

Schedule “A”

Sagen Mortgage Insurance Company Canada Data Submission Schedule

(Updated versions of this Schedule can be found at sagen.ca)

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A) INTRODUCTION

1. *Overview*

This Data Submission Schedule is Schedule “A” to the Electronic Commerce Endorsement of the Master Policy of Sagen Mortgage Insurance Company Canada (the “**Insurer**”). The Insurer’s *Excel*[™] communication platform represents a two-way electronic communication vehicle designed to accommodate the processing of the majority of residential mortgage insurance applications on a fully paperless basis. The electronic process benefits both the Insurer and participating lender institutions (“**Lender**”) through increased productivity, faster turnaround time on insurance decisions, and improved data integrity.

The Insurer underwrites each application for eligibility for mortgage insurance using its current underwriting guidelines. The efficiency of turnaround time on applications through the Insurer’s automated underwriting and decision making technologies relies heavily on the accuracy and validity of the application data submitted by each Lender and the data exchange process with the Lender.

In order to eliminate the need for the Lender to forward routine documentation at the time of underwriting, each Lender is responsible for the performance of verifications at the time of underwriting, and subsequent retention of verification information (income, employment, credit, down payment, review of offer to purchase, etc.). All applications submitted to the Insurer will have been approved by the Lender in accordance with the Lender’s standard underwriting practice.

In the case of applications for the insurance of newly constructed residences, the Lender continues to be responsible for the verification of completion of the residence to acceptable quality levels and in accordance with the borrower submitted plans and specifications. The Lender determines the method(s) of verification which are deemed acceptable to it. Methods may include, but are not limited to, a final inspection report completed by an appraiser, a certificate of possession or occupancy, or a new home warranty completion inspection certificate.

All of the Insurer’s *Excel*[™] insurance applications will be processed on a “Full Service” basis. “Full Service” is an insurance application format whereby Insurer is responsible for the underwriting of the real estate collateral.

2. *Lender Eligibility*

Eligibility to participate in the Insurer’s *Excel*[™] program is restricted to Lenders approved by the Insurer who:

- demonstrate prudent lending practices (as evidenced by detailed underwriting guidelines, acceptable default rates, and satisfactory historical portfolio profile and performance);
- have the technological capability to pass and receive the minimum data requirements electronically;
- have entered into Insurer’s formal business agreements, including a Master Policy; and

- agree to obtain legally required written consent from respective borrowers and guarantors to allow Insurer access to all personal information relating to the underwriting and servicing the proposed insured mortgage inclusive of credit bureau information.

3. Lender Roles and Responsibilities

Before transmitting an application to the Insurer, each Lender is required to perform its normal underwriting procedures. Prior to funding the Lender must complete all routine confirmations and verifications. The Lender's underwriting procedures will ensure that only applications which meet the Lender's and the Insurer's usual underwriting standards and product definitions are electronically forwarded to the Insurer. Verifications or other information must be available to the Insurer on request, when required for the following purposes:

- underwriting decisions on new applications, or requested amendments;
- to accommodate the Insurer's regular quality assurance reviews;
- file reviews in the event of early term default (24 months); and
- to comply with all applicable legal requirements and guidelines.

The Insurer will endeavour to provide the Lender with reasonable prior notice before requesting access to such information.

Property/Offer to Purchase Considerations:

The Lender is responsible for the accuracy and verification of all data submitted to the Insurer. At the time of application or subsequently discovered, the Lender must advise the Insurer of any deficiencies to the property as identified through the review of the MLS listing or offer to purchase agreement, environmental assessment report, or otherwise. Of particular concern are price inflating incentives such as cash back offers. The cash-back provision is not to be used as any part of the down payment unless it is part of an Insurer approved affordable housing program.

On applications for purchase transactions, part of the Insurer's usual data requirement will be an indication as to whether or not the property was sold via an MLS listing. This information is key to the Insurer's automated collateral risk assessment.

In advance of the transmission of the application electronically to the Insurer, the Lender must provide the borrower(s) and guarantor(s) with written notice, a copy of which must be signed by the borrower(s) and guarantor(s) in acknowledgement of having understood and consented to its contents which states as follows:

“The granting of the Loan or any part thereof by a Lender, or approval for mortgage insurance by a mortgage insurer is not to be construed or relied on by the borrower(s) and any guarantor(s) as representing a confirmation of the value or condition of the underlying property, whether or not appraisals or inspections are carried out by or for a mortgage insurer; nor is it to be construed or relied on by the borrower(s) or any guarantor(s) as representing a confirmation of the ability of the borrower(s) and any guarantor(s) to repay the Loan.”

