

August 14, 2017

## Subject: Clarification on Application of Bank of Canada Qualifying Rate

As required by the Government of Canada, all insured homebuyers must qualify for mortgage financing using an interest rate that is the greater of their contract mortgage rate or the Bank of Canada's ("BOC") five-year fixed benchmark rate.

Genworth has not issued a Lender Update on past Bank of Canada benchmark rate changes, however, given the recent increase in the benchmark rate, we would like to provide additional clarity on the application of the benchmark rate as outlined below:

- 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 increase are still valid and do not require resubmission to reflect the rate change.
- If the mortgage insurance application is received after the effective date of the new 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 may continue to submit the contract rate for the loan on submission of the mortgage insurance application.

Please note, the BOC benchmark rate is updated weekly ([www.bankofcanada.ca/rates/daily-digest/](http://www.bankofcanada.ca/rates/daily-digest/)) and becomes effective at 12:01 a.m. the following Monday.

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

Name	Title	Phone	E-mail
Catherine Adams	V.P. Business Development	(905) 287-5375	<a href="mailto:catherine.adams@genworth.com">catherine.adams@genworth.com</a>
Scott Galbraith	V.P. Business Development	(905) 287-5367	<a href="mailto:scott.galbraith@genworth.com">scott.galbraith@genworth.com</a>
Mark Stamm	V.P. Business Development	(514) 347-5759	<a href="mailto:mark.stamm@genworth.com">mark.stamm@genworth.com</a>
Marc Shendale	V.P. Business Development	(905) 287- 5392	<a href="mailto:marc.shendale@genworth.com">marc.shendale@genworth.com</a>
Kiki Sauriol-Roode	V.P. Business Development	(905) 287-5379	<a href="mailto:kiki.sauriol-roode@genworth.com">kiki.sauriol-roode@genworth.com</a>
Lisa Trudell	V.P Regional Sales	(905) 287-5369	<a href="mailto:lisa.trudell@genworth.com">lisa.trudell@genworth.com</a>

Regards,



**Debbie McPherson**  
Genworth Canada  
Senior Vice President, Sales and Marketing  
Phone 905.287.5465  
Email: [debbie.mcpherson@genworth.com](mailto:debbie.mcpherson@genworth.com)

## 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.