



Lendwise

Smart sensible mortgages

Product and Policy Guide

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Section 1 – Product Descriptions

General Product Information

Available Products

The following table provides a brief description of the available products:

Name	Description
High Ratio Mortgage	Mortgage with LTV > 80%
Conventional Mortgage	Mortgage with LTV's up to 80%
Investment/Rental Mortgage	Mortgage for borrowers investing in a rental property

Information in this section applies to both products, unless specifically noted otherwise.

Loan Term

The Lender offers the following mortgage terms

- 3 year fixed
 - 3 year Adjustable Rate (ARM)
 - 5 year fixed
 - 5 year Adjustable Rate (ARM)
-

Maximum Amortization

The maximum amortization is 30 years, based on monthly payments and product type for conventional mortgages (<80% Loan to Value). The maximum amortization is 30 years, based on monthly payments and product type for high ratio mortgages (>80% Loan to Value)

Minimum Amortization

Minimum amortization 10 years. Product and program specific requirements apply.

Payment Frequencies and payment options

The Lender allows the following payment frequencies in application:

- Monthly
 - Semi-Monthly
 - Accelerated Bi-weekly
 - Accelerated Weekly
-

General Product Information, Continued

Pre-payment Privileges

Mortgages are closed however, when not in default of any terms, covenants, conditions or provisions contained in the mortgage, the borrower shall have the following privileges for payment of extra principal amounts:

During each calendar year following the advance of funds, borrower may, without penalty:

- Make prepayments totaling up to twenty percent (20%) of the original principal amount of the mortgage. The minimum lump sum prepayment amount is \$1000;
- Increase the payment by a total up to twenty percent (20%) of the current payment so as to reduce the amortization of the mortgage without changing its term

No prepayment may be made before the term of the mortgage begins. These privileges are not cumulative and do not apply if the borrower is prepaying more than twenty percent (20%) of the original principal amount of the mortgage, even if the borrower has not used the privilege in the calendar year in which the prepayment is made.

Mortgage Penalties

Fixed Rate Mortgage

The borrower may prepay the mortgage at any time upon payment of a penalty equal to the GREATER of:

1. The interest differential based on the difference between the current interest rate of the mortgage and the current lender rate for the same remaining term, calculated over the term remaining on the mortgage, all as determined by us at our sole direction. Remaining term is defined as the date of prepayment to the maturity date of the mortgage; or
2. three (3) months' interest calculated at the current interest rate of the mortgage

ARM Mortgage

Adjustable Interest Rate Mortgages

If you have an adjustable rate on your mortgage, payment of a prepayment charge equal to 3 months interest calculated on the outstanding loan amount.

See product and policy specific policy sections for details

Blended Rates, Same Maturity or Extended Maturity

The lender will provide the option of a blended rate for borrowers who require additional funds (refinance) or wish to early renew with a penalty during the term of the mortgage.

****Please refer to the transaction and (if applicable) penalty guide****

The applicable penalty can be added to the mortgage or paid up front.

Rate Hold Period

The rate hold is up to 30 days. See product and program specific guidelines.

High Ratio Mortgage

Description The High Ratio Mortgage offers borrowers mortgages with as little as 5% down.

- Key Features**
- Fixed Rate Option available
 - Adjustable Rate Option available
 - Loans up to 95% of purchase price
 - Amortization up to 30 Years
 - Refinance Closing Program
-

Lending Areas This product may be originated in the following provinces:
British Columbia, Alberta, Manitoba, Ontario

- Eligible Occupancy Types**
- Primary – owner occupied residence
-

- Eligible Transactions**
- Purchases
 - Refinance
 - Debt Consolidation
 - Mortgage Consolidation
 - Asset enhancement
 - Renovations
 - Equity Take out
-

- Eligible Doc Types**
- Full documentation
-

High Ratio Mortgage, Continued

Minimum Loan Amount \$100,000

Maximum Loan Amount \$2,000,000

**Minimum
Beacon Score –
Full
Documentation**

The following table provides the minimum credit score requirements for full documentation loans originated using this product:

Occupancy Type	# of Units	LTV	Primary Income Earner	Co-Borrower
Primary Residence	1-4	85.01%-95% 85% or less	680 650	650 620



In addition to meeting the minimum credit score requirements, all borrowers must also meet the credit guidelines described in Section 2, as applicable.

High Ratio Mortgage, Continued

LTV and Loan Limits – Full Documentation

The following table provides the LTV loan amount limits for full documentation loans originated using this product:

Primary Residence – Full Documentation			
# of Units	Max Loan Amount	Purchase	Refinance
		Max LTV	Max LTV
1-2	\$2,000,000	95%	85%
3-4	\$2,000,000	90%	85%

Equity Take Out Restriction

The following table provides the restrictions on the amount of cash out that the borrower can receive in a equity take-out refinance transactions:

Restriction on Amount of Equity Take Out		
Loan Amount	LTV	Equity Take Out
\$2,000,000	All	\$200,000

NOTE: Product and program specific policies apply.

Conventional Mortgage

Description The Conventional mortgage offers borrowers a product with no mortgage insurance premium.

- Key Features**
- Fixed Rate Option available
 - Adjustable Rate Option Available
 - Loans up to 80% of purchase price
 - Amortization up to 30 Years
 - No mortgage insurance premiums
 - Investment/Rental property available
 - Refinance Closing Program
-

Lending Areas This product may be originated in the following provinces:

British Columbia, Alberta, Manitoba, Ontario

- Eligible Occupancy Types**
- Primary – owner occupied residence
 - Investment – non owner occupied (rental) residence
-

- Eligible Transactions**
- Purchases
 - Refinance
 - Debt Consolidation
 - Mortgage Consolidation
 - Asset enhancement
 - Renovations
 - Equity Take out
-

- Eligible Doc Types**
- Full documentation
-

Conventional Mortgage, Continued

Minimum Loan Amount \$100,000

Maximum Loan Amount \$1,500,000.

Minimum Credit Score – Full Documentation

The following table provides the minimum credit score requirements for full documentation loans originated using this product:

Occupancy Type	# of Units	Loan to Value	Primary Income Earner	Co-Borrower
Primary Residence	1-4	Up to 80%	650	620
Investment	1-4	Up to 80%	650	620

NOTE : Minimum beacon of 700 for refinance of investment condo. Co-borrower requires minimum 650 beacon score



In addition to meeting the minimum credit score requirements, all borrowers must also meet the credit guidelines described in Section 2, as applicable.

Conventional Mortgage, Continued

LTV and Loan Limits – Full Documentation

The following table provides the LTV and loan amount limits for full documentation loans originated using this product:

Primary Residence – Full Documentation			
# of Units	Max Loan amount	Purchase	Refinance
		Max LTV	Max LTV
1-2	\$1,500,000	80%	80%
3-4	\$1,500,000	80%	80%

Investment Property – Full Documentation			
# of Units	Max Loan amount	Purchase	Refinance
		Max LTV	Max LTV
1-2	\$1,000,000	80%	80%
3-4	\$1,000,000	80%	80%

NOTE: Minimum beacon of 700 for refinance of investment condo. Co-borrower requires minimum 650 beacon score

Equity Take Out Restriction

The following table provides the restrictions on the amount of cash out that the borrower can receive in a cash-out refinance transactions:

Restriction on Amount of Equity Take Out		
Loan Amount	LTV	Equity Take Out
\$1,500,000	All	200,000

NOTE: Product and program specific policies apply.

Fixed Rate Mortgage

Product Description

- The Fixed Rate Mortgage is a closed mortgage that offers clients the comfort of knowing their monthly payment will not change throughout the term of the mortgage.

Terms

- 3 year or 5 year term

Qualifying Interest Rate

- The qualification rate for high ratio (loan to value > 80%) fixed rate with terms less than 5 years will be qualified based on the greater of the benchmark 5 year fixed rate or contract rate.
- The qualification rate for high ratio (loan to value > 80%) fixed with a term of 5 years or more, is the contract interest rate.
- The benchmark rate is posted on the following website <http://www.bankofcanada.ca/en/rate/interest-look.html>
- For conventional (loan to value <80%) fixed rate terms less than 3 years, the qualifying interest rate is the greater of the 3 year fixed rate or the contract rate
- For conventional (loan to value <80%) fixed rate terms of three years or more, the contract rate is used.

Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.

Minimum Credit Requirements

- Primary income earner 650+, co-borrower 620+ for loan to values less than 85%
- Primary income earner 680+, co-borrower 650+ for loan to values 85.01% to 95% (note max refinance up to 85%)
- **Note product and program specific requirements apply**

Refinance Additional Funds

- Maximum \$200,000 all loan to values

Amortization

- Minimum amortization 10 years. Up to 30 years high ratio (additional Mortgage Insurer Premium applies for high ratio) and up to 30 years conventional

Units

- Up to 95% loan to value for 1 – 2 units for purchases, Up to 85% loan to value 1-2 units refinance, Up to 90% loan to value for 3 – 4 units purchase and up to 85% loan to value for 3-4 units refinance

Pre-approvals

- Not Permitted

Prepayment Penalty

For terms 5 years or less

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by the Lender for a term closest to the term remaining on the mortgage.

Interest Rate

- Fixed for the term of the mortgage.
- Interest is compounded semi-annually, not in advance.

Loan to Value

- Up to 95% insured for 1 – 2 units for purchase, Up to 85% insured for 1-2 units for refinance, Up to 90% insured for 3 – 4 units purchase and up to 85% insured for 3-4 units refinance, 80% conventional

Insurance Premium

- Mortgage Insurer Premiums calculated on Principal Balance based on the loan-to-value ratio

Adjustable Rate Product

Product Description

- The Adjustable Rate Mortgage (ARM) is a closed mortgage that offers your customers the ability to take advantage of low, short-term interest rates while offering them the peace of mind that they can convert to a Fixed Rate Mortgage at any time during the term (see below).

Terms

- 3 year or 5 year term

Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

Qualifying Interest Rate

- The qualification rate for high ratio (loan to value > 80%) ARM rate will be qualified based on the greater of the benchmark 5 year fixed rate or contract rate.
- The benchmark rate is posted on the following website <http://www.bankofcanada.ca/en/rate/interest-look.html>
- For conventional (loan to value < 80%) ARM applications, your customer will be qualified on the greater of the current lender 3 year Fixed Rate or the current ARM rate.

Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.

Amortization

- Minimum amortization 10 years. Up to 30 years high ratio (additional Mortgage Insurer Premium applies for high ratio) and up to 30 years conventional

Units

- Up to 95% loan to value for 1 – 2 units purchase, Up to 90% loan to value for 3 – 4 units purchase
- Up to 85% loan to value 1-2 units refinance, Up to 85% loan to value for 3 – 4 units refinance

Payment Amount

- Your customer's payment amount is based on their current interest rate and amortization.

Conversion to Fixed Rate

- Your customer can convert their ARM to a Closed Fixed Rate Mortgage at the then current Lender pricing
- The new fixed rate term must be greater or equal to the remaining term left on their ARM.
- No rate hold is available on conversions.

Pre-approvals

- Not Permitted

Prepayment Penalty

3 or 5-year term

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

Minimum Credit Requirements

- Primary income earner 650+, co-borrower 620+ for loan to values less than 85%
- Primary income earner 680+, co-borrower 650+ for loan to values 85.01% to 95% (note max refinance up to 85%)
- **Note product and program specific requirements apply**

Refinance Additional Funds

- Maximum \$200,000 all loan to values

Interest Rate

- Based on the current Prime Rate of the Lender. Your customers will be notified of any interest rate

changes in advance.

- Interest is compounded monthly, not in advance.

Rate Policy

- Interest rate at funding will be current ARM rate at 5 business days prior to funding.

Loan to Value

- Up to 95% insured for 1 – 2 units for purchases/Up to 85% insured for 1 – 2 units for refinance, Up to 90% insured for 3 – 4 units purchase and up to 85% insured 3-4 units refinance, 80% conventional

Insurance Premium

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

Investment/Rental Property Program Details

Product Description

- This program is suited to home buyers who have established an excellent credit history and wish to invest in a rental property.

Terms And Rate Type

- 3 year or 5 year fixed rate term, 3 year or 5 year ARM

Qualifying Rate

- See Fixed Rate, Adjustable Rate section for details

Payment Frequency

- Accelerated Weekly
- Accelerated Bi-Weekly
- Monthly
- Semi-Monthly

Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.

Eligible Properties

- Maximum 4 units – no commercial component permitted. Current zoning must permit residential use.
- New Construction or existing properties
- Property must meet the following criteria:
 - Municipal zoning
 - Fully self-contained units – non-conforming basement suites not permitted
 - Remaining property (economic) life must exceed the amortization of the loan by a minimum of 5 years

Property Details

- New construction required documentation is appraiser's market rent or lease agreements
- The Lender requires assignment of rents
- Maximum 5 mortgaged residential properties total (inclusive of subject property). Maximum 4 rental properties. Rental Property 1 + 2 + 3 + 4 = \$1.0 million. Any amount above \$1.0 million will be considered on an exception basis.

Ineligible Properties

- Leasehold properties
 - Co-operative/co-ownership housing
 - Mobile homes
 - Heritage homes or designated Historical Home
 - Time share properties
 - Life leases
 - Geo-thermal/dome homes
 - Rent-to-own properties
 - Commercial, industrial or mixed use properties or zoned other than residential
 - Working farms (including hobby farms)
 - Vacant land
 - Rural areas with population less than 5,000
 - Log homes
 - Homes on reserve lands
 - Condos with high percentage of rental units or deficit reserve funds
 - Post tension construction properties
 - Properties that have been confirmed as prior grow ops
- Power of sale properties as they are sold "as is" may be considered upon the recommendation of the Regional Credit Manager for good supporting broker and subject to a full appraisal and acceptance by a mortgage insurer.

Prepayment Policy

- Prepay up to 20% of the Original Principal Balance each year based on the anniversary of the loan (minimum payment is \$1000).
- Increase payments by up to 20% of the original registered amount each anniversary year.

Minimum Credit Requirements

- Borrowers should have a strong history of managing their credit
- Two (2) trade lines with at least two (2) years history
- No prior bankruptcy
- Primary income earner 650+, co-borrower 620+ for loan to values up to 80% both purchase and refinance transactions
- Primary income earner 680+, co-borrower 650+ for loan to values 85.01% to 90%
- Product and program specific guidelines apply
- **Note:** Minimum score for refinance of investment condos is 700

The Lender will consider applications with lower scores based on the overall merit of the application and where other risk mitigating factors exist.

Amortization

- Minimum amortization 10 years. Up to 35 years high ratio (additional Mortgage Insurer Premium applies for high ratio transactions)

Borrower Qualification

- Maximum 40% TDS
- Owner occupied properties
- 50% of gross income may be included in the borrower's gross income

- Other rental properties
- rental income to be confirmed with recent T1 generals
- if there is a rental surplus, this amount can be added to the borrowers gross annual income
- If there is a shortfall – the shortfall is added to “other monthly obligations”

- Where rental income cannot be validated with T1 generals, the full principal, interest and taxes must be included in “other Monthly Obligations” and 50% of gross rental income added to borrowers gross annual income

- The lender will continue to use 80% rental off-set for both owner occupied and rental properties.

- **NOTE:** Income from a non-conforming basement suite will be considered on an exception basis only and is typically not used. CMHC will not accept income from a non-conforming basement suite

Leases

(If a current lease cannot be provided to verify rental income, the lender requires a signed lease agreement and/or reasonable documentation such as: A signed valid Void cheque from the lessee with 12 month history associated with renting the premises. – (If validating income as per Economic rents, this documentation must be provided from the lender's approved appraiser (Solidifi appraisals) or an accredited Realtor.)

If rent is from a secondary home which is not jointly owned by all parties to the lender request the amount of rental income used will be proportionate to the percentage of ownership –(e.g. only ½ rental income qualifies – if property owned 50% then 25% of the rental income would qualify to be included in income)

- Down payment from borrower's own resources
- Personal guarantees are required when the borrower is not an individual (e.g. corporate entity). Articles of incorporation, Borrowing resolution or borrowing by-law are also required. Personal guarantee must cover 100% of the mortgage loan. The company must be a holding company and not an operating company.
- The personal guarantee cannot be released without prior consent from the mortgage insurer
- Two (2) trade lines with at least two (2) years history

Units

- Maximum 4 units

Pre-approvals

- Not Permitted.

