Reporting Instructions: Residential Mortgage Loans Report

B.C. Credit Unions

BCFSA

Contents

1 Introduction

These reporting instructions provide guidance to B.C. credit unions (not including central credit unions) for reporting the Residential Mortgage Loans Report ("RMLR") to the Superintendent of Financial Institutions at BC Financial Services Authority ("BCFSA"), as required by the *Financial Institutions Act* ("FIA").

2 Residential Mortgage Loans Report ("RMLR")

Report data on all insured and uninsured residential mortgages, including securitized mortgages.

A residential mortgage is defined by the FIA's Capital Requirements Regulation ("CRR") as "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 4 units, ready for occupancy, and includes
(d) a loan to an individual secured by a mortgage on a hobby farm or on a recreational property or on the lessee's interest in a lease on either."

Insured mortgages are approved or insured under the *National Housing Act* ("NHA") by the Canadian Mortgage and Housing Corporation ("CMHC"), or by an insurer authorized to conduct mortgage insurance business under the NHA to the extent that such loans are guaranteed by the Government of Canada.

Note: Non-CMHC insured loans (e.g., loans insured by Sagen Financial Mortgage Insurance Company Canada ("Sagen", previously Genworth) or Canada Guaranty Mortgage Insurance Company ("Canada Guaranty")) are 90% guaranteed by the federal government under the Government Guarantee Agreement. The 90% guaranteed portion of these loans should be reported as insured and the 10% not guaranteed portion of these loans should be reported as uninsured.

2.1 SECTION 1300 – LOAN TO VALUE ("LTV") RATIO

Report the aggregate number and outstanding balance of all insured and uninsured residential mortgage loans and lines of credit broken out into the respective loan to value ("LTV") categories in the following lines:

Line 1300-100: ≤ 65%
Line 1300-110: > 65% to ≤ 75%
Line 1300-120: > 75% to ≤ 80%
Line 1300-130: > 80% to ≤ 85%
Line 1300-140: > 85% to ≤ 90%
Line 1300-150: > 90% to ≤ 95%

Line 1300-160: > 95%
Line 1300-170: No LTV Ratio Available.

The loan to value ("LTV") ratio is calculated by dividing the outstanding loan balance (or the authorized limit of line of credit) by the fair market value ("FMV") of the property. The LTV ratio calculation must include all loans and lines of credit secured on the same property. The following example is provided for clarity (see text box).

> **Example: LTV Ratio Calculation**
>
> If a property with FMV of $500,000 supports an uninsured mortgage of $200,000, and a line of credit with outstanding balance of $50,000 and authorized limit of $100,000, then the LTV is 60% [(200,000+100,000)/500,000].
>
> The outstanding amount of $250,000 (200,000+50,000) should be included in the uninsured aggregate balance in the LTV ≤ 65% line.

The FMV must be at the date of mortgage origination unless an adjustment is permitted. An adjustment to the FMV is permitted at the addition of a new mortgage on the property, mortgage renewal, mortgage blend and extend, and mortgage re-advancement. The FMV and permitted FMV adjustments must be supported by an appraisal or other objective evidence of value.

In cases where there is no data available to identify LTV ratio, the mortgage balances should be included in the 'No LTV Ratio Available' category.

2.2   SECTION 1310 – AMORTIZATION

Report the aggregate number and outstanding balance of all insured and uninsured residential mortgage loans and lines of credit broken out into the respective amortization categories in the following lines:

Line 1310-100: ≤ 25 years
Line 1310-110: > 25 to ≤ 30 years
Line 1310-120: > 30 to ≤ 35 years
Line 1310-130: > 35 to ≤ 40 years
Line 1310-140: > 40 years
Line 1310-150: No Amortization Available.

The credit union should use the remaining loan amortization to determine the appropriate reporting category. As lines of credit can be called, paid out or cancelled at any time, they should be included in the '≤ 25 years' category.

In cases where there is no data available to identify amortization, the mortgage balances should be included in the 'No Amortization Available' category.

2.3   SECTION 1320 – TOTAL DEBT SERVICE ("TDS") RATIO

Report the aggregate number and outstanding balance of all insured and uninsured residential mortgage loans and lines of credit broken out into the respective Total Debt Service ("TDS") ratio categories in the following lines:

Line 1320-100: ≤ 30%
Line 1320-110: > 30% to ≤ 35%
Line 1320-120: > 35% to ≤ 40%
Line 1320-130: > 40% to ≤ 45%

Line 1320-140: > 45% to ≤ 50%
Line 1320-150: > 50% to ≤ 55%
Line 1320-160: > 55% to ≤ 60%
Line 1320-170: > 60%
Line 1320-180: No TDS Ratio Available.

The credit union must use the following TDS Calculation Formula[1], to determine the appropriate reporting category:

$$\text{TDS \%} = \frac{\text{Principal} + \text{Interest} + \text{Taxes} + \text{Heat Costs} + \text{Other Debt Obligations} + \text{Other Costs}}{\text{Gross Annual Income}}$$

Principal and Interest	Payments should be based on the applicable amortization period and loan amount, including the mortgage insurance premium.
Taxes	Include the property tax amount.
Heat Costs	The credit union should use actual heat cost or provide an accurate estimate that is reflective of the characteristics of the property.
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 corresponding to at least a monthly payment on the outstanding balance amortized over 25 years using the contract rate.
Other Costs	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.

