Our underwriting policy supersedes that of any other underwriter, including that of our High Ratio Insurers.

**General Guidelines regarding applicants**

All Applicants will:

- Live and work in Ontario. In GTA the principal residence must be 20KM from one of our GTA branches. For the remaining Ontario markets, the principal residence must be within a maximum 30KM from one of Meridian’s retail branches – or their place of work must be within 15KM refer to link for our current branch locations http://www.meridiancu.ca/find-us/our-locations/Pages/default.aspx
- If you feel that this client and their property merit a location exception request – please connect with our BDM: Jack.Abboud@meridiancu.ca and ask him to review the details of your file. If Jack is prepared to make a location exception – you would then submit the file, with that exception from Jack referenced in your notes and one of the Underwriting Team will be pleased to review the file in detail and render a Credit decision at our earliest.
- Complete a Membership application at the most convenient branch to their residence or work and purchase a $1 Membership share prior to funding.
- Maximum of 5 doors in total held with Meridian and/or outside (excluding principal residence, vacation home). Greater than that becomes a commercial relationship with Meridian.
- Non-resident and non-permanent resident borrowers are not permitted.

**LENDING POLICY GUIDELINES**

**Appraiser Qualifications & Appraisals**

All conventional mortgage & Line of Credit requests must be supported by an appraisal. Brokers are responsible for the cost of the appraisal report and will order appraisals through the Meridian approved list on Solidifi.

- All appraisals must specifically request interior pictures, any deficiencies, pictures of the deficiencies and cost to cure. Meridian may require additional information regarding the subject property as deemed necessary.
- Any appraisal report not addressed to Meridian requires a transmittal letter.
- 2 appraisals must be completed when the total mortgage aggregate is 1MM or higher secured by a single property

**Credit Bureau Reports**

- A current credit bureau (not older than 30 days) for all borrowers, co-borrowers and guarantors
- All credit bureaus must be fully scrutinized and any discrepancies or anomalies identified, confirmed and documented by the submitting agent / broker.
- Credit bureau information must be consistent with the applications submitted.

**Power of Attorney**

POA signatures are not acceptable

**G.D.S & T.D.S Ratios**

- Ratios are not to exceed 34% and 44% respectively (regardless of high ratio insurer guidelines)
Loan to Value Ratios
The Loan-to-Value ratio is the sum of the mortgage loan together with all prior ranking mortgages, divided by the lesser of the appraised value or purchase price of the property. Minimum mortgage amount is $30,000 – in a refinance, the minimum amount added to an existing mortgage is $30,000

Conventional fixed rate and variable rate Mortgages: Income Qualifying applicants

<table>
<thead>
<tr>
<th>Beacon score</th>
<th>L/V – Owner occupied</th>
<th>Position</th>
<th>L/V – non-owner occupied/2nd Homes/Cottages</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>600+</td>
<td>Up to 80%</td>
<td>1 &amp; 2</td>
<td>Up to 80% for 1 to 2 units Up to 75% for 3 to 4 units</td>
<td>1 &amp; 2</td>
</tr>
<tr>
<td>550-599</td>
<td>Up to 70%</td>
<td>1</td>
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Conventional fixed rate and variable rate Mortgages: Non – Income Qualifying/BFS applicants

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<th>Beacon score</th>
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Lines of Credit – Income qualifying applicants

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<th>Beacon score</th>
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Lines of Credit – Non-Income qualifying/BFS applicants

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<th>Beacon score</th>
<th>L/V – Owner occupied Maximum 2 units</th>
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<td>1</td>
</tr>
<tr>
<td>550-599</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

** Meridian reserves the right to limit LTV regardless of these guidelines.

Note: Meridian will register in second position behind non collateral charges from: RBC; CIBC; BMO; BNS; TD/CT; National Bank; Laurentian; Firstline; Equitable; Home Trust; First Ontario; DUCA
Conventional Financing - Sliding LTV Scale

