



THE HUNT TEAM



Re/Max Hallmark York Group Realty Ltd., Brokerage
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Further to the announcement issued on October 25, 2017 by the Office of the Superintendent of Financial Institutions (OSFI), here is a further update on [Guideline B20 - Residential Mortgages Underwriting Practices and Procedures](#). These changes come into effect on January 1, 2018 and will require clients to qualify for a mortgage or Home Equity Line of Credit at the five-year benchmark rate or the customer's discounted contractual rate, plus 2%, whichever is greater, regardless of the chosen contractual mortgage term. OSFI is implementing these changes for all federally regulated banks to follow due diligence in mortgage underwriting practices. Customers may experience a reduction in the total amount they qualify to borrow as result of the changes.

How this might impact affordability?

Expect the average Canadian's home purchasing power for a given income to be reduced 15-20%. Here's an example of the impact a new qualifying rate will have on the maximum mortgage proceeds and home purchase price. Amounts are based upon a combined Canadian family income of \$75,000, 5-year fixed term mortgage at a target rate of 3.39%, 25-year amortization, \$100,000 available for down payment, and \$700 in other monthly debt obligations:

	Up to December 31, 2017	After January 1, 2018
Target Rate	3.39%	3.39%
Qualifying Rate	3.39%	5.39%
Maximum Mortgage	\$400,000	\$325,738
Available Down Payment	\$100,000	\$100,000
Home Purchase Price	\$ 500,000	\$425,000

A customer's maximum mortgage amount will be influenced by other factors including the term selected, variable or fixed rate, product selected, amortization, other debt obligations, and credit score. This example applies to mortgages only. .

How will we manage different types of applications? I can only provide how we are interpreting and how we will be adjudicating any further correspondence I will advise accordingly.

Changes to the existing policies and procedures may impact applications before or after January 1, 2018.