BCFSA

BC FINANCIAL SERVICES AUTHORITY

Official Change of Name

On November 1, 2019, BC Financial Services Authority (BCFSA) replaces the Financial Institutions Commission (FICOM) as BC's regulator of credit unions, trust companies, insurance companies, pension plans and mortgage brokers. All references in the attached document to **FICOM** and the **Financial Institutions Commission** should be read as **BCFSA** and **BC Financial Services Authority** until revised or replaced by the name of the Authority. The attached form or document will continue to be used until otherwise revised or cancelled.

If you have any questions, please contact us at 604-660-3555.
Email: bcfsa@BCFSA.ca

Residential Mortgage Loans Report Completion Guide

BC Credit Unions

Revised November 2017

BRITISH COLUMBIA | Financial Institutions Commission

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GENERAL INSTRUCTIONS

Purpose

This completion guide provides instructions for credit unions to report data on all insured and uninsured residential mortgages advances; including:

- completed loans;
- mortgage loans; and
- securitized loans.

Frequency & Reporting Dates

This return is to be completed on a <u>quarterly</u> basis, and is due 30 days after the appropriate quarter end.

Application

This return applies to all credit unions:

1. Credit unions in asset groups 3, 4, 5, and 6 (asset size <$900 million) as at the most recent fiscal year-end must complete **sections A and B** of the report.
2. Credit unions in asset groups 1 and 2 (asset size ≥$900 million) as at the most recent fiscal year-end must complete **all sections** of the report.

Except for some data points in sections G and I, all mortgage loans secured by property at the end of the quarter are to be reported.

Data Quality

All loan amounts in this return should reconcile to the Credit Union Monthly Financial & Statistical Return (MFSR).

Data reported should include amounts from the below MFSR lines:

Line 1150 – Personal Real Estate Secured: Insured
Line 1155 – Personal Real Estate Secured: Insured (LOC)
Line 1160 – Personal Real Estate Secured: Residential – 75% of FMV or Less
Line 1165 – Personal Real Estate Secured: Residential – 75% of FMV or Less (LOC)
Line 1170 – Personal Real Estate Secured: Residential – Greater Than 75% of FMV
Line 1175 – Personal Real Estate Secured: Residential – Greater Than 75% of FMV (LOC)
Line 1287 – Securitizations: Personal and Commercial Insured
Line 1288 – Securitizations: Personal Non-Insured

All total amounts in sections A, B, C, E, F, and H should agree. For example, total in LTV ratio section should agree with total in amortization section. Please provide an explanation with your report if total amounts in these sections are different.

Please note that non-CMHC (Genworth/Canada Guaranty) insured loans are 90% guaranteed by the federal government under the Government Guarantee Agreement. Hence, 10% of loans not guaranteed should be included in "uninsured" column and reconciled to uninsured lines in MFSR.

Definitions

Canada Mortgage and Housing Corporation (CMHC):

- CMHC is a Crown corporation wholly owned by the Government of Canada.

Insured Mortgage:

- Residential Mortgage loans fully secured by mortgages on land that are approved or insured under the *National Housing Act* (NHA), or an insurer authorized to conduct mortgage insurance business under NHA to the extent that such loans are guaranteed by the Government of Canada.

Residential Mortgage:

- A loan to an individual secured by a mortgage on land or on the lessee's interest in a lease of land on which land, in either case, there are one or more buildings that are used or will be used, to the extent of at least 80% of the floor space, for residential purposes and:
    a) that are owner occupied or are intended to be owner occupied and are ready for occupancy,
    b) that are under construction and are intended to be occupied by the borrower on completion, or
    c) that are residential rental dwellings, consisting of not more than four units, ready for occupancy, and includes
    d) a loan to an individual secured by a mortgage on a hobby farm or a recreational property or on the lessee's interest in a lease on either.

SECTION A: LOAN TO VALUE (LTV) RATIO

1. Report the total <u>outstanding</u> portfolio balance for each type of loan and line of credit at the end of the reporting quarter that falls into the respective LTV category.
2. LTV is based on the value of the property at the date of the mortgage origination and must be supported by an appraisal or other objective evidence of value. Adjustment of the LTV is permitted as long as a new appraisal or appropriate proof of current fair market value (FMV) is obtained at the time of mortgage renewals.
3. When reporting lines of credit, the calculation of LTV should be based on the <u>authorized</u> limits.
4. The LTV should be based on the aggregate lending exposure to that one collateral security. This is explained in more detail in the example below.
5. If the LTV falls on the benchmark, report it in the lower category. For example, if the LTV is 75%, report it in the category of >65% to ≤75%.years.

6. In cases where there is no data available to identify LTV ratio, the mortgage value can be reported under the category 'No LTV Ratio Available'.

> **Example:**
> If a property with a FMV of $1,000,000 supports an uninsured mortgage of $500,000, and a line of credit with outstanding balance of $100,000 and authorized limit of $200,000, then LTV is 70% [(500,000+200,000)/1,000,000].
> The outstanding amount of $600,000 (500,000+100,000) should be reported on line 7370 (>65% to ≤75%). The number of loans should be 2 and reported on line 7300.