Borrower's Personal Information:

Prior to submitting an application to the Insurer for consideration, the Lender must ensure that the borrower(s) or guarantor(s) have executed, in writing, an appropriate disclosure and consent form, in accordance with all laws of the applicable jurisdictions, which authorizes the Insurer to receive (or obtain directly) personal and credit bureau information for the Insurer's insurance underwriting, servicing, risk management or related purposes. All personal information obtained by the Insurer will be held in confidence by the Insurer or its applicable third party service providers and will not be released to any third party except where required by law.

As well, each Lender is responsible for:

- ensuring the continued accuracy and integrity of the application data submitted electronically to the Insurer, inclusive of application amendments following the Insurer's approval; and
- timely advice as to future material Lender underwriting policy changes.

4. The Insurer's Role and Responsibilities

The Insurer's will:

- verify that the minimum required electronic data is received by the Insurer and conforms to the Insurer's information requirements;
- request and receive any additional required information/documentation for underwriting purposes (over and above electronic data) from the Lender prior to approval;
- verify that borrower, property and application characteristics conform to:
 - the Insurer's established underwriting guidelines, and
 - negotiated business understandings as outlined in the "Electronic Commerce Endorsement";
- provide the Lender with timely written advice of any future changes in underwriting policy or underwriting process; and
- endeavour to settle each application electronically inclusive of providing the Insurer reference number.

B) BUSINESS ARRANGEMENTS AND UNDERSTANDINGS

The Insurer will underwrite all applications in accordance with the Insurer's established underwriting policies. The following sections highlight eligible and ineligible application types and characteristics, together with identification of application characteristics for those applications which will normally be assessed more closely due to higher risk factors. Please see product overviews for specific information for each product.

1. Eligible Application Types and Characteristics

Below are the eligible application types and characteristics:

- first and second mortgages;
- owner occupied and investment properties;
- secondary occupancy and vacation properties;
- existing and new construction;
- maximum 4 units;
- freehold, leasehold, condominium;
- amortization period up to 25 years;
- ;
- single advance (completion loan);
- new construction progress advances;
- blended instalments of principal and interest with frequency of no greater than monthly;
and
- fixed rate loans and the Insurer approved variable rate mortgage programs.

Maximum Loan to Value Ratio's

Below are the maximum loan to value ratios for various products (including the Insurer approved capped variable rate mortgages):

- Purchase and Purchase Plus Improvements up to 95% loan to value maximum:
 - single unit purchase transactions up to 95% loan to value maximum,
 - duplex purchase transactions up to 95% loan to value maximum;
 - three to four units purchase transactions up to 90% loan to value maximum; and
- special products have varying loan to value ratio limits. Refer to product overviews for maximums.

2. Ineligible Application Characteristics

Applications involving the following characteristics are not insurable and should not be submitted for insurance coverage:

- commercial or industrial properties (either zoned commercial or being used for commercial purposes);
- properties with greater than four units;
- raw Land
- non-landed immigrants (unless approved under the New to Canada program);
- mobile homes (unless pre-fabricated or factory built residential dwelling units with permanent foundations and permanent water and sewage connections); or
- applications not meeting the Lender's underwriting guidelines.

3. Applications Requiring Detailed Underwriting by the Insurer

The Insurer will make every effort to process applications on a fully electronic basis. However, the Insurer's underwriters reserve the right on any application to request, as deemed necessary, additional information and/or copies of employment, income and credit verifications, credit bureau reports, offers to purchase or other routine documentation in advance of making a determination on an application. On certain application types (usually representing higher risk), the Insurer's underwriters will perform more detailed underwriting, and therefore these applications will not normally be eligible for a fully electronic (paperless) process.

On applications involving new construction, copies of offers to purchase may be requested by the Insurer's underwriter in order to facilitate the underwriting of unique builder incentives, to confirm new home warranty coverage, or to accommodate the Insurer's Full Service valuation process.

The Insurer will fully underwrite, on request, any complete and documented application package submitted by the Lender. The Insurer's underwriters will also provide consultative service on marginal or unique applications in order to determine acceptability to the Insurer.

