specific term with principal and interest monthly payments and current rates between 2 7/8% to 3 3/4% depending on the term (3, 5, 7 or 10 year). The HELOC has a variable rate (around U.S. prime rate, currently: 3 1/4%) with interest payments only for 10 years, and a balance that can fluctuate up and down.

QUESTION: *Do we need a Canadian Lawyer?*

RESPONSE: It's a good idea to seek professional cross-border legal and tax advice to discuss your own personal situation. If you are closing on a U.S. mortgage or HELOC in Canada you will need a legal witness.

QUESTION: *If I work in the U.S. and purchase a home in the U.S. using an RBC mortgage, do I pay my taxes in Canada or the U.S.?*

RESPONSE: In this situation, we strongly recommend you seek professional cross border legal, tax and immigration advice. You can find one of our external cross border legal and tax partners at rbcbank.com/hpa who can provide such expertise and advice.

QUESTION: *What would be to total cost of financing a 300K mortgage?*

RESPONSE: It depends which state the property is located in as third party closing costs vary from state to state. Usually in the U.S. all fees, taxes, etc. are considered closing costs from third parties and the lender and may vary from 2 to 4% of the amount of the loan depending of the state. Please visit our U.S. Mortgage Center at rbcbank.com/ushomes which provides some calculators with state specifics.

QUESTION: *Is there a limit to the number of properties you can have?*

RESPONSE: Usually 3-4 mortgaged properties owned in Canada and the U.S. However, it also depends on the borrower's total debt to income ratio and a few other underwriting considerations.

QUESTION: *Is there a min limit on the HELOC loan?*

RESPONSE: Yes, \$25,000 USD.

QUESTION: *I have a property under FL LLC, can I apply for HELOC with my personal credit history?*

RESPONSE: Unfortunately, we can't consider a FL LLC as borrower.

QUESTION: *I have 2 properties in AZ paid for: 1 is used for vacation, 1 is used for investment rental. I deal with RBC U.S. already. How do we facilitate all of the appraisals etc. long distance? How laborious is this process?*

RESPONSE: With RBC Bank everything can be done remotely from application to closing (which can be done in Canada) working with one of our Mortgage Advisors who can assist with the process each step of the way including the appraisal. Usually 30-45 days in the USA from application to closing.

QUESTION: *Do you recommend something like a reverse mortgage for someone that the U.S. property is paid for?*

RESPONSE: RBC Bank doesn't offer reverse mortgages. However, refinancing options we can provide can be considered as a very good cross border financial strategy to access your U.S. Home Equity.

QUESTION: *Does RBC have a tax efficient investment fund that produces U.S. dollars to help with living costs while in the U.S.? We would be using our RBC HELOC for the investment.*

RESPONSE: RBC Bank in the U.S. does not offer USD Investment Funds however RBC in Canada does. Please discuss with your RBC banker or financial planner.

QUESTION: *Do you finance rental properties?*

RESPONSE: Yes, one or two up to 75% loan to value or 25% down.

QUESTION: *Is the HELOC not available on rental property because it is in a LLC or because it is a rental property?*

RESPONSE: Both reasons – no LLC borrowers and no HELOC on rental/investment property.

QUESTION: *What is the 866 number to contact mortgage adviser?*

RESPONSE: 1 866-283-5928

QUESTION: *I own a property in FL but I have now rented it since last April with a lease that will come to terms in Dec. 2021. I have deposited the rent in my RBC Bank checking account and will have accumulated about \$45K by Dec (taking into consideration my reg expenses until then). I am trying to find out where I could invest that money in the short term, knowing that I will probably have to start spending some of it starting in 2022.*

RESPONSE: I will recommend to put the money you don't need in a Money Market Account with RBC Bank. Please visit for more details: rbcbank.com.

QUESTION: *For AZ properties, is signing required to be in U.S. soil?*

RESPONSE: RBC Bank can do mail away closings in Canada for AZ properties.

QUESTION: *We have a home in Palm Desert California. We payed \$80,000 U.S. at par in 2013. It is not a mobile home, but it is a manufactured home. We own the land. It is in 1 of the Country Clubs in Palm Desert. The value is approximately \$180.000 U.S. It is debt free. Are we eligible?*

RESPONSE: Unfortunately, RBC Bank can't offer mortgage nor HELOC on manufactured or mobile homes.

QUESTION: *What is rate of Capital gains tax in U.S. – specifically AZ?*

RESPONSE: Capital gain is a federal (IRS) rate which depends on a number of factors. We recommend you seek professional cross-border legal and tax advice. You can find few options of trusted external firms who can provide such expertise at rbcbank.com/hpa.

