



News Release

For immediate release

OSFI is reinforcing a strong and prudent regulatory regime for residential mortgage underwriting

OTTAWA – October 17, 2017 – The Office of the Superintendent of Financial Institutions Canada

Today the Office of the Superintendent of Financial Institutions Canada (OSFI) published the final version of Guideline B-20 – *Residential Mortgage Underwriting Practices and Procedures*. The revised Guideline, which comes into effect on January 1, 2018, applies to all federally regulated financial institutions.

The changes to Guideline B-20 reinforce OSFI's expectation that federally regulated mortgage lenders remain vigilant in their mortgage underwriting practices. The final Guideline focuses on the minimum qualifying rate for uninsured mortgages, expectations around loan-to-value (LTV) frameworks and limits, and restrictions to transactions designed to circumvent those LTV limits.

OSFI is setting a new minimum qualifying rate, or “stress test,” for uninsured mortgages.

- Guideline B-20 now requires the minimum qualifying rate for uninsured mortgages to be the greater of *the five-year benchmark rate published by the Bank of Canada or the contractual mortgage rate +2%*.

OSFI is requiring lenders to enhance their loan-to-value (LTV) measurement and limits so they will be dynamic and responsive to risk.

- Under the final Guideline, federally regulated financial institutions must establish and adhere to appropriate LTV ratio limits that are reflective of risk and are updated as housing markets and the economic environment evolve.

OSFI is placing restrictions on certain lending arrangements that are designed, or appear designed to circumvent LTV limits.

- A federally regulated financial institution is prohibited from arranging with another lender a mortgage, or a combination of a mortgage and other lending products, in any form that circumvents the institution's maximum LTV ratio or other limits in its residential mortgage underwriting policy, or any requirements established by law.

Quote

“These revisions to Guideline B-20 reinforce a strong and prudent regulatory regime for residential mortgage underwriting in Canada,” said Superintendent Jeremy Rudin.



Quick Facts

- On July 7, 2017, OSFI published draft revisions to Guideline B-20 – *Residential Mortgage Underwriting Practices and Procedures*. The consultation period ended on August 17, 2017.
- OSFI received more than 200 submissions from federally regulated financial institutions, financial industry associations, other organizations active in the mortgage market, as well as the general public.
- The cover letter includes an unattributed summary of the comments and an explanation of how these issues were dealt with in the final Guideline B-20.
- Following publication of Guideline B-20 OSFI plans to assess Guideline B-21 – [Residential Mortgage Insurance Underwriting Practices and Procedures](#) for consequential amendments.

Associated Links

- [Cover letter](#) (including a summary of industry comments and OSFI's responses)
- [Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures](#)

About OSFI

[The Office of the Superintendent of Financial Institutions Canada](#) (OSFI) is an independent agency of the Government of Canada, established in 1987 to protect depositors, policyholders, financial institution creditors and pension plan members, while allowing financial institutions to compete and take reasonable risks.

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