



February 6, 2025

CANADA GUARANTY

LENDER UPDATE

MINIMUM QUALIFYING RATE EXCEPTION FOR LOW-RATIO PORTFOLIO INSURED SWITCHES

Effective December 16, 2024, following [confirmation by the Department of Finance](#), borrowers with an **uninsured mortgage** who wish to switch from a **federally regulated lender** to any new lender are no longer required to qualify using the minimum qualifying rate (MQR) when applying for low-ratio mortgage insurance (mortgages with a loan-to-value ratio of up to 80%). This change is effective immediately.

Canada Guaranty is pleased to support these changes, and we want to use this opportunity to provide you with an overview of the changes:

- The requirement for applying the MQR on low-ratio straight switches is not applicable if the following criteria are met:
 - Borrower's mortgage was originated at a federally regulated financial institution,
 - A collateral charge that has any non-amortizing component cannot be switched without the MQR,
 - The amortization period at time of the straight switch must be the lesser of the remaining amortization on the loan or 25 years,
 - The unpaid principal balance may be increased up to a maximum of \$3,000 to cover transaction costs.

Other Parameters

- **Effective date:** these measures are available for low-ratio mortgage insurance applications (LRU) that are submitted, including previously submitted applications that are resubmitted, on or after December 16, 2024. For non-LRU portfolio insurance transactions, eligible loans must be originated on or after December 16, 2024.
- All other eligibility criteria for government-guaranteed mortgage insurance will continue to apply.

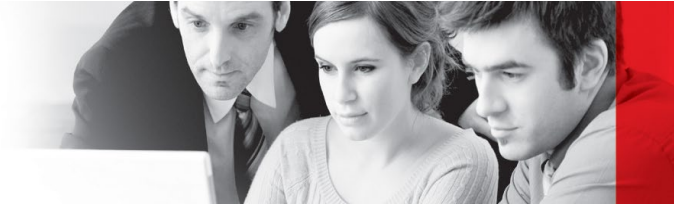
For further guidance, please see the accompanying Frequently Asked Questions and a [link](#) to the government announcement.



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If you have any questions related to this update, please feel free to contact your appropriate Canada Guaranty representative below.

As always, we remain available to answer any questions or to discuss your borrowers' unique circumstances. Please do not hesitate to contact a member of our team with any questions.

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Thank you for your continued partnership and support,

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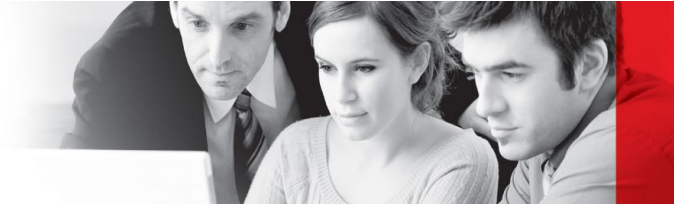
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FREQUENTLY ASKED QUESTIONS on minimum qualifying rate exception for low-ratio portfolio insured switches

1. If an application was submitted by a lender for a switch prior to the rule changes, are they eligible to resubmit and be qualified without the minimum qualifying rate?

Yes, for LRU transactions, loans may be resubmitted on or after December 16, 2024, when applying the exception to the MQR.

2. Is there any expectation for lenders to apply a stress-test in lieu of the minimum qualifying rate criteria?

Lenders are expected to follow its own guidelines related to qualifying interest rates, subject to reasonableness and prudence.

3. Is there a list available of federally regulated financial institutions?

OSFI offers a publicly available list of financial institutions that are considered federally regulated. The list can be accessed here: [Who we regulate - Office of the Superintendent of Financial Institutions](#)

4. Are straight switches that are renewed prior to the end of the term eligible to qualify without the minimum qualifying rate?

Yes, early renewals are permitted. At time of the renewal the unpaid principal balance may be increased up to a maximum of \$3,000 to cover transaction costs, such as, lender penalties or fees.

5. If the borrower has an existing collateral charge with multiple components, including revolving (non-amortizing) components, can the new lender transfer in the total outstanding balance of all the components within the collateral charge without applying the MQR?

No, given the lender is transferring in the total outstanding balance (including the balance of the non-amortizing components), the lender must apply the MQR to be eligible for mortgage insurance.

6. If the borrower has multiple amortizing mortgage components and no non-amortizing components, can the new lender transfer all components and apply the MQR exception?

Yes, given all components are amortizing, the lender may apply the MQR exception. If collapsing into one component at time of the straight switch, the lender may blend the amortization of the amortizing components. Note – if combining into one component, the amortization at time of switch must be the lesser of the blended amortization or 25 years.

