March 12, 2020

CANADA GUARANTY

LENDER UPDATE

New Benchmark Qualifying Rate for Insured Mortgages

Effective April 6, 2020

In February, the Government of Canada announced a new benchmark rate that will apply to all insured mortgages effective April 6, 2020.

The new benchmark rate will be determined as follows:

- The weekly median 5-year fixed insured mortgage rate will be calculated by the Bank of Canada (“BOC”) from federally-backed mortgage insurance applications adjudicated by mortgage insurers; plus a buffer of 200 basis points, to be set by the Minister of Finance.

- The weekly BOC benchmark rate will be published on a Wednesday (www.bankofcanada.ca/rates/daily-digest/) and will come into effect at 12:01 a.m. the following Monday.

For mortgage insurance qualification purposes, all insured homebuyers must qualify for mortgage financing using an interest rate that is the *greater* of the contract mortgage rate or the Bank of Canada benchmark rate (i.e., the Bank of Canada’s median 5-year fixed insured mortgage rate plus 2% buffer). Below, please find additional clarity regarding the application of the benchmark rate:

- All new mortgage applications submitted for insurance are subject to the qualifying interest rate in effect as of the date of submission.

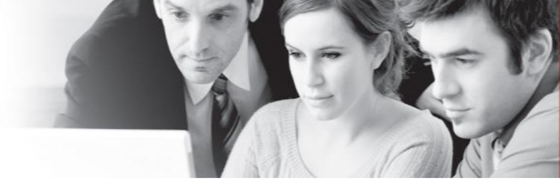
- Applications for mortgage insurance approved prior to the rate increase are still valid and do not require resubmission to reflect the rate change.

- If the mortgage insurance application is received after the effective date of the new benchmark rate, the previous lower benchmark rate can be used, provided the lender made a legally binding commitment to make the loan to the borrower prior to the effective date of the benchmark rate change.

As a reminder, Canada Guaranty’s Vantage underwriting system will be updated to reflect the new BOC benchmark rate for qualification purposes. As a result, Lenders must continue to submit the contract rate for the loan upon submission of the mortgage insurance application.

CANADA GUARANTY

Canada Guaranty Mortgage Insurance Company
1 Toronto St., Suite 400, Toronto, ON M5C 2V6
www.canadaguaranty.ca | 1.877.244.8422



Please take a moment to review the following page, which includes answers to frequently asked questions.

Throughout this implementation, we remain committed to working with our partners to ensure a seamless transition to this new stress test. Please do not hesitate to contact a member of our Business Development Team with any additional questions.

Darren Kirk
Vice President, Regional Sales

403.473.8482
1.866.414.9109 ext. 7003
Darren.Kirk@canadaguaranty.ca

Liz Sanchez
Director, National Accounts

647.278.3536
1.866.414.9109 ext. 7070
Liz.Sanchez@canadaguaranty.ca

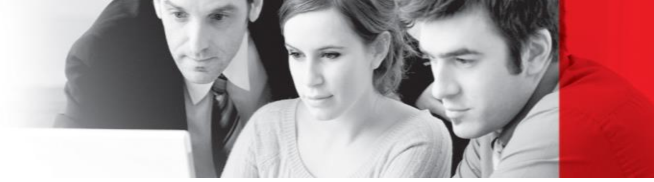
David Napoleone
Director, National Accounts

647.287.8545
1.866.414.9109 ext. 7086
David.Napoleone@canadaguaranty.ca

Thank You,

Mary Putnam
Vice President, Sales and Marketing
Canada Guaranty Mortgage Insurance Company

Telephone 416.640.8936 | Toll Free 1.866.414.9109 ext. 8936
E-mail mary.putnam@canadaguaranty.ca



FREQUENTLY ASKED QUESTIONS

1. **If a Lender has submitted a mortgage insurance application prior to a benchmark rate increase, and the application is resubmitted with changes after the benchmark rate increase, will the application continue to be eligible for the lower benchmark rate in place at the time of initial submission?**

   Provided the property and the borrower(s) have not changed, the benchmark rate in place at the time of initial submission can still be used.

2. **If a Lender has cancelled a mortgage insurance application (e.g., in error, technology issues) that was initially submitted prior to the benchmark rate increase and then needs to re-open or resubmit the application on or after the date the benchmark rate has increased, will the application continue to be eligible to use the lower benchmark rate in place at the time of the initial submission?**

   Provided the property and the borrower(s) have not changed, the benchmark rate in place at the time of initial submission can still be used.

3. **What if the borrower(s) has/have a mortgage pre-approval from a Lender prior to the benchmark rate increasing, will the borrower(s) still be eligible for the lower benchmark rate in place at the time of the pre-approval if they don't have a signed agreement of purchase until on or after the date of the rate increase?**

   Yes, if the lender has a binding agreement in place to make the mortgage loan that is signed and dated prior to the benchmark rate increasing, the benchmark rate in place at the time the agreement was made can be used.

4. **What if a borrower(s) has a signed agreement of purchase prior to the benchmark rate increasing, but did not have a pre-approval in place with a lender?**

   If the Lender did not have a binding commitment to make the loan in place prior to the benchmark rate increase, the new benchmark rate will apply, even if the borrower has a binding agreement of purchase and sale signed prior to the benchmark rate increase.

5. **What would happen if there was a binding commitment to make the loan with Lender "A" using the lower benchmark rate and a new application is then submitted by Lender "B" after the benchmark rate increased (Lender "B" did not have a binding commitment to make the loan prior to the benchmark rate increase)?**

   Given Lender "B" did not have their own binding commitment to make the loan in place prior to the benchmark rate increase, the new benchmark rate will apply.

6. **Will the new benchmark rate be applicable for portfolio insurance transactions?**

   Yes, all loans that will be insured (both transactional and portfolio insured) must meet the qualification criteria as outlined.