In cases where there is no data available to identify TDS ratio, the mortgage balances should be included in the 'No TDS Ratio Available' category.

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 compare their mortgage underwriting practices more accurately to those of comparable credit unions, aid credit unions in determining appropriate risk exposures, and improve risk management.

2.4   SECTION 1330 – HIGH RISK MORTGAGES

Report the aggregate number and outstanding balance of all insured and uninsured residential mortgage loans and lines of credit broken out into the respective categories to identify high risk mortgages in the following lines:

Line 1330-100: LTV > 75% and Amortization > 30 Years
Line 1330-110: LTV > 75% and Amortization > 30 Years and TDS > 45%.

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[1] TDS ratio formula is prescribed by CMCH. For more information on TDS calculation, refer to CMHC's website.

2.5   SECTION 1340 – BEACON SCORE

Report the aggregate number and outstanding balance of all insured and uninsured residential mortgage loans and lines of credit broken out into the respective Beacon Score categories in the following lines:

Line 1340-100: ≥ 750
Line 1340-110: 700 - 749
Line 1340-120: 650 - 699
Line 1340-130: 600 - 649
Line 1340-140: 550 - 599
Line 1340-150: 500 - 549
Line 1340-160: ≤ 499
Line 1340-170: No Beacon Score Available.

The credit union should use the latest available Beacon Score to determine the appropriate reporting category. When there is more than one borrower, the credit union should use the primary borrower's Beacon Score.

In cases where there is no data available to identify Beacon Score, the mortgage balances should be included in the 'No Beacon Score Available' category.

2.6   SECTION 1350 – LOCATION OF PROPERTY/SECURITY

Report the aggregate number and outstanding balance of all insured and uninsured residential mortgage loans and lines of credit broken out into the respective location[2] categories in the following lines:

Line 1350-100: Vancouver Island/Coast
Line 1350-110: Mainland/Southwest: Fraser Valley
Line 1350-120: Mainland/Southwest: Greater Vancouver
Line 1350-130: Mainland/Southwest: Sunshine Coast
Line 1350-140: Mainland/Southwest: Squamish-Lillooet
Line 1350-150: Thompson/Okanagan
Line 1350-160: Kootenay
Line 1350-170: Cariboo
Line 1350-180: North Coast
Line 1350-190: Nechako
Line 1350-200: Northeast
Line 1350-210: No Location Available.

In cases where there is no data available to identify location of property/security, the mortgage balances should be included in the 'No Location Available' category.

2.7   SECTION 1360 – MORTGAGE INSURANCE

Report the aggregate number and outstanding balance of all insured residential mortgage loans and lines of credit broken out into the respective categories by mortgage insurance company in the following lines:

Name of Mortgage Insurance Company:
  Line 1360-100: CMHC
  Line 1360-110: Sagen
  Line 1360-120: Canada Guaranty

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

Line 1360-130: Other.

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

Report the aggregate number and dollar amount of all insurance claims in progress year-to-date and all rejected claims during the quarter in the following lines:

Insurance Claims:
    Line 1360-150: In Progress (Year-To-Date)
    Line 1360-160: Rejected (During the Quarter).

2.8 SECTION 1370 – LOAN PURPOSE AND PROPERTY TYPE

Report the aggregate number and outstanding balance of all insured and uninsured residential mortgage loans and lines of credit broken out into the respective loan purpose and property type categories in the following lines:

Owner-Occupied:
    Line 1370-100: Conventional
    Line 1370-110: NIQ Loan/Equity Mortgage
Not Owner-Occupied:
    Line 1370-120: Conventional
    Line 1370-130: NIQ Loan/Equity Mortgage
Line 1370-140: No Data Available.

The credit union should use the original property usage to determine the appropriate reporting category. There is no requirement to include changes in property usage after the mortgage origination date.

In cases where there is no data available to identify the loan purpose or property type, the mortgage balances should be included in the 'No Data Available' category.

2.9 SECTION 1380 – EXCEPTION TO POLICY (DURING THE QUARTER)

Report the aggregate number and approved balance at origination of all insured and uninsured residential mortgage loans and lines of credit, originated during the quarter with one or multiple exceptions, broken out into the respective exception to policy categories in the following lines:

Line 1380-100: > LTV Ratio
Line 1380-110: > TDS
Line 1380-120: > GDS
Line 1380-130: < Beacon Score
Line 1380-140: HELOC > 65% LTV
Line 1380-150: Amortization > 30 Years
Line 1380-160: Other.

Where there is more than one exception to the credit union's lending policy limits for an individual loan, include the loan in all applicable exception categories, even though data will be duplicated.

In cases where the exception does not fall into any listed exception, the mortgage balance can be included under the 'Other' category.

Line 1380-170: Total with Any Exception

Include the aggregate number and approved balance at origination of all insured and uninsured residential mortgage loans and lines of credit, originated during the quarter with one or multiple exceptions and without any duplication.

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