



COMTECH FIRE CREDIT UNION

APPROVED MORTGAGE BROKER – CREDIT GUIDELINES

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Corporate Office
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Applicants

- (1) All applicants must be permanent residents of Canada; and, live and work in Ontario. We do not lend to those acting as Power of Attorney; those with 900 series SINs, those on Work Permits or Visas, including Student Visas. We do not have a New to Canada program.
- (2) Applicants must be at least 18 years old, complete a membership application and purchase a \$5 share prior to funding.
- (3) Spouses not on title must be guarantors to the mortgage.
- (4) Blends and extends for existing CFCU members – broker will be paid on the new funds advanced.
- (5) Appraisal and other fees are the responsibility of the applicant.

Documents may be electronically signed; subject to AML compliant applicant identification verification, if a CFCU branch is not located within a 50 km radius of borrower home or work.

Applicants may be contacted by CFCU staff for cross-sell opportunities e.g., mortgage life insurance.

Maximum Loan to Value

The maximum loan amount is based on the location of the property. The lesser of sliding scale amount or individual policy maximum LTV apply (owner occupied 80%; rental 75%; recreational/vacation 65%)

Greater Toronto Area (GTA) includes Ajax, Aurora, Barrie, Brampton, Burlington, Caledon (inclusive of Bolton), East York, Etobicoke, Georgetown, Hamilton (inclusive of Ancaster and Waterdown), King (inclusive of King City, Schomberg and Nobleton), Town of Markham, Milton, Mississauga, Newmarket, North York, Oakville, Oshawa, Pickering, Richmond Hill (inclusive of Oak Ridges), Scarborough, Stoney Creek, Toronto, Vaughan (inclusive of Concord, Kleinburg, Maple, Thornhill and Woodbridge), Whitchurch-Stouffville, and Whitby.

Greater Ottawa Area (GOA) includes, Ottawa downtown, West End; East End, Vanier and Rockcliffe Park, Orleans, Barrhaven, Ottawa South, Kanata and Stittsville.

All other cities in Ontario are communities with a population of 30,000 or more; or communities with less than 30,000 that are located within 50 km of an Ontario city.

Rural Ontario communities are those with a population of between 1,000 and 29,999

Location	Owner Occupied Residential Property	LTV	80%
GTA and GTO	80% of the first \$1,300,000; and 60% of the remainder		
All other cities Ontario	80% of the first \$800,000; and 60% of the remainder		
Rural Ontario	80% of the first \$500,000; and 60% of the remainder		

Location	Non-Owner-Occupied Residential Investment Property	LTV	75%
GTA and GTO	75% of the first \$1,300,000; and 50% of the remainder		
All other cities Ontario	N/A		
Rural Ontario	N/A		

Location	Owner Occupied Vacation Property	LTV	65%
GTA and GTO	65% of the first \$1,300,000; and 50% of the remainder		
All other cities Ontario	65% of the first \$800,000; and 50% of the remainder		
Rural Ontario	65% of the first \$500,000; and 50% of the remainder		

Property Criteria

General

The following types of property are acceptable for mortgage financing purposes:

- Residential 1-to-4-unit properties.
- Property must be located in Ontario.
- Property must be zoned residential.
- Single family detached; semi-detached; townhome; row homes (freehold)
- Single Family with conforming rental component, duplex, triplex and 4-plex buildings.
- All properties must have a minimum of 100 AMP service.
- Properties may be fully serviced with municipal water and sanitary sewers, well and septic tanks, or a combination of both.
- Properties on well water and septic tanks will be considered, provided this is normal for the area.
- The property must be properly designed and in adequate physical condition to be livable for the full duration of the mortgage.
- The property should be representative of the standard normally found in the community.
- All properties with a rental component must meet all applicable Fire Code Regulations and Zoning By-Laws.
- There should be some amenities in the area such as bus service, schools, and shopping that will assure buyer interest in a resale situation.
- Maximum amortization must be five years less than the remaining economic life.
- The property must be at least 97% complete.
- Land value should not exceed 80% of the appraised value, as indicated on the appraisal, where applicable.

