

October 18, 2017

Guideline B-20 Residential Mortgage Underwriting Practices and Procedures

What: The Office of the Superintendent of Financial Institutions Canada (OSFI) revised Guideline B-20 – Residential Mortgage Underwriting Practices and Procedures. The revised Guideline:

- 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%.
- Requires federally regulated financial institutions to establish and adhere to appropriate loan-to-value (LTV) ratio limits that are:
 - reflective of risk
 - updated as housing markets and the economic environment evolve
- Prohibits federally regulated financial institutions 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.

When: The revised Guideline will become effective on January 1, 2018

Comments from Economic Analyst, [Richard Goatcher](#): A 2% lift in the qualifying rate for all buyers and not just those requiring mortgage insurance will have a measurable impact on housing demand in 2018. For a typical new home in Alberta priced at \$525,000, a 2% jump in the 5-year qualifying mortgage rate would increase the calculated monthly carrying costs by close to \$450/month. This would boost the household incomes required to purchase this median-priced new house by almost 20%. This means prospective buyers will have to come up with larger down payments, delay purchasing or shop down market. The impact on house prices will be negative as fewer people will be able to qualify at various price points.

More information: [Click here to view the Guideline](#)

Government of Alberta Cabinet Changes

On October 17, the Government of Alberta announced the following Cabinet changes:

- Sandra Jansen, MLA for Calgary North West, has been appointed Minister of Infrastructure
- Jessica Littlewood, MLA for Fort Saskatchewan-Vegreville, has been appointed Parliamentary Secretary to the Minister of Economic Development and Trade for Small Business
- Annie McKittrick, MLA for Sherwood Park, has been appointed Parliamentary Secretary to the Minister of Education
- Brian Mason remains the Minister of Transportation and Government House Leader

[Click here to view the full announcement.](#)