

October 13, 2016

## Subject: High-Ratio Mortgage Insurance Changes

On Monday, October 3, 2016 the Minister of Finance announced changes to the eligibility rules for new government-backed insured residential mortgages. Since this announcement, further clarification from the Department of Finance on the new changes was obtained along with modifications to the regulations from the original release.

The following update reflects high-ratio mortgage insurance changes only. A further communication will be made regarding the low-ratio eligibility requirements outlined in the October 3, 2016 Department of Finance announcement.

### Changes to the Qualifying Rate for High-Ratio Insured Residential Mortgages

Effective October 17, 2016 all high-ratio (>80% loan-to-value mortgages) insured homebuyers must qualify using an interest rate that is the greater of their contract mortgage rate or the Bank of Canada's conventional five-year fixed posted rate. The rate is updated weekly and is available on the Bank of Canada's website ([www.bankofcanada.ca/rates/daily-digest/](http://www.bankofcanada.ca/rates/daily-digest/)). The new requirements will apply to all mortgage terms.

Furthermore, debt-servicing ratios (gross debt service ratio (GDSR) and total debt service ratio (TDSR)) must not exceed the maximum allowable limits when the greater of the contract interest rate and the Bank of Canada posted rate qualification criteria is applied. The GDSR must not exceed 39% and the TDSR must not exceed 44%.

The new rules for qualifying rates will not apply to applications that meet any of the following criteria:

- a mortgage insurance application was received prior to October 17, 2016;
- prior to October 17, 2016, the lender made a legally binding commitment to make the loan; or,
- prior to October 17, 2016, the borrower entered into a legally binding agreement of purchase and sale.

For applications received as of October 17, 2016, Genworth's underwriting systems will reflect the new high-ratio qualifying rate criteria for mortgage insurance adjudication, therefore Lenders may continue to submit the contract rate for the loan on submission of the mortgage insurance application.

If you have any questions, please contact myself or your Business Development Leader.

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Regards,



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### Question & Answers

#### 1. When does the new qualifying rate criteria for high-ratio mortgages not apply?

Under any of the following situations, the new criteria will not apply:

- a mortgage insurance application was received prior to October 17, 2016;
- prior to October 17, 2016, the lender made a legally binding commitment to make the loan; or,
- prior to October 17, 2016, the borrower entered into a legally binding agreement of purchase and sale.

#### 2. If a Lender has a mortgage loan where a binding agreement is in place prior to October 17, 2016, and the application is resubmitted with changes on or after October 17, 2016, will the application continue to be eligible for the qualifying rate requirements prior to these recent changes?

Provided the property and the borrower(s) have not changed and there is a binding agreement in place prior to October 17, 2016, then the new qualifying rate requirements will not apply.

#### 3. If a Lender has cancelled a mortgage insurance application (e.g., in error, technology issues) that has a binding agreement in place prior to October 17, 2016 and then needs to re-open or resubmit the application on or after October 17, 2016, will the application continue to be eligible for the qualifying rate requirements prior to these recent changes?

Provided the property and the borrower(s) have not changed and there is a binding agreement in place prior to October 17, 2016, then the new qualifying rate requirements will not apply.

#### 4. What if a borrower(s) has a mortgage pre-approval from a Lender prior to October 17, 2016, will the borrower(s) still be eligible for qualifying rate requirements prior to the recent changes if they don't have a signed agreement of purchase until on or after October 17, 2016?

If the Lender has a binding agreement in place to make the mortgage loan that is signed and dated prior to October 17, 2016, then the new qualifying rate requirements will not apply.

#### 5. What would happen if there was an approval with Lender "A" with the existing mortgage insurance qualifying rate requirements and the same application is then submitted by Lender "B" after October 17, 2016?

If the original application from Lender A was submitted prior to October 17, 2016 and the borrower(s) and property have not changed, the new qualifying rate requirements will not apply for Lender B.

#### 6. Do these new qualifying rate requirements apply to Genworth approved Affordable Housing programs?

Yes.