Prepayment Penalty**For Fixed Rate terms 5 years or less:**

- Greater of IRD or 3 month's Interest. IRD is based on difference between customer rate and the then current interest rate offered by the Lender for a term closest to the term remaining on the mortgage.

3 or 5 year ARM term

- 3 months interest at the current customer rate on the prepaid amount that exceeds the annual prepayment allowance.

Interest Rate

- 3 year or 5 year Rental posted Fixed Rate, 3 year or 5 year Rental ARM posted

Loan to Value

- Up to 80% purchase and refinance

Insurance Premium

- Mortgage Insurer Premiums are calculated on Principal Balance based on the loan-to-value ratio

Eligible Transactions

- Purchase, Refinance

Ineligible Transactions

- Vacation Properties, Flexible Down Payment

Refinance Closing Program Details

Product Description

- The Refinance Closing Program allows your customer to refinance their existing mortgage without the need to find their own solicitor, and in most cases, have the documents signed in the comfort of their own home.

Acceptable Purpose

- Transfers from other Financial Institutions where additional funds are required.
- Increase of an existing borrower mortgage

Pricing

- Ontario: \$499 +PST/GST (plus cost of registering the new charge and discharge)
- Alberta: \$409 + PST/GST (plus cost of registering the new charge and discharge)
- British Columbia: \$479 +PST/GST (plus cost of registering the new charge and discharge)
- Saskatchewan: \$499 + PST/GST (plus cost of registering the new charge and discharge)
- Manitoba: \$499 + PST/GST (plus cost of registering the new charge and discharge)
- Nova Scotia: \$559 + PST/GST (plus cost of registering the new charge and discharge)
- Prince Edward Island: \$499 + PST/GST (plus cost of registering the new charge and discharge)
- Newfoundland and Labrador: \$559 + PST/GST (plus cost of registering the new charge and discharge)
- New Brunswick: \$559 + PST/GST (plus cost of registering the new charge and discharge)

***The costs of registering a new charge and discharge** of the existing mortgage can vary and are administered by the province.

The prices above include:

- All necessary sub-searches (both on & off title)
- Execution search for up to two borrowers
- Preparation of all necessary documentation
- Review of documentation with customer
- Signing of documentation with customer
- Title insurance up to \$500,000
- Title search
- Conveyancer's fee for closing
- Recovery of costs relating to faxing, postage, photocopies
- Reasonable courier charges

The prices above do not include:

- **Registration of Mortgage**
- **Registration of Discharge**
- **Provincial and Federal Sales Taxes**
- Payment of Unsecured Debts
- Estoppel certificate
- Preparation of ILA certificate, Power of Attorney, Change of Name Certificate, Survivorship Application
- Execution clearance comfort letters
- Execution search, if requesting particulars
- Execution search, if more than two borrowers
- Potability certificates
- Health/septic clearances
- Conservation/environmental clearances
- Tax and/or hydro certificate
- Corporate status certificate
- Fees and disbursements resulting from the property being a rental unit
- Multiple mortgage advance
- Extraordinary courier costs as dictated by borrower circumstance

Please note that if problems/issues appear on title, funds cannot be advanced until all outstanding issues have been resolved. In these circumstances additional services may be completed by Anderson Sinclair LLP and additional charges may apply. Your customer will be immediately informed of any issues and provided with an

estimate of any additional charges.

Process

- By default, the Lender will choose FNF as the closing solicitor on the customer's commitment at the time of approval. No action is required by the originator or customer to use this service.
- The Originator is required to notify the underwriter if their customer wishes to use their own solicitor.
- If the Originator has not provided Solicitor's information to the Lender at least 5 business days prior to closing, the Underwriter will select the FNF closing program by default and notify the Originator the file is proceeding with the FNF Closing Program.
- If the file is proceeding with FNF, the following documents/information is required prior to instructing FNF:
 - Client Authorization – To instruct existing FI to produce a payout statement. FNF is responsible for following up with the other FI.
 - Copy of Fire Insurance particulars.
 - Legal description of property (to allow FNF to do the required searches).
 - Once all conditions are met, the Lender will forward the file to FNF Canada for Processing.
 - FNF Canada will send a Welcome Letter to your customer, explaining who they are and how this process will unfold.
 - FNF Canada will forward the refinance documentation to its lawyer network (B.C. only) or it's professional remote signors, who will call the customer directly and arrange a time and place that is convenient for them to sign. Your customers will be asked to provide Identification at the signing.
 - Funds can be expected within 5 business days of FNF receiving the file from the Lender Possible reasons for delay include:
 - Any documentation required by FNF from the customer, such as unsecured debt payout statements which were not previously provided to the Lender, not received in a timely manner.
 - A proper discharge statement is not received in a timely manner from another financial institution.
 - The customer is unable to arrange a meeting with the lawyer or professional signor in a timely manner.

Section 2 – Underwriting Guidelines

Contents	This section contains information regarding the following: <ul style="list-style-type: none">▪ General Underwriting Requirements▪ Borrower Eligibility▪ Credit and Liabilities▪ Documentation Types▪ Employment and Income▪ Assets and Source of Funds
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General Underwriting Requirements

Purpose	These underwriting guidelines have been established to ensure all of the following: <ul style="list-style-type: none">▪ The borrower has the capacity and willingness to repay the loan.▪ The loan is investment quality.▪ The property has sufficient value to support the loan.▪ The loan represents a prudent level of risk for all parties involved.
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Credit philosophy and intentions	<p>This document defines the credit policy guidelines and conditions for the approval and funding of residential mortgages for the Lender.</p> <p>The Lender will endeavor to maintain the highest quality portfolio by only underwriting credit with a low margin of risk. All loans must qualify under The Lender's credit criteria which mirror as a minimum the guidelines and requirements of insured mortgages.</p> <p>Within competitive and changing market constraints, pricing of mortgages will be expected to reflect the level of risk and administration described with each transaction. However, only a small range of risk levels will be acceptable as pricing at any level does not completely offset the cost of loan loss provisions.</p> <p>The Lender will originate first position single family mortgages and first position multi-family homes with a maximum of 4 units either, owner-occupied or non-owner occupied residential properties.</p> <p>While lending funds for mortgages carries risk, the Lender will be employing mortgage default insurance from registered mortgage insurers (CMHC and Genworth) and title insurance companies operating in Canada to offset potential loan loss related risk. In addition to this the Lender will proactively underwrite and review all mortgage applications to ensure the quality of the portfolio that is originated.</p> <p>Each Mortgage Application Will Be Risked In Terms Of Credit Risk And Financial Risk. While Credit Risk And Financial Risk Are Often Related, They Are Not Always Connected, In That You Can Have One Without The Other. You May Have Credit Risk But No Financial Risk, As In The Case Of A Borrower With Poor Employment Or Income Prospects Who Holds A Good Property That Appreciates In Value And Sells Readily. In This Instance, There Is A Risk That Payment Will Not Be Made But, Should The Property Be Sold To Cover The Outstanding Mortgage, The Likelihood Of A Loss Is Low. Most Losses Are Covered Under The Deficiency Claim Submitted To</p>
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The Mortgage Insurer Or In Selected Claims; A Claim Will Be Submitted To The Title Insurer.

Conversely, You May Have No Credit Risk But Have Financial Risk. For Example: A Borrower With Good Income And Stable Employment At The Time Of The Loan Who Purchases A Poor Property (Such As A Renovation Project) With Minimal Equity. There Is A Financial Risk That The Property Will Not Cover The Loss If The Borrower Is Laid Off And Defaults On The Loan.

Credit Risk: The Risk That The Homeowner Will Not Or Cannot Make The Monthly Payments Or Repay The Loan. Credit Risk Equates To The Frequency Of Loss Or Probability Of Default (PD).

Financial Risk: The Risk Of Loss In The Event That The Borrower Does Not Pay. Financial Risk Equates To The Severity Of Loss Or Loss Given Default (LGD)

CREDIT RISK CONTROLS:

Most Controls For Credit Risk Occur During The Origination Process. The Mortgage Application Is Analyzed To Determine Both The Borrower's Ability And Willingness To Repay.