QUESTION: *How does Insurance of the property work, there are far more risks in the U.S. due to floods, natural weather issues, earth quakes, etc.?*

RESPONSE: That is correct and depending which state your property is located you should expect to pay higher home insurance premium in the U.S. To find out more and access to U.S. home insurance professionals please visit rbcbank.com/hpa.

QUESTION: *What's the capital gain rate?*

RESPONSE: Capital gains is a federal (IRS) rate which depends on a number of factors. We recommend you seek professional cross border legal and tax advice. You can find a few options of trusted external firms who can provide such expertise at rbcbank.com/hpa.

QUESTION: *How do we facilitate all the appraisals long distance?*

RESPONSE: With RBC Bank everything can be done remotely from application to closing (which can be done in Canada) working with one of our Mortgage Advisors who can assist with the process each step of the way including the appraisal.

QUESTION: *We recently sold a rental home in Calgary and we had \$100,000 capital gains loss. We will be able to carry this over if we ever have a capital gain. When we sell our home in Palm Desert will we have to pay capital gains on our vacation property?*

RESPONSE: U.S. properties owned by Canadians are subject to U.S. (IRS) capital gains as well as Canadian (CRA) rules. We strongly recommend to seek professional cross border legal and tax advice. You can find a few options of trusted external firms who can provide such expertise at rbcbank.com/hpa.

QUESTION: *Can I sell my property in Canada and invest that into purchasing a home in the U.S. and not pay capital gains tax?*

RESPONSE: We strongly recommend you seek professional cross border legal and tax advice. You can find a few options of trusted external firms who can provide such expertise at rbcbank.com/hpa.

QUESTION: *I have a home in Tennessee, are there any special rules for this state if I wanted to renegotiate my mortgage or sell my home, especially with the border closed?*

RESPONSE: There is nothing specific about TN. However, if you are thinking of selling, we strongly recommend you seek professional cross border legal and tax advice.

QUESTION: *If a Canadian citizen is buying a home in the U.S., on which credit history will this transaction show up?*

RESPONSE: To qualify for a U.S. mortgage RBC Bank will pull your Canadian credit history. However, when the mortgage is done it is not reported to the Canadian credit agency.

QUESTION: *I would like to know if RBC provides mortgages in Puerto Rico or somewhere else in the Caribbean? If no, may I use my equity from my condominium in Florida?*

RESPONSE: As a U.S. bank and lender RBC Bank provides mortgages to Canadians buying in all U.S. states. As Puerto Rico is not a state, we don't offer financing there. You may be able to use cash out refinancing mortgage to pull U.S. home equity out to pay for the property in cash.

QUESTION: *Can you set up a LOC for our U.S. Home for a certain \$ amount to be used at a later date if needed for an emergency. Is there a monthly fee for this service?*

RESPONSE: Yes, at any time during the first 10 years you can fluctuate the balance up and down as you wish and only pay the interest on the balance monthly. There is a \$50 annual administration fee to maintain the HELOC.

QUESTION: *Do you do HELOCs on a home in WA state? and NV too?*

RESPONSE: Yes, we do for both.

QUESTION: *I have a rental property in Orlando that does not carry a mortgage. If I want to have a HELOC set up by June 30, what one-time costs do I have to pay? Do I also need to pay the monthly account fee?*

RESPONSE: Unfortunately, we can't provide a HELOC on an investment rental property. We can offer a refinancing mortgage "cash-out", which will be subject to usual third party and lender Florida closing costs (+/- 3% of the amount of the loan). There is no other fee beside the closing costs.

QUESTION: *Do you have to have a mortgage to have a home equity line of credit?*

RESPONSE: No, you can simply have a HELOC on your U.S. property up to 80% of the appraised value in most cases.

QUESTION: *Is a short term rental such as VRBO considered an investment property?*

RESPONSE: Yes, short term rentals (VRBO, AirB andB, etc) are considered investment property if you don't live in the home part of the year.

QUESTION: *I have a mortgage from RBC for the interest of 2.75%. Will I get a better rate if I renew?*

RESPONSE: No, currently our rates for 3, 5, 7 and 10 years are all higher than 2.75% (starting now at 2 7/8% for 3 years as an indication.) Please visit [rbcbank.com/ushomes](https://www.rbcbank.com/ushomes) to see more about rates.

QUESTION: *Do you offer a plan similar to the RBC Homeline plan?*

RESPONSE: The RBC Bank HELOC is not the same as the Canadian Homeline product. There is only one segment at a variable rate.

