



OSFI Releases Guideline on Mortgage Underwriting Principles

OTTAWA – June 21, 2012 – The Office of the Superintendent of Financial Institutions (OSFI) releases today the final version of a Guideline that sets out expectations for prudent residential mortgage underwriting.

The Guideline, [Residential Mortgage Underwriting Practices and Procedures \(B-20\)](#), builds on the Financial Stability Board's international *Principles for Sound Residential Mortgage Underwriting Practices* (released in April 2012) and OSFI's own domestic supervisory work. The final Guideline is the result of a thorough consultation process; a summary of comments received and OSFI's responses to them is provided in an annex to the covering letter, also released today. On June 6th, OSFI released an interim update, providing a brief description of its decisions taken on key issues that have been reflected in the final guideline.

The Guideline applies to all federally regulated financial institutions engaged in residential mortgage underwriting and/or the acquisition of residential mortgage loan assets in Canada. It complements relevant provisions of the *Bank Act*, *Trust and Loan Companies Act*, the *Insurance Companies Act* and the *Cooperative Credit Associations Act*, as well as the Government of Canada's mortgage insurance guarantee framework.

The Guideline outlines five main principles for prudent mortgage underwriting and/or acquisition:

- Have a comprehensive residential mortgage underwriting policy;
- Perform reasonable due diligence to assess the borrower's identity, background and demonstrated willingness to service their debt obligations on a timely basis;
- Adequately assess the borrower's capacity to service their debt obligations on a timely basis;
- Have sound collateral management and appraisal processes; and
- Have effective credit and counterparty risk management, including, where appropriate, mortgage insurance.

.../2





To allow time for federally regulated financial institutions to implement any systems or process changes that may be required, OSFI expects federally regulated financial institutions to comply fully with the guideline by the end of fiscal year 2012/13. Where possible, federally regulated financial institutions should comply with the principles and expectations set out in the Guideline as of its release. The Guideline will not apply retroactively to in-force residential mortgages.

Created in 1987 by an Act of Parliament, the Office of the Superintendent of Financial Institutions (OSFI) is the primary regulator and supervisor of federally regulated deposit-taking institutions, insurance companies, and federally regulated private pension plans. OSFI's mandate is to advance and administer a regulatory framework that contributes to public confidence in a strong, stable and competitive financial system.

- 30 -

Media Contact:

Rod Giles
Communications and Consultations
613-993-1678
Rod.Giles@osfi-bsif.gc.ca