The Lender Uses The Following Criteria In Assessing The Credit Risk Of The Borrower Commonly Referred To The 5C's Of Credit

- Capacity: Refers To The Borrower's Ability To Repay The Debt
- Credit: An Analysis Of The Credit History Will Give An Indication Of The Ability And Desire Of The Borrower To Repay His/Her Debts
- Character: Customer's Qualities And Traits (I.E.: Lifestyle)
- Covenant: Refers To Borrower's Promise Or Agreement To Repay The Debt
- Collateral: Refers To The Assets Taken As Security

FINANCIAL RISK CONTROLS:

Financial Risk Controls Are Used To Limit The Size Of The Loss Where A Default Occurs And As Such, Are Often Associated With The Property Valuation.

Borrower Eligibility

Borrower Requirements

All borrowers must meet the following requirements:

- Must be a title holder to the property.
- Can be a Holding Company – (investment purposes) associated with a guarantor or guarantors. Cannot be operational. Directors must sign on as guarantors
- No Real Estate syndicates
- Securing Property cannot be held in Trust or by Nominee

Limitation on Number of Properties Owned

The borrower(s) cannot own more than a total of 5 mortgaged residential properties. This is inclusive of subject property.

Borrower Residency requirements

All applicants must be Canadian Citizens or Landed Immigrants.

Non-landed immigrants are ineligible for a mortgage with the Lender. 900-SIN numbers generally indicate a non-landed status.

Note: Borrowers that have applied for Landed Status but have not yet been approved but are here on a work visa are ineligible for a mortgage with the Lender

Credit Report Requirements

A credit report must be obtained for every borrower. Joint credit reports may be obtained for married borrowers.

Credit reports must meet all of the following requirements:

- Credit report is from Equifax
- Report is required for each borrower
- The report is to be dated within 30 days of submission and only 150 days prior to funding
- Borrowers authorization is obtained by signing the industry standard credit application form.
- There must be a correlation between the debts declared by the customer on the application and those shown on the credit report.



If an Equifax credit report is not available a Transunion credit report can be used , Equifax bureau's must be attached to application

Borrower Eligibility, Continued

Minimum Credit Standards In addition to meeting the minimum credit score requirements as applicable per product, each borrower must meet the following minimum credit standards:

Description	Requirement	
Minimum Tradelines	The borrower must have:	A minimum of 24 months established credit with 2 or more trade accounts
	Previous Bankruptcy	The lender will not finance borrower's with a previous bankruptcy
Revolving Accounts	Considered in credit score	



“Tradeline” is defined as a major credit card or installment loan.

Minimum Credit Standards (continued)

Judgments and Collections,	Any outstanding collections or charge offs must be evaluated using the following guidelines:	
	If the cumulative balance is...	Then...
	<\$500	Borrower must satisfactorily explain
>\$500	Borrower must satisfactorily explain, and all accounts must be paid in full prior to closing. In the event of a dispute or client cannot provide confirmation of a collection or judgment has been paid it is acceptable to have the solicitor confirm by way of special condition.	

Borrower Eligibility, Continued

Borrower Explanation Letters The borrower must satisfactorily explain the following credit items:

- Any significant derogatory credit
- Any inquiries (other than promotional) in the last 90 days

Payment Amount The actual payment as shown on the credit report will be used for qualifying purposes. When the payment is not available, 3% of the outstanding balance will be used as a qualifying payment.

Qualifying Ratio The following tables provide the maximum Gross Debt Service Ratio (GDSR) and Total Debt Service Ratio (TDSR) guidelines:

	Beacon	MaxGDSR
Gross Debt Service Ratio	<680	35%
	≥ 680	NO limit to GDSR max.

	Beacon	Max TDSR
Total Debt Service Ratio	< 680	42%
	≤680	44%

NOTE: investment loans max TDS is 40%

Qualifying Rate

- Qualification Rate for high ratio (loan to value >80%) fixed rate or Multi-Component Mortgages with terms less than 5 years will be qualified based on the greater of the benchmark 5 year fixed rate or the contract rate. The benchmark rate will be posted on the following website <http://www.bankofcanada.ca/en/rates/interest-look.html>.
- The high ratio ARM rate regardless of term will be based on the greater of the benchmark rate or the contract interest rate.
- Conventional business (loan to value <80%) will continue to be qualified under our existing guidelines. For 3 year ARM and 5 year ARM, the qualifying rate is the greater of the contract rate or the published 3 year fixed rate. For fixed rate terms less than 3 years, the qualifying interest rate is the greater of three-year rate or contract rate; for terms of three years or more, the contract rate is used. .

Liabilities to be Included in Qualifying Ratio

In addition to the Principal and interest payment on the subject property (calculated at the required qualifying rate), the following items must be included in the GDSR and TDSR ratios:

- Monthly housing expenses on subject property (taxes, heating costs + 50% of condo fees)
- Monthly housing expenses on other real estate owned (mortgage payments and taxes)
- Revolving debt (If no payment shown use 3% of the outstanding balance.)
- Installment debt (Do not have to include if fewer than 6 payments are remaining.)
- Automobile loans
- Automobile leases (Must be included even if fewer than 10 payments are remaining.)
- Alimony, child support, or maintenance.
- Student loans (Unless deferred for more than 12 months.)
- Divorce or co-signed debt (Unless requirements in the applicable sections below are met.)

Documentation Types

Available Doc Types

The following table provides definitions of the available documentation types:

Documentation Type	Definition
Full	<ul style="list-style-type: none">▪ Employment verified▪ Income verified



Refer to the product-specific information in Section 1 to determine documentation type eligibility for each product.

Employment and Income

Full Documentation The following table provides the requirements for documenting employment and income using full documentation:

Item	Requirements
Employment	<p>Require any two sources of income verification via:</p> <ul style="list-style-type: none"> ▪ Signed employment letter on employer's letterhead stating length, type of employment and amount of salary. Letter should be dated less than 60 days from application date and or, ▪ Pay stub dated within 60 days of application date showing borrower name, company name, regular pay and year-to-date earnings. Note: Computer generated pay stubs are acceptable and or, ▪ Most recent notice of assessment (in certain cases an original signed T1013 from the client may be requested) and or, ▪ Recent bank statement showing at least two direct pays deposits. <p>Note: If qualifying income includes variable income such as bonuses, overtime, etc then two years notices of assessment required in addition to a recent paystub dated within the last 60 days to confirm continued employment (see 'Bonus Income or Over-time or <25% Commission Income below).</p> <p>All employment will be verbally confirmed by the Lender at their discretion.</p> <p>Note: If job tenure at current job is less than 6 months, the previous employment must also be verified via a year end paystub.</p>
Part-time (<30hr/wk)	<p>100% of permanent part-time income will be considered if borrower can demonstrate a minimum 2 year history supported by Notices of Assessment or T4s. Lesser of 2 year average or most recent year's income.</p> <p>Up to 100% of a second job income will be considered if borrower can demonstrate a minimum 2 year history supported by Notices of Assessment or T4s. Lesser of 2 year average or most recent year's income.</p> <p>If Part-time employment tenure is less than 2 years, we can consider if the employer confirms in writing that the client is required to work a minimum number of guaranteed hours per week. Use the minimum guaranteed weekly hours to qualify.</p>
Seasonal Workers	<p>2 years Notices of Assessment. Lesser of 2 year average or most recent year's income</p>
Bonus Income or Over-time or <25% Commission Income	<p>Average of last 2 years or most recent year, whichever is less, confirmed by tax Notices of Assessment or T4s.</p>

Continued on next page

Employment and Income, Continued

Full Documentation (continued) The following table provides the requirements for documenting employment and income using full documentation:

