

Q & A Government Regulatory Changes

New Qualifying Rate Rule Changes for both Conventional and Insured (CMHC/Genworth) Mortgages:

Do the new qualifying rate rules apply to both conventional and insured mortgages?

Yes. Similar to today, our policy will use the same qualifying rate rules for both conventional and insured mortgages

If I have a pre-approval prior to April 19th will the old qualifying rate rules apply if I enter the complete application after April 19th?

If you have a pre-approval which you **have not** converted to a real deal and you **do not** have a Purchase Agreement signed prior to April 19th, then the new Post-April 19th qualifying rules would apply.

However, if you have a signed Purchase Agreement prior to April 19th then the old (pre-April 19th) qualifying rate rules would apply. You will need to advise the underwriter that a Purchase Agreement was signed prior to April 19th.

Will pre-approvals be valid if they expire past April 19th?

No. If the pre-approval expires the new rules will apply.

If I complete a pre-approval before April 19th, would my customer still be automatically approved if he/she finds a property after April 19th or would the deal need to be re-adjudicated, using the new rules?

The deal will need to be adjudicated based on the new (Post-April 19th) qualifying rate. The regulatory requirements stipulate that the customer must have a **signed** Purchase Agreement prior to the April 19th date.

The regulations stipulate that a signed Purchase Agreement must be in place prior to April 19th. Does that also mean that all conditions must be waived?

All conditions do not have to be waived, however if the purchase falls through because the purchaser couldn't satisfy the conditions and the borrower purchased a different property then the new rules would apply if the new purchase was signed on/after April 19th.

Under what scenarios will a customer lose their pre-April 19th mortgage approval that would require them to be re-adjudicated under the new rules?

None. If the application has been approved **prior** to April 19th, all changes will be re adjudicated based on the qualifying rules **prior** to April 19th.

Will there be any exceptions for my deals that were approved prior to April 19th 2010?

The Government's announcement advised "Exceptions would be allowed after April 19th where they are needed to satisfy a binding purchase and sale, financing, or refinancing

agreement entered into before April 19, 2010". If your deal has been approved prior to April 19th, the old qualifying rules will apply for that deal.

What will happen if my customer's refinance application was approved prior to April 19th but then the customer required additional funds?

The mortgage will be qualified based on the qualifying rate prior to April 19th, even with the additional funds.

What will happen to a customer's application, if it is approved on April 19th?

The new qualifying rate rules will be in effect as of April 19th; as such your application will be approved based on the new guidelines.

Maximum Loan to Value when Refinancing an Owner Occupied Residential Property:

Is the 90% Loan to Value announced in the change for refinances only, or will it impact purchases?

The 90% Loan to Value is for refinances only, not purchases. Purchasers may still borrow up to 95% of the home value, while refinancing is restricted to withdrawing up to 90% of the home value.

Maximum Loan-to-Value for Non-Owner Occupied (Rental) Residential Properties:

How do these changes impact rental properties?

A minimum down payment of 20% is required for non-owner-occupied properties. This stipulation does not include our "2nd home" policy at this time.

What happens if a customer has bought a condo (non-owner occupied) and he has approval in place under the old rules, does he now have to put down 20% under these new rules if it closes after April 19th?

No, the customer does not need to increase their down payment as long as the customer has an approval and a signed Purchase Agreement in place prior to April 19th. The property can close after April 19th 2010.