<table>
<thead>
<tr>
<th>MORTGAGE – Fixed or Variable</th>
<th>Beacon</th>
<th>LTV</th>
<th>Max. Amm.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Owner Occupied</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>600+</td>
<td>80% of the first $1MM, 50% of the remainder (maximum mortgage of $2MM)</td>
<td>30 years</td>
<td></td>
</tr>
<tr>
<td>550-599</td>
<td>70% of the first $800K, 50% of the remainder (maximum mortgage of $1.5MM)</td>
<td>25 years</td>
<td></td>
</tr>
<tr>
<td>Non-Owner Occupied</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>600+</td>
<td>80% of the first $800K, 50% of the remainder (maximum mortgage of $1.5MM)</td>
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| LINES OF CREDIT               |        |     |          |
| Owner Occupied               |        |     |          |
| 640+                         | 80% of the first $1MM, 50% of the remainder (maximum LOC of $1MM) |
| 600 – 639                    | 75% of the first $1MM, 50% of the remainder (maximum LOC of $1MM) |
| 550-599                      | 70% of the first $800K, 50% of the remainder (maximum LOC of $750K) |

- Properties include: “A” type vacation homes, Owner occupied and Non owner occupied - maximum 4 units.
- Meridian reserves the right to limit LTV regardless of these guidelines.

High End Property Policy Meridian’s overall mortgage limit is capped at $2,000,000

- Definition of High End Property Mortgages: 1st mortgages in excess of $1.5MM on a single security
- Credit Score: minimum Credit Score of 640
- Employment /Income qualification: Must meet all normal income and debt ratio parameters to ensure affordability in rate change environments. BFS/NIQ deals are acceptable but there must be evidence of affordability via review of Financial Statements/T1 Generals (Case by Case)
- Loan Purpose guidelines: Refinance or purchase qualify

Appraisals: Due to the difficulty of setting market values for luxury homes, Meridian will require 2 full appraisals from independent appraisers with a CRA/AACI designation when the total mortgage aggregate is $1MM or higher secured by a single property. Should the subject property be unique, or comparable sales are difficult to obtain for the purpose of deriving value, additional field review appraisals, desk review appraisals, and/or broker price opinions may be ordered to substantiate the property's value.
**Income Confirmation Policy**

Reasonable steps must be taken and documented to confirm income, employment and employer. Particularly in cases of an unknown employer, authenticity of employer must be established through third party means. Documents used to confirm income and employment must be scrutinized for authenticity with any anomalies confirmed and documented by the submitting agent / broker.

**Salaried / Hourly Income** – *continuously employed with their current employer and not currently on probation*

Generally accepted proof of income (salaried / hourly) may include a minimum of any 2 of the following:
- Current salary letter or pay stub
- Copy of the most recent: T-4 Slip, NOA, T-1 General Tax Return

**Other Acceptable forms of income**

Please note that 100% of these income sources can be used as long as this income does not represent more than 30% of the total income needed to qualify.

**Family allowance / child tax benefit income**
- providing the applicant’s children are 12 years of age and under

**Child & Spousal Support**
- Verified by court order or separation agreement as well as 6 months bank statements showing history of the funds received.

**Business for self (BFS) applicants (income and non-income qualifying).**

**PLEASE NOTE**: Broker must have evidence of 2 years business activity in hand at time of application

For **ALL BFS applications**, the following are required documents:
- ✓ Copy of the Business Articles of incorporation (Min 2 years)
- ✓ Confirmation of the Liquid Assets noted in the application
- ✓ 3 months of business bank statements

For **sole proprietorship** or **partnership** we require:
- copies of the past two years full T-1 Generals including the Statement of Business Activities and statement of Real Estate rentals if applicable
- the most recent NOA.
- confirmation that all Source Deductions and GST/HST remittances are up to date.

For **incorporated businesses** we require:
- 2 years accountant prepared financial statements with notice to reader
- Most recent personal T1 Generals including statement of business activities and statement of Real Estate rental if applicable
- supported by the most recent NOA

**Filogix applications are to be submitted with income noted based on line 150**, G.D.S & T.D.S ratios are typically not applicable.