Item	Requirements
Alimony/Child Support	Copy of completed and notarized Separation Agreement <u>or</u> Court Order confirming monthly income. The amount should be reasonable.
Rental Income	<ul style="list-style-type: none"> ▪ <u>Owner occupied properties</u> ▪ 50% of gross income may be included in the borrower's gross income ▪ <u>Other rental properties</u> ▪ rental income to be confirmed with recent T1 generals including Statement of Real Estate Rentals ▪ if there is a rental surplus, this amount can be added to the borrowers gross annual income ▪ If there is a shortfall – the shortfall is added to “other monthly obligations” ▪ Where rental income cannot be validated with T1 generals, the full principal, interest and taxes must be included in “other Monthly Obligations” and 50% of gross rental income added to borrowers gross annual income ▪ The lender will continue to use 80% rental off-set for both owner occupied and rental properties. ▪ NOTE: Income from a non-conforming basement suite will be considered on an exception basis only and is typically not used. CMHC will not accept income from a non-conforming basement suite <p>Leases (If a current lease cannot be provided to verify rental income, the lender requires a signed lease agreement and/or reasonable documentation such as: A signed valid Void cheque from the lessee with 12 month history associated with renting the premises. – (If validating income as per Economic rents, this documentation must be provided from the lender's approved appraiser (Solidifi appraisals) or an accredited Realtor.)</p> <p>If rent is from a secondary home which is not jointly owned by all parties to the lender request the amount of rental income used will be proportionate to the percentage of ownership –(e.g. only ½ rental income qualifies –if property owned 50% then 25% of the rental income would qualify to be included in income)</p> <ul style="list-style-type: none"> ▪ Down payment from borrower's own resources ▪ Personal guarantees are required when the borrower is not an individual (e.g. corporate entity). Articles of incorporation, Borrowing resolution or borrowing by-law are also required. Personal guarantee must cover 100% of the mortgage loan. The company must be a holding company and not an operating company. ▪ The personal guarantee cannot be released without prior consent from the mortgage insurer ▪ Two (2) trade lines with at least two (2) years history
Maternity Leave	100% of the estimated return to work income will be recognized, if the applicant is returning to work within 2 months of the closing date. A letter from the employer is required indicating the position the applicant is returning to, the return date, and the salary/income upon return. Otherwise, 60% of the estimated return to work income level will be recognized.

Government / Employee Pension	1 Year T4A or a current pension statement the Lender will gross up income by 25% on non-taxable income Note: Government and Employee Pensions are taxable sources of income and not eligible for gross up, only long term/permanent disability benefits confirmed in writing by the provider as non-taxable qualify for gross up
Disability Pensions	Disability income will be considered provided 2 months history is obtained in conjunction with verification of the pension as long term and guaranteed The Lender will gross up long term disability by 25%
Social Assistance/ Employment Insurance	100% of Employment Insurance income for seasonal workers will be considered provided the lender has verified that the applicant has been employed for at least 3 years, the income is regular, recurring and continuous and 70% of the income comes from the salary paid by the company and no more than 30% comes from the employment insurance. Income is calculated based on the lesser of the 3-year average income or the last year's income. The income must be verified with Tax Returns (T1 General) or Notices of Assessment.
Investment Income	Average of last 2 years or most recent year, whichever is less, confirmed by Tax Returns (T1 General) and supported by Notices of Assessment) or T5's.

Continued on next page

Employment and Income, Continued

Full Documentation (continued)

The following table provides the requirements for documenting employment and income using full documentation:

Item	Requirements
Foster Care Income	<p>The borrowers must have at least two years' experience as foster parents. The only acceptable forms of income and employment verification for foster care parents are a letter of employment or contract from the Ministry responsible for foster care, confirming income, tenure and current approved status, <u>and</u> a pay stub.</p> <p>The maximum number of children in care cannot exceed six, including any of foster parents' own children.</p> <p>The borrowers must live on-site. The Lender will not finance off-site operators. Properties should be located in an acceptable urban neighborhood.</p> <p>Maximum GDS 30% as opposed to the usual 32%.</p> <p>Maximum TDS 40%.</p> <p>Maximum LTV 95%.</p> <p>Note: If foster care income accounts for more than 50 per cent of the borrowers' total income, the Lender will require a minimum down payment of 15 per cent.</p>
Family Allowance/Child Tax Benefit	Not accepted
Canadian Resident working in the USA	Notice of Assessment and either a pay stub or employment letter –clients must be filing Canadian tax returns to qualify
Tips and Gratuities	Average of last 2 years or most recent year, whichever is less, confirmed by Notices of Assessment.
UCCB	Not accepted

Assets and Source of Funds

Assets/Source of Funds For all loans the borrowers' assets must be stated on the application and verified. An acceptable source must be documented for all funds, and must be seasoned for at least 90 days at the time of application (in the case of assets that were sold or liquidated, the ownership of the asset itself must meet the seasoning requirement, not the date of liquidation or sale).

Acceptable assets include:

- Chequing and/or savings accounts, certificates of deposit (CD's)
- Brokerage accounts, mutual funds, publicly traded stocks or bonds
- RRSP accounts or other retirement accounts
- Sale of home or personal items (cars, etc.)
- Loan from a secured item such as a home

Unacceptable assets include:

- Accounts in the name of a corporation, partnership, business, or other party
- Stock in a closely-held corporation

Documentation The following table provides asset and source of funds documentation requirements:

Item	Requirements
Savings Account or chequing account	<ul style="list-style-type: none"> ▪ 3 months account history (all) ▪ Formal* bank statements to include : address of the applicant/s and accumulated savings ▪ Web statements should include the applicants name ▪ For passbook accounts documentation to provide proof of account ownership (can include internet statements) ▪ Any large deposits need further explanation and/or verification <p>*this is a statement prepared and mailed to the client -this does not include online branch inquiry</p>
Interest Bearing Investments, both RSP and non-RSP accounts	<ul style="list-style-type: none"> ▪ A recent statement showing account holder(s), account holder's address, current balance and issue date greater than 90 days. ▪ Statement must indicate that investment is cashable. ▪ Lock-In RSP investments cannot be accepted.
Stocks, Bonds, Mutual Funds, both RSP and non-RSP accounts	<ul style="list-style-type: none"> ▪ Photocopies of bonds or stock certificate/statement showing investment holder(s) name. ▪ Compare accounts against current TSX prices to verify fair market value
Sale of existing property	<ul style="list-style-type: none"> ▪ Copy of Offer of Purchase and Sale. ▪ Confirmation of current mortgage(s) and balance(s) via lender statement(s). Statement(s) must confirm borrower(s), balance(s) and securing property address(es).
Land Equity	<ul style="list-style-type: none"> ▪ If purchased within one year then use lesser of purchase price or appraised value; otherwise use appraised value. ▪ New construction single advance only
Borrowing Against Assets	<ul style="list-style-type: none"> ▪ Loan agreement indicating loan is secured against tangible asset, i.e. investment ▪ Include payments in TDSR
Income Tax Refund	<ul style="list-style-type: none"> ▪ Acceptable with Notice of Assessment and confirmation of deposit

Assets and Source of Funds, Continued

Gifts

Gifts are allowed under the following circumstances:

A gift letter must be signed by the contributor(s) confirming that the funds are a gift and not a loan and that no repayment is required.

The gift may only come from a member of the immediate family such as mother, father, brother, sister.

Confirmation of funds in borrower's account

Section 3 – Transaction Requirements

Contents

This section contains information regarding the following:

- General Transaction Information
 - Purchases
 - External Refinance
 - Internal Refinance
 - Ports
 - Assumptions
 - Covenant Changes
-

General Transaction Information

Purpose of Loans

Mortgage loans issued by the Lender may be used for:

- The purchase of a home, including the construction of a new dwelling (single advance);
- Refinance, including equity take out, of an existing mortgage or consolidation of existing registered home ownership debt; debt consolidation will not be considered as default management to payout back taxes (property or personal)
- Making additional permanent improvements to the property (refinance only).

Note: Construction financing, progress advance, purchase plus improvements and Interim and Bridge Financing are not currently offered.



Refer to the product information in Section 1 for product-specific eligibility of transaction types.

Determining LTV

Refer to the following table for instructions regarding LTV/CLTV calculations:

Loan Type	Calculation
Purchase	Divide the loan amount by the lesser of the purchase price or the appraised value.
Refinance	Divide the loan amount by the appraised value.

Purchases

Definition of Purchase A loan is a purchase transaction if the borrowers do not currently own the subject property. All purchase transactions must include a valid, fully-executed sales and purchase agreement contract.

Refinances

External Refinances An external refinance is defined as a refinance of an existing mortgage where the existing mortgage holder is not held by us.

High Ratio – See section one
Conventional – See section one

**Internal Refinances/
Port and Increase**

An internal refinance is defined as the refinance of an existing client with us.