4. Electronic Data Integrity

It is the Lender's responsibility to ensure the accuracy of the data being passed electronically to the Insurer. In the event that changes in the application characteristics occur at or after the Insurer's approval, but prior to advance, these changes must be promptly provided to the Insurer electronically. Changes to critical fields will require the approval of the Insurer prior to loan advance, failing which the Insurer's commitment to insure may be considered null and void at the sole discretion of the Insurer.

5. Quality Assurance

On a regular basis, a maximum of 3% of a Lender's business processed by the Insurer may be selected, on a random or pre-selected basis for detailed file reviews. These reviews may be conducted on the

Lender's premises (or wherever the applications are located during normal business hours) upon 15 days prior written notice, or, may be completed by the delivery of all required documentation in a format agreeable to both the Insurer and the Lender. The Lender will provide the Insurer with access to all requested applications at such time. The purpose of file reviews is to ensure compliance with negotiated arrangements and regulatory standards, confirm that acceptable judgement is being exercised, and that prudent and agreed upon underwriting standards are being applied relative to application documentation, and underwriting performance (down payment verification, credit checks, identity verification and income and employment verifications, etc.). Additionally such reviews will be:

- To confirm that prior to funding:
 - the application has been underwritten by the Lender and meets the Lender's usual underwriting and product guidelines; and
 - the required application data has been accurately transmitted to the Insurer;
- to identify any issues where clarification of business understandings is required; and
- to confirm that the Lender's loan files can be located and contain required and agreed upon documentation inclusive of verifications, borrower consent credit reports or other required information.

Where specific underwriting concerns are identified, additional file reviews may be requested to further evaluate respective issues. In situations where serious underwriting deficiencies are noted, special follow up reviews and/or meetings may be required outside of the normally scheduled file reviews.

6. Insurance Commitment Expiry/Revocation

Under the *Excel*TM program, electronically issued commitments will expire as follows:

Purchases

- a) Existing housing – 12 months from date of approval
- b) New construction – 36 months from date of approval

On request, the Insurer will consider extensions of the expiry date on a case-by-case basis. The Insurer reserves the right to revoke any commitment issued where the information provided to the Insurer with respect to an application is incorrect or invalid.

7. Documentation Requirements / Retention

As part of their due diligence, Lenders are expected to exercise sound loan documentation practices as a condition of mortgage insurance coverage. In accordance with prudent underwriting practices and in compliance with the Insurer's policies, Lenders are responsible for retaining on file

documentation and details to support new loans and changes to existing insured loans (“**Documents**”) for the length of time that the insurance coverage is in place. In all cases it would be expected that Lenders would retain documentation that supports the event, borrower assessment, property assessment and any other applicable documents required to substantiate the loan application. Where an insured loan is transferred to another Lender, the originating lender is expected to maintain complete documentation for a minimum of seven (7) years following the initial originating date of the mortgage loan insurance. The expectation for any additional Documentation retention by the Lender would be based on the additional “risk” that the event poses to the mortgage insurer.

Lenders are expected to meet specific documentation requirements in accordance with the Insurer’s policies for homeowner loans. The following table summarizes documentation requirement for specific events:

Event	Documentation Requirements		
	Documentation to support the event	Documentation to support borrower assessment	Documentation to support property assessment
Purchase of New or Existing Housing	Yes	Yes	Yes
Straight Portability	Yes	*	Yes
Portability with Increase	Yes	Yes	Yes
Transfer of Mortgage/ Switch	Yes	*	*
Mortgage Assumption	Yes	Yes	*

* Lenders are expected to act prudently in observing their lending practices to satisfy themselves of the quality of the loan.

The following outlines the minimum documentation requirements an Approved Lender must obtain and retain on file in support of a loan application submitted for insurance, including but not limited to:

Documentation to Support the Event

- Complete and signed offer to purchase/agreement of purchase and sale / bill of sale (including all schedules, amendments and waivers);
- signed mortgage loan application and loan agreement/commitment including loan conditions (as applicable);
- verification of outstanding balance of existing mortgage;
- pay-out statements, as applicable;
- solicitor’s final report confirming funding and conditions of funding;

- evidence of marketable title or title insurance (e.g. solicitors title search, certificate of title insurance or survey certificates);
- all security documentation legal in nature (e.g. mortgage, leases, survey certificates, etc.);
- all related Insurer reference numbers;
- verification of borrower(s)/guarantors(s) identity;
- verification of intended use (i.e. statutory declaration, etc. to confirm occupancy).

