

What are CMHC's new underwriting policies for high ratio mortgages that took effect July 1, 2020?

The following underwriting policy changes will apply for all new transactional and portfolio mortgage insurance applications (insurance granted to those who put less than 20% down payment when purchasing a new home):

- Exceptions will be removed to CMHC's standard Gross/Total Debt Servicing (GDS/TDS) ratio requirements
 - Maximum GDS ratio drops from 39 to 35
 - Maximum TDS ratio drops from 44 to 42
- At least one borrower must have a minimum credit score of 680 up from 600; and
- Non-traditional sources of down payment (e.g. third-party borrowing, unsecured loans, lines of credit, etc.) will no longer be accepted - Only "traditional sources" of cash, such as savings, equity from the sale of a house or financial support from relatives will be accepted

The updates noted are measures intended to curtail excess demand and household indebtedness.

Are Canada Guaranty and Genworth adopting similar changes to their underwriting policies?

As of June 8th, 2020, Canada Guaranty and Genworth confirmed they will not be adopting the changes set out by CMHC. It has been noted by the senior leadership of these two companies that they feel their underwriting policies for insured mortgages already allow them to "prudently" manage their risk exposure.



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