Lender Update

Genworth Canada

March 12, 2020

Subject: New Benchmark Rate for Insured Mortgages

As announced by the Government of Canada, a new benchmark rate will be applied for all insured mortgages, effective April 6th, 2020.

The new benchmark rate will be determined as follows:

- The weekly median 5-year fixed insured mortgage rate as calculated by the Bank of Canada ("BOC") from federally-backed mortgage insurance applications adjudicated by mortgage insurers; plus a buffer of 200 basis points to be set by the Minister of Finance
- The BOC benchmark rate is updated weekly (www.bankofcanada.ca/rates/daily-digest/) and becomes effective at 12:01 a.m. the following Monday.

For mortgage insurance qualification purposes, all insured homebuyers must qualify for mortgage financing using an interest rate that is the greater of their contract mortgage rate or the BOC benchmark rate.

For additional clarity:

- All new mortgage applications submitted for insurance are subject to the qualifying interest rate in effect as of the date of submission.
- Applications for mortgage insurance approved prior to the rate change are still valid and do not require resubmission.
- If the mortgage insurance application is received after the effective date of the updated weekly benchmark rate, the previous lower benchmark rate can be used provided the lender made a legally binding commitment to make the loan to the borrower prior to the effective date of the benchmark rate change.

As a reminder, Genworth's underwriting systems will reflect the updated BOC benchmark rate for qualification purposes, therefore lenders should continue to submit the contract rate for the loan on submission of the mortgage insurance application.

If you have any questions or concerns related to this update, please feel free to contact your appropriate Genworth representative below.

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Regards,

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Question & Answers

1. **If a lender has submitted a mortgage insurance application prior to a benchmark rate increase, and the application is resubmitted with changes after the benchmark rate increase, will the application continue to be eligible for the lower benchmark rate in place at the time of initial submission?**

Provided the property and the borrower(s) have not changed, the benchmark rate in place at the time of initial submission can still be used.

2. **If a lender has cancelled a mortgage insurance application (e.g., in error, technology issues) that was initially submitted prior to the benchmark rate increase and then needs to re-open or resubmit the application on or after the benchmark rate has increased, will the application continue to be eligible to use the lower benchmark rate in place at the time of the initial submission?**

Provided the property and the borrower(s) have not changed, the benchmark rate in place at the time of initial submission can still be used.

3. **What if a borrower(s) has a mortgage pre-approval from a lender prior to the benchmark rate increasing, will the borrower(s) still be eligible for the lower benchmark rate in place at the time of the pre-approval if they don't have a signed agreement of purchase until on or after the date of the rate increase?**

Yes, if the lender has a binding agreement in place to make the mortgage loan that is signed and dated prior to the benchmark rate increasing, the benchmark rate in place at the time the agreement was made can be used.

4. **What if a borrower(s) has a signed agreement of purchase prior to the benchmark rate increasing, but did not have a pre-approval in place with a lender?**

If the lender did not have a binding commitment to make the loan in place prior to the benchmark rate increase, the new benchmark rate will apply, even if the borrower has a binding agreement of purchase and sale signed prior to the benchmark rate increase.

5. **What would happen if there was a binding commitment to make the loan with Lender "A" using the lower benchmark rate and a new application is then submitted by Lender "B" after the benchmark rate increased (Lender "B" did not have a binding commitment to make the loan prior to the benchmark rate increase)?**

Given Lender "B" did not have their own binding commitment to make the loan in place prior to the benchmark rate increase, the new benchmark rate will apply.

6. **Will the new benchmark rate be applicable for portfolio insurance transactions?**

Yes, all loans that will be insured (both transactional and portfolio insured) must meet the qualification criteria as outlined.