**High Ratio Income calculation for self-employed applicants**
- Average of the last 2 years line 150 may be grossed up by a maximum of 15% to meet standard 34 / 44 Debt servicing ratios.

For **100% Commission Applicants**, Real Estate Agents, Insurance Sales etc. please provide the following for conventional financing arrangements:
- The past 2 years full T-1 Generals,
- Most recent NOA
- Year End or Year to Date commission statement(s) from their Real Estate/Insurance offices
- NOTE—GDS/TDS ratios do not typically apply
Rental Income calculated with 1 of the following 2 methods:

1. **For an Existing portfolio of rental(s)**
   For rental income that can be confirmed with T1 Generals from the most current year, if there is a rental surplus, the surplus amount can be added to the borrower’s gross annual income. If there is a rental shortfall, the shortfall amount must be factored in as a liability and included in the TDS calculation.

2. **For New Purchases/subject property less than 1 year**
   Include the mortgage payment (principal and interest) taxes and heat as a liability for calculation of “TDS” and include 50% of the gross rental income to the borrower’s annual income. The gross rental income used must be supported by either signed lease agreements or via an appraisal that establishes reasonable market rent for the unit.

**Owner Occupied 2-Unit Properties:**

HIGH RATIO ONLY, 100% of the rental income can be used for debt servicing purposes, provided the following conditions are met:

- All applicants have minimum beacon score of 680
- Satisfactory fire inspection or retrofit certificate is required
- Taxes and heat are to continue to be factored into debt servicing

Confirmation of rental income is substantiated through:
- 2 years tax returns and signed lease agreements confirming monthly rental income (5% vacancy rate must be applied) or
- Full appraisal to be obtained confirming monthly market rent (5% vacancy rate must be applied)

If the above conditions cannot be met then the old guidelines apply... 50% rental income will be used

**Title Insurance**
- First Canadian Title, Stewart Title or Title Plus is mandatory on all commitments.

**Bankruptcy / Consumer Proposal**
- Bankruptcy must be discharged for 2 years;
- Applicants must have down payment from own resources (no gift or Meridian incentive (ie cash back) is allowed)
- Applicant’s credit bureau reports must be satisfactory – no derogatory ratings on trade lines established after discharge of bankruptcy / consumer proposal;
- No Meridian debt was included in the bankruptcy.
- All applicants must have two year re-established credit history with a minimum of two major trade lines (credit via loan or major credit card).
- Maximum 90% Loan to Value
- Reasonable explanation for the bankruptcy must be provided with all applications
- Nil beacon score due to bankruptcy / consumer proposal fall in to the >570 category.
- No previous Real Estate to be included in Bankruptcy/Consumer Proposal

**Qualifying Mortgage Properties**
Meridian will consider the following types of property as acceptable for mortgage financing purposes under the Broker program.
- Residential properties Owner and Non-owner occupied
- Single family detached and semi-detached.
- Single family townhouses and row houses (freehold).
- Single Family with conforming rental component, Duplex, triplex and 4-plex buildings. All Buildings with a rental component must meet all applicable Fire Code Regulations and Zoning By-Laws.
- All properties must have a minimum of 100 AMP service.
- Properties on well water and septic tanks will be considered provided this is normal for the area.
- For properties situated on acreage (rural residential), appraisal report to include a maximum of 10 acres plus dwelling and no out buildings.
  - External income must service mortgage.
- Working farms do not qualify. Property must be within 50 km’s or urban centre (Pop. 15,000) For properties with no basement, the minimum square footage is 1000 Sq. Ft.