Documentation to Support Borrower Assessment

- verification of income/employment for prospective borrower(s)/guarantor(s);
- verification of non-permanent resident(s) work permit;
- signed guarantor agreement, as applicable;
- verification of source of down payment/equity, as applicable;
- verification of key inputs used to calculate debt service ratios (e.g. heating costs, taxes, condo fees, and other debt obligations);
- credit report or verification of creditworthiness for prospective borrower(s)/guarantor(s);

Documentation to Support the Property Assessment

- verification of property characteristics (e.g. listing agreement, appraisal report, photos);

As Applicable

- list of improvements, quotes, cost estimates and plans for new construction, purchase plus improvement or renovations;
- verification of completion of improvements (new construction, purchase plus improvements or renovation applications)
- evidence of the home being registered under a Lender approved new home warranty program;
- rationale for release of additional security;
- lease or rental lease documents and evidence of review;
- engineers report or other technical reports pertaining to the mortgaged property;
- verification of property/underlying security value (i.e. appraisal);

- Environmental Site Assessment (ESA) report(s);
- an acceptable water potability certificate and/or waste water treatment where public water supply facilities are not available;
- documentation confirming the Insurer conditions for registering mortgages (or charges) in second position are met.

C) APPLICATION AND RESPONSE PROCESS

1. General

Lender will submit application data electronically to the Insurer, with required data elements and in the format previously determined by the Lender and the Insurer. The Insurer can receive data from a Lender 24 hours a day, 7 days a week. The electronic adjudication of applications, is performed from 6:00 a.m. to 1:00 a.m. Eastern Time, Monday to Sunday. All applications received will be evaluated for insurance eligibility in accordance with the Insurer’s usual underwriting guidelines. The level of underwriting will vary commensurate with individual application risk characteristics.

2. New Application Process

On receipt of an application by the Insurer, the Lender will receive one of the following six basic electronic responses:

Electronic Response
“ Approved ” (including message text relative to any “conditions”)
“ Referred to Underwriter ” (for applications requiring Underwriter involvement)
“ Declined ”
“ Error ” (if data errors detected, including a message/error code)
“ Received ” (for applications which are received outside of electronic processing hours)
“ Cancelled ” (in response to Lender’s electronic request to cancel the application)

Detailed Response Information:

In all cases the Insurer will provide the following information:

- Electronic Response type (Approved, Declined, etc.);

- institution number;
- transit number (submitting branch);
- Insurer reference number;
- application type;
- borrower name; and
- Lender loan number.

In addition, if the application is approved the Insurer will provide the following information:

- total loan amount insured;
- coverage percentage (%);
- premium amount;
- fee amount due (if any):
- tax amount;
- total amount due;
- commitment expiry date; and
- blended amortization (if applicable).

3. Amendments to Insurance Commitments

For amendments to commitments issued by the Insurer, the Lender will electronically resubmit the application with any data changes prior to the Lender advancing any funds. An electronic response will be generated by the Insurer. When required, the amendment request will be forwarded to an Insurer underwriter for re-underwriting. Upon dispositioning an electronic message will be generated to the Lender.

4. Withdrawal / Cancellation

To withdraw or cancel a request for mortgage insurance, the Lender will electronically generate and transmit a cancellation message to the Insurer.

5. Insurer Help Line

The Insurer provides “Help Line” facilities for Lenders at **1-800-511-8888**.

6. *Turnaround Time /Service Expectations on Applications*

The Insurer's turnaround time is contingent on the level of underwriting scrutiny which is applied to a specific case. The Insurer uses a number of real estate risk validation processes internally resulting in a range of turnaround times from less than a minute to 24 hours. The valuation/appraisal approach performed will impact the turnaround time, particularly on those cases at each end of the property quality spectrum (e.g. properties which have very high values as well as those which have low values). Access to properties where full internal appraisals are required will influence final turnaround time. Lenders should be prepared to assist with providing property access to the Insurer appraisers to minimize any delays.

The level of data accuracy is the most important factor in determining turnaround time for each application. All data elements with particular emphasis on a full property address including the postal code, the borrower's current residential address and social insurance number (where provided).

7. *Lender Portfolio Reports*

On request, the Insurer can provide Lenders with management reports which profile the loan characteristics of approved loans during a specific time frame for most designated geographic areas.

D) CONFLICTS

In the event of any conflicts between the terms of this Schedule "A" to the Electronic Commerce Endorsement of the Master Policy of the Insurer and the terms of the main body of the Master Policy of Sagen, the terms of the main body of the Master Policy will govern.