Internal refinances will be considered under the following criteria:

- Existing mortgage must confirm no late payments within the last six months
- Increase in property value since the original mortgage transaction must be reasonable.

An updated application will be required on the borrower and normal underwriting guidelines apply.

New mortgage insurance will be required, as appropriate. Note: application should go to same mortgage insurer as the original mortgage transaction.

Documentation
Standard refinance documentation requirements apply.

If employment has not changed and the underwriter is comfortable with income documentation on file, employment need only be re-confirmed direct by phone. Otherwise a recent pay stub or bank statement showing direct deposit should be obtained. Where employment has changed, standard employment verification applies.

See transaction Table to see if mortgage penalty is applicable or not applicable to the transaction in question.

Rate Calculation – same maturity or extended maturity
Borrowers will have the option of:

1. Blending the rate and adding the penalty to the mortgage if applicable
2. Paying the penalty up front and getting the new rate

Renewals Mortgages that are up to date and in good standing will be offered a renewal of the mortgage contract 35 days prior to maturity. Interest rates for renewals will normally be set 35 days prior to the mortgage maturity date. During the 35 day period, should the current posted interest rates be lower than the interest rates offered for renewals, then the lower interest rates shall prevail.

Renewal Agreement

A renewal agreement containing the terms and conditions of renewal will be issued approximately 35 days prior to the mortgage maturity date. The borrower must select the renewal term of choice and sign and return the original copy to the Lender on two days to the maturity date. If there is a guarantor on the mortgage, he/she must sign the guarantor section of the renewal agreement. All individuals signed on the original mortgage/charge (mortgagors and guarantors) must sign the renewal agreement to extend the term for repayment of the mortgage.

Signed renewals must be received two days prior to the maturity date or postmarked on or before the mortgage maturity date for the interest rate contained in the renewal agreement to be effective. If a renewal notice is not received two days prior to the mortgage maturity date, the mortgage will be automatically renewed into 6 month open fixed rate mortgage priced at or above the Lender's prime rate.

Disclosure Statement

A written disclosure statement is required for the provinces of Ontario and Alberta for mortgage renewals. This disclosure statement forms part of the Lender's Renewal Agreement.

As a mortgage lender, the Lender must give the borrower a written disclosure statement at least 21 days before the specified maturity date.

The disclosure statement at renewal must also specify that:

- the cost of borrowing will not be increased after the disclosure statement is given to the borrower and before the mortgage is renewed; and
- the borrower's right under the mortgage continue, and the renewal does not take effect, until the day that is the latter of the specified renewal date and the day that is 21 days after the borrower receives that statement.

Where a renewal notice is not returned by the borrower and as a result, the mortgage is automatically renewed into a 6 month open fixed rate mortgage priced at or above the Lender's prime rate, a follow up disclosure statement must be sent to the customer within 30 days of mortgage maturity date.

Renewal Fee

A renewal fee in line with industry practice may be payable with the extension of the mortgage contract. The fee is noted in the renewal agreement and may be paid by cheque or added to the mortgage. Renewal fee must also be included in the disclosure statement to the borrower.

Note: At this time, the Lender does not charge a renewal fee.

Maturing mortgage in arrears

Mortgages that are in arrears at maturity will not normally be renewed. Any arrears owing at maturity must be paid in full prior to an extension of the mortgage contract being offered. (Arrears would include any NSF or processing fees not collected at the time)

In certain extreme cases, should a mortgagor be unable to pay the arrears or arrange alternate financing to pay the mortgage balance, the mortgage may be renewed as an exception. Such exceptions must be approved by the Credit Department or designate, and at a rate commensurate with the risk involved.

The Lender must notify borrowers in writing at least 21 days prior to the end of the term of any intent not to renew the mortgage.

Early Renewal With Penalty

Borrowers wishing to early renew prior to maturity will be required to pay a penalty. The penalty will be the greater of 3 months interest or the interest rate differential (IRD).

Borrowers will have the option of:

1. Blending the rate and adding the penalty to the mortgage. ARM rate is greater of borrower's existing ARM rate or the then prevailing ARM rate.
2. Paying the penalty up front and getting the new rate

Ports

Borrowers have the option of transferring or 'porting' their mortgage balance, interest rate and balance of the mortgage term to another property provided the following conditions are satisfied:

- New mortgage amount is less than or equal to the existing principal balance. Please see 'Internal Refinance' where borrower is porting mortgage and increasing the mortgage amount.
- Existing mortgage must have a minimum of six months repayment history
- Existing mortgage must be up to date with a clean repayment history for the past 12 months
- The borrower completes a new mortgage application for the replacement property
- The new property is approved by the Lender (borrower does not need to be re-qualified where amount is equal to or less than existing mortgage balance). Approval by the mortgage insurer is also required where there is existing default insurance in place or where the loan-to-value on the new property exceeds 80%.
- A copy of the Agreement of Purchase & Sale
- A copy of the MLS is required, as applicable
- The new mortgage is registered in first position against the replacement property, and all searches, opinions and clearances required by the Lender are obtained.
- The term of the new mortgage shall expire on the maturity date of the existing mortgage and all terms remain the same

With prior notice, a mortgage port can occur up to 60 days after the discharge of the original mortgage. Should the borrower take advantage of the "port" feature, the prepayment penalty collected on the discharge of the original property will be returned to the borrower on the closing of the new mortgage. The new mortgage will have the same maturity date and rate as the original mortgage.

The borrower is also responsible to pay all costs, charges and expenses of and incidental to the approval, taking, preparation, execution and registration of the new mortgage, or if applicable, an amending agreement.

If the original mortgage amount is decreasing by more than 20%, standard mortgage penalties will apply.

Assumptions

Mortgages may be assumed subject to the following conditions:

- A complete mortgage application on the prospective purchaser(s) is received
- The purchaser is approved by the Lender
- If original borrower wishes to be released from their obligation on the mortgage and the mortgage has existing mortgage default insurance in

place, then an updated approval from the mortgage insurer is also required

- Income verification, PAC agreement and void cheque required for new applicants
- The purchaser signs an Agreement to Assume
- The Lender issues a release of covenant for any previous borrowers and forwards a copy to the solicitor handling the transaction upon satisfactory completion of all conditions
- The Lender must be in receipt of Registered Transfer of Deed reflecting changes in borrower names

The borrower is also responsible to pay all costs, charges and expenses of and incidental to the approval, taking, preparation, execution and registration of the new mortgage, or if applicable, an amending agreement.

Covenant Changes

Changes to the borrowers and/or guarantors on the mortgage will be considered subject to:

- A complete mortgage application with the proposed new borrowers/guarantors. In the case of a covenant release, an updated application on the remaining borrowers/guarantors is required.
- The proposed new borrowers/guarantors are approved by the Lender
- If the mortgage has existing mortgage default insurance in place, then an updated approval from the mortgage insurer is also required.
- Income verification required for any new applicants or if employment has changed on any remaining applicants
- The Lender issues a release of covenant for any removed borrower and forwards a copy to the solicitor handling the transaction upon satisfactory completion of all conditions
- The lender must be in receipt of Registered Transfer of Deed reflecting changes in borrower names

Assumptions: The borrower is also responsible to pay all costs, charges and expenses of and incidental to the approval, taking, preparation, execution and registration of the new mortgage, or if applicable, an amending agreement.

Conversions

The lender will hold the fixed rate for an ARM conversion for up to the next scheduled payment date and the change to fixed rate will occur on the next payment date. Borrowers may choose fixed rate term equal to or greater than their existing ARM term.

Borrower(s) must provide the Lender a written request to convert or sign our conversion agreement at least ten days before the next regular payment date. The fixed interest rates or adjustable interest rates that are in effect on the date we receive the written request or signed conversion extension agreement will apply to your mortgage. The amortization period of the mortgage may not be changed on a conversion.

Transaction and Penalty (if applicable) Guide

Transaction & Applicable Penalty chart

Penalties CANNOT be blended into an adjustable rate (ARM) term, they must be paid up front. Penalties can always be blended into a fixed rate term, OR paid up front. If the borrower qualifies, the ARM penalty can be added to the mortgage balance.