- **Seasonal dwellings** (Cottage Properties) must meet all of the following parameters:
  - Owner occupied properties only
  - Year round road access is required (no islands)
  - Confirmation of year round property insurance
  - Permanent source of heat – 4 season use
  - Minimum of 1000 sq ft

**Condominium Policy**

- Minimum Size of 600 sq ft* without Genworth or CMHC default insurance
- Condo must have a least **ONE** defined bedroom
- Live/work condos ineligible
- Under our BFS/NIQ program, minimum **600 Sq. Feet** is required
- **Condos of less than 600 Sq. feet will require high ratio insurance regardless of LTV**

**Non-qualifying Mortgage Properties**

- **Commercial Mix Properties** - are NOT available through the Broker Channel but may be referred to one of our Commercial Business Centres – ask your BDM.
- **Co-operative Housing**
- **Raw / Vacant (un-serviced) Land**
- **Leased Land**
- **Rooming Houses, Student Housing**
- **Bed & Breakfast**
- **Mobile Homes**
- **Historically designated properties**
- **Island Properties**
- **Previous Grow-Ops, remediated or not**
- **Life Lease properties.**
- **Hotel Condos, Live/Work condos** (regardless of % split between live & work)
- **Non-conventional construction** (ie dome houses)
- **Rental pools**

**Rate Buy down**

Brokers have the option for rate buy down to a maximum of 15 bps rate reduction on a 5 year Term. Each 5bps buy down will cost 20bps reduction in commissions

- Interest Rate Buy downs are permitted however in all cases the borrower must qualify for the mortgage under normal Gross Debt Service (GDS) and Total Debt Service (TDS) ratio requirement at current rates for the term.
- Rate buy down request must accompany the application to the underwriting unit.
- Buy down cost will be deducted from final broker referral fee.

**RATE HOLDS**

- 90 day rate holds are available for purchases & refinances, 120 days for New construction purchases. (25bps rate premium will be applied)
- Variable rate products do not qualify for rate holds.

**Purchase + Improvements**

- Submitted through FIlogic but referred to Branch for underwriting
- High Ratio and Conventional
**Bridge Finance**

- Available and offered through Branch Network
- Kindly note the file on flogix "bridge financing is required" + supporting docs
- Rate starts @ Meridian Prime + 1.5%
- Application fee of minimum $250
- 30/60/90 days available (more can be requested subject to corporate approvals)
- Loan $amount varies (Branch to advise)

**Qualifying Rate Policy**

**High Ratio Fixed rate mortgages**
- For terms of less than 5 years, applicants must qualify using the current Bank of Canada Rate.
- For terms 5 years and greater, applicants must qualify using the current Bank of Canada Rate.

**High Ratio Variable rate mortgages**
- Applicants must qualify using the current Bank of Canada qualifying rate.
- The payment is set using the contract rate plus 1.00%

**Conventional fixed rate 1st and 2nd mortgages**
- Contract rate can be used for any chosen term

**Conventional Variable Rate mortgages**
- The contract rate is used to qualify the applicant
- The payment is set at the contract rate for all applications where the beacon score of the primary (strongest) applicant is 720 or greater and the L/V is 75% or less.
- For all other applications the payment is set using the contract rate plus 1.00%

**HELOC**
- All Helocs must be qualified using a P+I payment based on Meridian’s 5 year fixed rate, amortized over 25 years

**Monthly Payment for Credit Cards & Lines Of Credit**

**High Ratio & Conventional:**

- For unsecured Lines of Credit and Credit Card, the payment used for debt servicing will be 3% of the balance owing
- For Secured Lines Of Credit, the payment used for debt servicing will be based on the balance owing amortized over 25 years at the contract rate or 5 year fixed benchmark rate

**Closed Variable Rate Mortgages**

5 year VRM is a true closed mortgage- unless there is a bona fide sale. Members will continue to be able to:

- Take advantage of our 20 / 20 prepayment privilege which allows them to increase the regular payment by up to 20% per year or to make lump sum payments (min $100) on their payment date to a max of 20% per year. The aggregate of the 2 prepayment options cannot exceed 20% per calendar year.
- Convert their VRM to a closed fixed rate mortgage of 3 years or greater at any time with no penalty.
- Blend and extend (blending of decrement).

**Business Development Manager:**
Jack Abboud
416-597-4444 x 2580
Jack.Abboud@meridiancu.ca