

Subject: Enhancements to Sagen’s “Underwriting Policies and Standards (UPS)”

Summary of Sagen Policy Changes

Sagen Policy Update	Summary
Purchase Plus Improvements	<ul style="list-style-type: none"> Single or multiple advance options (excluding initial purchase advance) are permitted and may be managed by Lenders. Improvements must be greater than 10% of the as-improved value to be eligible for draws managed by Sagen (previously greater than \$40,000 or 20% of the purchase price).
Self-Employed Income (All programs excluding Business For Self (Alt. A) Program)	<ul style="list-style-type: none"> In the province of Quebec, both federal and provincial NOA's are required to confirm no income tax arrears. For sole proprietorships or partnerships, clarification added that the 15% gross up is to be applied to self-employed income sources only. <ul style="list-style-type: none"> Any income sources not related to self-employed income is to be deducted from line 15000 before applying the 15% gross-up.
Business for Self (Alt. A) Program	<ul style="list-style-type: none"> Updated documentation requirements expanding the list of acceptable documents to confirm at least two years business-for-self tenure: <ul style="list-style-type: none"> For Sole Proprietorship and Partnerships 2 new documentation options have been added: a Business Credit Report and confirmation via a public business registry. For Corporations 4 new documentation options have been added: a business license, business credit report, T2 corporate tax returns, and confirmation via a public business registry. Please refer to the Sagen UPS for the full list of acceptable documents.
Foster Children	<ul style="list-style-type: none"> Updated documentation requirements adding a minimum of two months’ direct deposits as another acceptable source. Clarification added that foster care income deemed non-taxable by the CRA may be grossed up as per the non-taxable income guideline (refer to Income Gross Up for Non-Taxable Income).
Canada Child Benefit (CCB)	<ul style="list-style-type: none"> New guidance related to Canada Child Benefit (CCB) for income qualification: <ul style="list-style-type: none"> CCB income to be confirmed via one of the following: most recent Canada Child Benefit Notice, or, 2 months direct deposit Income stream should not represent greater than 30% of the total qualifying income

	<ul style="list-style-type: none"> ○ Income stream should be continuous for a minimum of 3 years.
<u>Disability Income</u>	<ul style="list-style-type: none"> ● The following disability income guidance has been added: <ul style="list-style-type: none"> ○ Long-term disability income may be used provided a confirmation letter is obtained. ○ Short-term disability income may be used subject to a letter from the employer confirming the following: <ul style="list-style-type: none"> ○ Disability income will be received provided the applicant is unable to work and borrower will return to their previous employment when able. ● Previously unacceptable sources of income have been added as acceptable examples of disability income: <ul style="list-style-type: none"> ○ Examples include: Assured Income for the Severely Handicapped (AISH) and Ontario Disability Support Program (ODSP)
<u>Equity: Gifts</u>	<ul style="list-style-type: none"> ● Gifted down payment policy updated to accept gifts from close familial relationships (previously a defined list of eligible immediate family members).
<u>Equity: RRSP Source</u>	<ul style="list-style-type: none"> ● Clarification added where the down payment is coming from an RRSP when borrowed funds have been used; if the borrowed funds have not been paid in full, the application is to be submitted under the Borrowed Down Payment Program.
<u>Updates After Approval: Contract Interest Rate</u>	<ul style="list-style-type: none"> ● Clarification added for an increase in the contract interest rate for Variable Rate Mortgages (“VRM”) as per <u>Lender Update</u> dated July 19, 2022.
<u>Energy-Efficient Housing Program</u>	<ul style="list-style-type: none"> ● Enhancements were made to Sagen’s “Energy-Efficient Housing Program” per <u>Lender Update</u> dated June 28, 2022.

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

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Regards,



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