Penalty for a fixed term is always the greater of 3 months' interest OR the Interest Rate Differential
Penalty for an adjustable rate term is always 3 months' interest

Transaction Type	Penalty	Comments
STRAIGHT PORT		
Same dollar amount Rate, maturity date & remaining amortization are unchanged Closing same day	No Penalty	Remaining Term, rate and Amortization MUST be maintained in order for no penalty to apply.
Same dollar amount Rate, maturity date & remaining amortization are unchanged Closing within 60 days of existing mortgage payout	No Penalty	If existing mortgage is paid out BEFORE funding of replacement mortgage, penalty will be charged on payout but will be reimbursed after the closing of new loan.
Same amount Rate, maturity date, & remaining amortization are unchanged Closing more than 60 days before/after existing mortgage payout	Penalty Applies	Not a Port Transaction: deals must close within 60 days of each other to qualify.
PORT and INCREASE		
Maturity date, & remaining amortization are unchanged Closing same day	No Penalty	Remaining Term and Amortization MUST be maintained in order for no penalty to apply. New blended rate is based on posted rate for remaining term/new money and existing mortgage rate/balance. ARM rate will be the greater of the existing ARM rate or the then prevailing ARM rate.
Maturity date & remaining amortization are unchanged Closing within 60 days before/after existing mortgage payout	No Penalty	Same as above AND If existing mortgage is paid out BEFORE funding of replacement mortgage penalty will be charged on payout but will be reimbursed after the closing of new loan. If existing mortgage is paid out AFTER funding of replacement mortgage penalty will not be on statement nor charged.
Maturity date, & remaining amortization are unchanged Closing more than 60 days before/after existing mortgage payout	Penalty Applies	Not a Port Transaction: deals must close within 60 days of each other to qualify. If greater than 60 days, transaction will be treated as a refinance with penalty.

PORT and DECREASE by up to 20% of the original loan amount		ALLOWABLE DECREASE IS BASED ON PREPAYMENT PRIVILEGE OF MORTGAGE
Mortgage decreased by less than prepayment privilege of original Rate, maturity date & remaining amortization are unchanged Closing same day	No Penalty	Decrease MUST be no more than prepayment privilege of original mortgage amount. Remaining Term and Amortization MUST be maintained in order for no penalty to apply.
Mortgage decreased by less than prepayment privilege of original Rate, maturity date & remaining amortization are unchanged Closing within 60 days before/after existing mortgage payout	No Penalty	Same as above AND If existing mortgage is paid out BEFORE funding of replacement mortgage penalty will be charged on payout but will be reimbursed after the closing of new loan. If existing mortgage is paid out AFTER funding of replacement mortgage penalty will not be on statement nor charged.
Mortgage decreased by less than prepayment privilege of original Rate, maturity date, & remaining amortization are unchanged Closing more than 60 days before/after existing mortgage payout	Penalty Applies	Not a Port Transaction: deals must close within 60 days of each other to qualify. Transaction would be treated as a refinance with penalty.
PORT and DECREASE by more than 20% of the original loan amount.		ALLOWABLE DECREASE IS BASED ON PREPAYMENT PRIVILEGE OF MORTGAGE
Mortgage decreased by more than prepayment privilege of original Maturity date, & remaining amortization are unchanged Closing same day	Partial Penalty	Penalty is payable on the amount of decrease ABOVE the prepayment privilege of original mortgage amount.
Mortgage decreased by more than prepayment privilege of original Rate, maturity date & remaining amortization are unchanged Closing within 60 days before/after existing mortgage payout	Partial Penalty	Same as above AND If existing mortgage is paid out BEFORE funding of replacement mortgage penalty will be charged on payout but will be reimbursed after the closing of new loan. If existing mortgage is paid out AFTER funding of replacement mortgage penalty will not be on statement nor charged.
Mortgage decreased by more than prepayment privilege of original Rate, maturity date, & remaining amortization are unchanged Closing more than 60 days before/after existing mortgage payout	Penalty Applies	Not a Port Transaction: deals must close within 60 days of each other to qualify.

INTERNAL REFINANCE		
Increase to existing mortgage (no minimum) Maturity date & remaining amortization are unchanged	No Penalty	New blended rate is based on posted rate for remaining term/new money and existing mortgage rate/balance. ARM rate is the greater of the existing ARM rate or the then prevailing ARM rate.
Increase to existing mortgage (no minimum) Change to amortization and/or change to maturity date	Penalty Applies	Client has 3 options to pay penalty 1) pay penalty as part of discharge of existing mtg 2) penalty is added to new mortgage
EARLY RENEWAL		
Renewal prior to maturity date WHEN CURRENT TERM IS 1 YEAR	Possible Penalty	If client wants to early renew from a 1 year to a 3 or 5 year term, the following applies: <ul style="list-style-type: none"> • where 3 months' interest amount is greater than the IRD amount the penalty will not apply • where IRD is the greater amount the penalty will apply on early renewal and client has the options as listed below
Renewal prior to maturity date (no new money) ALL OTHER TERMS	Penalty Applies	Client has 3 options to pay penalty a) pay penalty up front at time of early renewal (debited from client's bank account), new rate/term is the lender current offering b) penalty is added to the new mortgage Note: Cannot blend an ARM rate.

Section 4 – Property and Appraisal Requirements

Contents

This section contains information regarding the following:

- Property Eligibility
- Project Standards
- Appraisal Requirements

Property Eligibility

Eligible Properties

The following table identifies property types that are eligible for financing:

- Residences that are currently owner-occupied or to be purchased and occupied by the applicant and held in single or joint tenancy
- Single family dwellings;
- Multiple family dwellings (maximum four units), with one of the units owner-occupied;
- Registered condominium units;
- Investment Properties/Rentals maximum 4 units
- Maximum lot size of 25 acres with maximum property value based on house and 5 acres only – confirmed via full appraisal

Ineligible Properties

The following table identifies property types that are not eligible for financing:

- Leasehold properties
- Co-operative/co-ownership housing
- Mobile homes
- Heritage homes or designated Historical Home
- Time share properties
- Life leases
- Geo-thermal/dome homes
- Rent-to-own properties
- Commercial, industrial or mixed use properties or zoned other than residential
- Working farms (including hobby farms)
- Vacant land
- Rural areas with population less than 5,000
- Log homes
- Homes on reserve lands
- Condos with high percentage of rental units or deficit reserve funds
- Post tension construction properties
- Properties that have been confirmed as prior grow ops
- Vacation properties (unless meets Genworth Type A Property Requirements)
- Resort Condos

Power of sale properties as they are sold “as is” may be considered upon the recommendation of the Regional Credit Manager for good supporting broker and subject to a full appraisal and acceptance by a mortgage insurer.

**Types of
property
Ownership**

Freehold Ownership	- Where the mortgagor owns both the land and the building.
Condominium Ownership	- Where the mortgagor owns their unit and pays a monthly fee for the use and maintenance of the common areas and land (i.e.: condo fee/maintenance fee).
Leasehold Ownership	- Where the mortgagor owns the building but leases the land. The Lender does not finance leasehold properties at this time.
Cooperative Ownership	- Where the mortgagor owns a share in the building but not their specific unit. The Lender does not finance cooperative properties as the applicants do not obtain title to the property but instead are given shares.

Property Eligibility, Continued

Property Criteria

Properties must be structurally sound and must provide self-contained housing accommodation and be located in favorable neighborhoods where properties are well maintained and there is a reasonable expectation that economic values will be sustained.

While there is no minimum market value or maximum age limit for the property to qualify, older homes will be expected to be modernized and in good repair. At a minimum, the remaining viable life of the property should be greater than the remaining amortization of the mortgage plus five years.

Where a single family home has a tenanted suite, vacant possession of the entire home is required on closing.

Properties must meet the following criteria to be eligible for financing:

- Min square footage: House is \geq 800 square feet, Condo is \geq 500 square feet
- Single advance new construction properties with an approved new home warranty program
- Poured concrete or concrete block foundation or concrete pad/piers if typical and normal for the area and does not affect marketability
- Services including water, sewage, and hydro with modern plumbing and heating. Above ground oil tanks, septic tanks and/or well water are acceptable with appropriate certificates (underground oil tanks are not acceptable) lake and river water intake are not acceptable
- Located in a stable or improving area and the property must be compatible with the area
- Property must legally conform with all government zoning regulations and bylaws
- Custom Built homes with no warranty program – okay with Full Appraisal, Certificate of Completion and Municipal Occupancy Permit

Multi-Unit Properties (3 and 4 unit dwellings)

The property must be in good condition, zoned residential with good marketability and is required to meet municipal zoning/safety by-laws.