SECTION B: AMORTIZATION

1. Report the total <u>outstanding</u> portfolio balance for each type of loan and line of credit at the end of the reporting quarter that falls into the respective Amortization category.
2. If the amortization number falls on the benchmark, report it in the lower category. For example, if it is 30 years, report it in the category of >25 to ≤30 years.
3. In cases where there is no data available to identify amortization, the mortgage value can be reported under the category 'No Amortization Available'.

> **Note:**
> As lines of credit can be called, paid out or cancelled at any time, we would suggest it be reported in the category of 25 years or fewer.

SECTION C: TOTAL DEBT SERVICE (TDS) RATIO

1. Report the total <u>outstanding</u> portfolio balance for each type of loan and line of credit under the relevant TDS category as at the reporting date.
2. It is prudent that credit unions use the below TDS Calculation Formula[1]:
    TDS % = (Principal + Interest + Taxes + Heat + Other Debt Obligations) / Gross Annual Income
3. Principal and Interest: Should be based on the applicable amortization period and loan amount, including the mortgage insurance premium
4. Taxes: Include the property tax amount
5. Condo Fees and Site or Ground Rent: If applicable, 50% of the condominium fees must be included in the TDS calculation. For chattel or leasehold loans, 100% of site or ground rent must be included.
6. Heat Costs: Use actual heat cost or provide an accurate estimate that is reflective of the characteristics of the property
7. Other Debt Obligations: Include revolving credit, personal loans or car loans etc. For unsecured lines of credit and credit cards, factor in monthly payment amount corresponding to no less than 3% of the outstanding balance. For secured lines of credit, factor in an amount

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[1] The TDS ratio calculation formula is prescribed by Canada Mortgage and Housing Corporation.

corresponding to at least a monthly payment on the outstanding balance amortized over 25 years using the contract rate.

8. In cases where there is no data available to identify TDS ratio, the mortgage value can be reported under the category 'No TDS Ratio Available'.

> **Note:**
> Credit unions must use the TDS calculation formula prescribed by CMHC. The consistent standard for the calculation of TDS ratio will allow credit unions to more accurately compare their mortgage underwriting practices to those of comparable credit unions, aid credit unions in determining appropriate risk exposures, and improve risk management.

SECTION D: HIGH RISK MORTGAGES

Report the total number of loans and dollar amount under the relevant types as at the reporting date.

SECTION E: BEACON SCORE

1. Report the total <u>outstanding</u> portfolio balance for each type of loan and line of credit under the relevant Beacon Score bands as at the reporting date.
2. When there is more than one borrower, report the lowest of the borrowers' Beacon Scores in the RMLR.
3. In cases where there is no data available to identify beacon score, the mortgage value can be reported under the category 'No Score Available'.

SECTION F: LOCATION OF PROPERTY/SECURITY

1. Report the total <u>outstanding</u> portfolio balance for each type of loan and line of credit under the relevant location category[2] as at the reporting date.
2. Residency is determined by location of the collateral unless other information is available.

> **Note:** Location category 2. Mainland/Southwest includes:
>
> 2.(a) Fraser Valley
> - District of Chilliwack
> - District of Kent
> - City of Abbotsford
> - District Mission
> - District of Hope
> - Village of Harrison Hot Springs
> - Chilliwack Rural
> - Lower Mainland Rural

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[2] Location is based on geographic location as listed by the BC Statistics.

- Maple Ridge Rural
  2.(b) Greater Vancouver
  - City of Vancouver
  - City of Langley
  - City of New Westminster
  - City of North Vancouver
  - City of Port Coquitlam
  - City of Port Moody
  - City of White Rock
  - City of Burnaby
  - City of Coquitlam
  - Corporation of Delta
  - District of Maple Ridge
  - District of Pitt Meadows
  - City of Richmond
  - Bowen Island Municipality
  - City of Surrey
  - District of West Vancouver
  - Village of Anmore
  - Village of Lions Bay
  - University Endowment Lands
  2.(c) Sunshine Coast
  2.(d) Squamish-Lillooet
3. In cases where there is no data available to identify location of property/security, the mortgage value can be reported under the category 'No Location Available'.

SECTION G: NAME OF MORTGAGE INSURANCE COMPANY

The mortgage insurance refers to mortgage default insurance provided by CMHC and other insurers authorized to provide mortgage insurance under the NHA.

SECTION H: LOAN PURPOSE & PROPERTY TYPE

1. Report value of residential mortgages by property usage as of origination only.
2. There is no requirement to report changes in property usage after mortgage origination date.
3. In cases where there is no data available to identify the loan purpose or property type, the mortgage value can be reported under the category 'No Data Available'.

SECTION I: EXCEPTION TO POLICY

1. Report exceptions to institutional level lending policy limits for loans originated <u>during the quarter</u>.

2. In cases where the exception does not fall into any listed exception, the mortgage value can be reported under the category 'Other'.
3. Where there is more than one exception for an individual loan, report the loan in all applicable exception categories even though data will be duplicated. Also, report the total number and dollar amount of loans with one or multiple exceptions and without any duplication under the category 'Total with Any Exception'.