QUESTION: *We have a home in an LP entity in AZ. Can RBC Bank take over the mortgage from the bank I'm working with today?*

RESPONSE: There is no mortgage switch between banks in the U.S. You may be able to apply for a refinance to pay off your current mortgage and get a new one with RBC Bank.

QUESTION: *Are TDS limits the same as in Canada (~42%)?*

RESPONSE: It's about the same at 40%.

QUESTION: *If I refinance with RBC will I still have to pay PMI?*

RESPONSE: No. PMI only applies for financing over 80% LTV, which RBC Bank doesn't offer.

QUESTION: *How can I use my Canadian HELOC to buy a U.S. home?*

RESPONSE: You can use your Canadian HELOC, however, you will have to exchange from CAD to USD to buy your U.S. property at a current currency rate of about 1.27-1.28. It may be more cost-effective to get a USD mortgage up to 80% to save on currency exchange.

QUESTION: *Is RBC able to do mortgage refinancing in New York City?*

RESPONSE: Yes.

QUESTION: *What would be the advantage of acquiring a HELOC from RBC U.S. vs. my RBC branch here in Canada?*

RESPONSE: Your U.S. HELOC will give you access to USD. So, you won't have to pay currency exchange costs when you need USD for your U.S. expenses.

QUESTION: *We use seasonal rental income to offset expenses. Does that hurt our refi opportunities?*

RESPONSE: No, it doesn't.

QUESTION: *How long does it normally take to get a HELOC approved?*

RESPONSE: In the U.S., the full process for a HELOC or Mortgage is between 30-45 days and it all can be done remotely.

QUESTION: *Is RBC the only Canadian bank with an American equivalent? I really enjoy working with RBC, just curious on this one.*

RESPONSE: No, however RBC Bank is the only U.S. national residential lender as a Canadian owned bank exclusively dedicated to Canadians.

QUESTION: *Does having a HELOC or mortgage reduce a person's capital gains when we sell?*

RESPONSE: Not for non-U.S. persons. To seek professional cross-border legal and tax advice please visit rbcbank.com/hpa to see the list of external trusted cross border legal and tax experts.

QUESTION: *Can I roll my line of credit for home renovations into my current mortgage to minimize payments?*

RESPONSE: Unfortunately, no, as those are two distinct U.S. financing solutions. However a HELOC payment is monthly interest only for 10 years which reduces payments.

QUESTION: *Is U.S. interest tax-deductible?*

RESPONSE: Not on a regular mortgage for a second home for non-U.S. persons. However there are a few cases you may be able to deduct interest when it is for investment purposes so we recommend you seek professional cross border legal and tax advice.

QUESTION: *If I understood correctly, the mortgage amount I may obtain from RBC Bank is based on my Canadian credit history. Correct?*

RESPONSE: Yes, your Canadian credit history is one of the key underwriting criteria. However, income, assets and debts in Canada and the U.S. are also considered to qualify.

QUESTION: *What is a jumbo loan?*

RESPONSE: A jumbo loan in the U.S. is a mortgage over \$545,000.USD.

QUESTION: *We are going to buy property in Texas: \$345,000. Right now we plan to pay in full with cash. Is it possible to get a mortgage?*

RESPONSE: Yes, it is possible to get a mortgage for a purchase of a property in Texas. For second homes we finance up to 80% LTV or 20% down.

QUESTION: *If I submit my application, would I be able to know the mortgage amount in advance so we can go shopping?*

RESPONSE: Yes, you can get a preapproval letter which takes 2-3 days to help you set your budget for that U.S. property purchase at [rbcbank.com/preapproval](https://www.rbcbank.com/preapproval).

QUESTION: *With a HELOC and paying interest only. Can you use the equity to make the interest payment, or do you require outside money for the interest payment?*

RESPONSE: You can cover your interest payment from available credit from your HELOC.

QUESTION: *I have a property in a gated community in Florida and wanted to purchase another property close by in the same community as a rental property. Does that mean it's an investment property and 75% LTV? Also, are mortgage rates higher for investment properties?*

RESPONSE: Yes, that is correct. One of those two properties will be considered an investment property which requires 25% down. The rate will be about 1% higher than the second home rates.

QUESTION: *Are manufactured homes eligible for HELOC if the land is owned?*

RESPONSE: Unfortunately, RBC Bank can't offer HELOC and mortgage on manufactured or mobile homes.

Learn More

For more information, visit [rbcbank.com/ushomes](https://www.rbcbank.com/ushomes) or call 1 866-283-5928.

For pre-approval, visit [rbcbank.com/preapproval](https://www.rbcbank.com/preapproval).



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