- Multi-unit properties should be located in a major center with a viable investor market.
 - Transaction must be an arms length sale for all 3 and 4 unit transactions.
 - Multi unit properties should be less than 30 years old or fully upgraded.
 - For 3 and 4 unit properties: should preferably have at least 1 parking space/unit and on-site laundry and must conform to the area and have usually been purpose built
-

Appraisal Requirements

Appraisal Guidelines

The Lender will only accept appraisals completed through Solidifi, who manages the Approved Appraiser list for the Lender.

To sign up with Solidifi as an Originator free of charge, please go to www.solidifi.com to complete the registration process. Once registered, you can access the Paradigm Quest appraisal ordering portal (powered by Solidifi)

Should an appraisal be required the Lender will request that an appraisal be ordered at the expense of the client or broker through Solidifi.

Contents of Appraisal reports

Standard appraisal forms as designated by the Appraisal Institute of Canada are to be used for Residential Mortgage appraisals.

The Appraisal Report (full report) are to be signed and certified using the Appraisal Institute certification.

Full appraisals must contain a valuation by both cost and comparable sales and where applicable, by income. Appraisals must be addressed to Paradigm Quest Inc. or a letter signed by the valuator authorizing Paradigm Quest Inc. to use the appraisal for its own purposes. If the appraisal is not completed by Solidifi the appraisal will be reviewed by Paradigm and Solidifi to determine if the appraisal can be approved for qualification purposes. If not approved an appraisal will need to be ordered through Solidifi utilizing one of Paradigm Quest's approved appraisers.

The appraisal reports must contain:

- Adequate description of property being appraised.
- Any negative characteristics regarding the condition of the property.
- Effective date of appraisal.

Factually supported value conclusion based on the selected approach to value and must include sale comparatives

Valuation Approaches

For these purposes, property valuations include two types: appraisals and opinions of value. In general terms, an **appraisal** shares with its reader, regional and neighborhood information, details of the investigation supporting documentation, and the rationale behind the value conclusion. An **opinion of value** is less exhaustive in its reporting although there should be no difference in the value conclusion be either reporting process. The property type, loan purpose and amount and the perceived risk will determine the type of valuation required.

Cost Approach:

The estimate of value by this approach is reached by estimating the value of the land and adding to this the replacement cost of the improvements, less accrued depreciation.

Market Approach:

The estimate of value by this approach is determined by the comparison of the subject property with similar properties that have been recently sold, after adjusting for any differences.

Income Approach:

The estimate of value by this approach is established by using the annual income less an allowance for vacancies and bad debts and subtracting annual operating expenses, taxes and insurance premiums to obtain the net operating income. The net income is then capitalized using a market factor to determine the property value. This method is obviously only used for income producing properties and is rarely used for residential mortgages.

Full Appraisals

Full appraisals may also be requested on properties as follows:

Check Lender commitment to see if an appraisal is required.

- when the estimated market value or purchase price is greater than \$500,000 (\$750,000 for Toronto and Vancouver);
- investment properties where deemed as required
- Power of sale properties

Full appraisals will be required on the following properties :

- new construction (if the property is not part of a larger builder subdivision);
 - when there is no Multiple Listing (MLS);/Private Sale purchases (except when the mortgage insurer has already completed one)
 - home undergoing extensive renovations;
 - investment properties (conventional and high ratio where deemed as required)
 - hobby farms (currently not acceptable for lending purposes);
 - Where there is any doubt about the quality of security or where there is a lack of comparable dwelling types.
 - Where the listing agent is also the purchaser
 - Purchases where the property is being sold to the borrower under Power of Sale/Foreclosure
-

Appraisal Requirements, Continued

Appraisal Reviews

Appraisal reports will be reviewed for the following to ensure the property meets the Lender's requirements:

- A picture of the property (front and rear street view and interior photos of all units) to identify the general condition of the property
- Verify the appraiser has valuated the correct property
- Observable trends for any declines or signs of potential problems
- Ensure the price is in line with the neighborhood price range via comparable sales
- Ensure comparable properties provided on the report are compatible with properties in the immediate area
- Condition of properties in the area should not be poor
- Services should include paved roads, sewers/septic, municipal/well water and electricity
- Proximity to Amenities: distances to transportation; schools and shopping
- Indicate the extent of isolation from urban areas

The following are areas of concern:

- Noise or air pollution
 - UFFI (Urea Formaldehyde)
 - Age of home - 50 years or more
 - Damp basements or other water damage
 - Adequacy of electrical service (e.g. 100 or 200 amp service). 60 amp service is obsolete or knob and tube wiring
 - Evidence of illegal basement apartments or non conforming to by-laws
 - Interior or exterior structural faults, serious cracks or separation of joints
 - Termite or other infestation
 - Underground oil tanks
 - Located in a flood zone
 - Outbuildings
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Section 5 – Closing Requirements

Contents

This section contains information regarding the following:

- General Closing Information
 - Insurance Requirements
-

General Closing Information

Property Taxes and condo fees The Lender requires that the borrower maintains responsibility for all property tax payments and condo fees. Notice of tax condo arrears and lien is considered default under the mortgage

Fees Mortgage Insurance application fees and insurance premiums are payable for insured mortgages. The premium may be added to the mortgage amount or may be paid up front by the borrower. Some companies do provide the mortgage insurer premium for relocation programs such as DND, the premium must be on hand at time of funding.

Insurance Requirements

Fire Insurance Mortgaged properties must be insured for replacement value against loss by fire and other standard insurable perils prior to the mortgage closing date. The insurance policy must contain the standard Insurance Bureau of Canada clause and show Computer Share Trust Company of Canada as the first mortgagee. All condo bulk insurance details must be provided.

The request for funds and solicitor's report will confirm that insurance coverage is in effect prior to closing and include the following details:

- Name of insurance company
- Policy number
- Amount of coverage
- Expiry date
- Name of agent, if applicable

Cancelled Policies

Upon notification of policy cancellation or termination, the borrower will be contacted immediately and advised of the requirement to maintain insurance coverage under the terms of the mortgage.

Should the borrower not provide confirmation that adequate insurance coverage is in effect, then the Lender will act to protect its interest and arrange adequate insurance coverage on the property. The insurance premium will be charged to the mortgage account and collection action initiated to recover the premium.

Claims

In the event of a claim resulting from damage to or destruction of the mortgaged property by insured hazards, the Lender will provide the necessary services to settle the loss and supervise the disposition of the insurance proceeds. The insurance cheque will normally be made payable to the registered party and the insured for disposition. In the event of a claim in excess of \$10,000 a copy of the completed contract for remediation or an appraisal (at the expense of the applicant) will be required if the insured is requesting the funds be directed to them. The mortgage insurer should be advised of any claims in excess of \$10,000 when funds are requested to be directed to the insured

Title Insurance Requirements ▪ All transactions will require lender title insurance to be obtained prior to closing. FNF Canada will provide the lender title insurance policy and the cost will be deducted from the mortgage advance.

Section 6 – Interest Rate Buy Downs

The Lender permits brokers to buy down the interest rate on their customer's mortgage by deducting the buy down amount from the commission that will be earned on the transaction:

Buy down paid by commission deduction

Buy downs paid for through commission deduction will have the cost of the buy down deducted from their commissions at the time of funding. Commission paid will be net of the cost of the buy down.

In both situations, the broker must notify the Lender of their intention to buy down the interest rate during the application process. The buy down calculator can be provided to you by your head office or by your Account Manager. Your underwriter can also calculate this cost for you and advise you of cost.

Relocation and Department of National Defense (DND) Employee Subsidies:

The Lender permits the customer to buy down the rate utilizing corporate relocation or Department of National Defense (DND) employee subsidies. Solicitor is to send funds to the Lender's funding department prior to day of funding, at least one day in advance of funding, or will result in the buy down cost to be deducted from the advance.

NOTE: Rate buy downs are only applicable to fixed rate mortgages.