

CANADA GUARANTY

LENDER UPDATE**Support for Homeowners Impacted by Rising Interest Rates**

With rising interest rates, mortgage payments have increased substantially for many borrowers. While homeowners have generally accommodated these increases in their budget, for some, it can be a contributing factor to financial difficulty.

To date, Canada Guaranty has seen little to no sign of increased delinquency rates in our portfolio, including our adjustable-rate portfolio. Our partners continue to be supported by our [Homeownership Solutions Program](#), which allows lenders to take immediate action to determine the best solutions for their customers – without requiring prior approval. Our guiding principle has always been that these solutions are available and can be initiated *directly* by the lender, ensuring they can provide fast and effective counsel to their clients in need.

Canada Guaranty understands that some homeowners may face potential default as a result of increasing mortgage payments. Further to the solutions already available through the Homeownership Solutions Program, Canada Guaranty is pleased to offer lenders additional guidance around the use of extended amortizations.

Amortization Extension Criteria

Applicable to loans with a current loan-to-value ratio of 70% or greater, as determined by an AVM, Home Price Index, or appraisal:

1. **The amortization can be extended as necessary to reduce the current GDS to 39% but not lower;** and
2. **Up to a maximum amortization of 40 years from the Interest Adjustment Date (“IAD”).**

Example

In the following example, the homeowner’s current payment is unaffordable with a 23-year amortization and the GDSR at 45.7%. By extending the amortization to 38 years (40 years less time elapsed since the IAD), the GDSR can be brought down to 39%.

	Current Payment	Workout Option
Principal and Interest	\$2,489	\$2,065
Property Tax	\$290	\$290
Heat	\$100	\$100
Total Shelter Payment	\$2,879	\$2,455
Income	\$6,300	\$6,300
GDSR	45.7%	39.0%
Remaining amortization	23 years	38 years

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Understanding a borrower's current financial situation is important to determining hardship. Lenders should use their existing assessment process, consistent with that used for conventional (uninsured) mortgages. All viable alternatives should be considered, including a refinance, debt consolidation, and/or payment reduction with other creditors, etc. Documentation confirming the financial situation, income, and conclusions must be retained on file. This extended amortization solution serves as a supplement to Canada Guaranty's Homeownership Solutions Program and is in effect until further notice.

Where a lender may consider supporting a default management solution not already included within our Homeownership Solutions Program, they are invited to contact Canada Guaranty's Loss Management team for additional consultation:

CANADA GUARANTY | LOSS MANAGEMENT TEAM

- Toll Free: 1.866.414.9109 Ext. 7001
- E-mail: lossmanagement@canadaguaranty.ca

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.

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
Jason Neziol Director, National Accounts	416.564.7236 1.866.414.9109 Ext. 7057	Jason.Neziol@canadaguaranty.ca

Thank you,

Mary Putnam

Senior Vice President, Sales & Marketing
Canada Guaranty Mortgage Insurance Company
www.canadaguaranty.ca

Telephone 416.640.8936

Toll Free 1.866.414.9109 ext. 8936

E-mail mary.putnam@canadaguaranty.ca