Laneway Homes

- Primary principal residential properties in Toronto and Ottawa only
- Laneway Homes (commonly referred to as Coach or Carriage Homes) are separate units typically situated in a backyard and built above or in the space reserved for a detached garage with an entrance via a laneway. In order to be considered eligible for inclusion in the valuation of the primary residence, laneway homes must meet ALL of the following criteria:
 - Must be self-contained (e.g., have a functional bathroom and kitchen).
 - Located above or in the space reserved for a detached garage and have an entrance via laneway (no other outbuildings).
- Must be minimum 350 square feet (33 square meters) and must not be the largest structure on the property.

A full appraisal of both the primary residence and laneway home is required.

Condominium Properties

- Minimum Size of 440 sq ft in Greater Toronto and Ottawa; and, 550 sq ft in all other areas (uninsured or conventional financing);
- Condo must have a least one separate, defined bedroom
- Condos less than 440 sq ft in GTA and GOA; and, less than 550 sq ft in all other areas will be considered with Sagen or CMHC insurance,
- Studio and bachelor type condo units will be considered with Sagen or CMHC insurance,

Rural Properties

- Rural properties will be considered providing they are not active farming operations and the applicant's income to service is not derived from the property.
- The value of a rural residential property will be based on the home and land to a maximum of 5 acres only; out buildings will not be included in the valuation.

Seasonal dwellings (Cottage Properties) must meet all of the following parameters; failing which Sagen or CMHC insurance is required, regardless of LTV (purchase only)

- Owner occupied properties only
- Fixed-rate term mortgage loans in first position only
- Year-round road access is required (no islands)
- Confirmation of year-round property insurance
- Permanent source of heat – 4-season use
- Foundation must be permanent
- Water source must be potable (lake water source is acceptable providing there is a filtration system installed)

Ineligible Property Types

- Co-operative Housing (Co-Ops) and Co-Ownerships
- Raw / Vacant Land
- Leased Land; Life Lease properties.
- Mobile Homes and Trailers
- Modular Homes, unless already fully affixed to the land and 100% of services in place
- Historically designated properties
- Island Properties
- Previous Grow-Ops, remediated or not
- Short-term rental properties; AirBnB, VRBO etc
- Hotel Condos,
- Rental pools
- Fractional Interests
- Timeshares
- Hobby Farms, including horses or other livestock, even if the land is farmed by someone else
- Converted Churches/Schoolhouse
- First Nations Reserve Land
- Commercial, Mixed-Use Properties or Properties in a business or holding company name – we do not process commercial or small business deals; however, the broker can email the VP Risk deirdre.austen@comtechfirecu.com for referrals to our Commercial Lending department.

Appraiser Qualifications and Appraisals

Appraisers must be CRA, DAR or AACI accredited.

Applicant or Broker is responsible for the cost of the appraisal report. Brokers may order appraisals through RPS (Real Property Solutions) when CFCU is onboarded as lender (expected go-live June 2022).

In the interim, CFCU will order the appraisal direct, at the expense of the broker and arrange for a transmittal letter in favour of the broker.

Any appraisal report not addressed to Comtech Fire CU requires a transmittal letter and exception approval.

Credit Bureau Reports

A credit bureau report must be less than 30 days old at the time of submission; and information reported must be consistent with the application submitted. Any anomalies, delinquencies or derogatory ratings should be documented by the submitting agent/broker. We will utilize broker provided credit reports to initially assess suitability of application.

CFCU will access a credit report for each applicant and all applications are subject to FICO 8 credit scores. An average FICO score will be used to meet the minimum requirement on joint applications.

CFCU requires applicants who have declared Bankruptcy or Consumer Proposal to be discharged for a minimum of 2 Years prior to submission. Gift letters are not permitted, and credit bureau report must be satisfactory (no derogatory ratings on trade lines established after discharge, with a minimum 2 Year period of credit history re-established with two trade lines. Real estate must not have been included in bankruptcy. The broker should provide the explanation for the bankruptcy or consumer proposal with the application.

Insurance

First Canadian Title, Stewart Title or Title Plus is mandatory on all commitments.

Property Insurance for the full replacement value of the property, with CFCU as loss payee is mandatory.

Master Certificate of Insurance is required for all condo properties; and, evidence of Condo Contents may be required.

Property Taxes

We do not require property taxes to be paid with the mortgage payment; applicants are required to make own payment arrangements directly with the city.

Property taxes must be paid current supported by property tax statement. For new builds, the higher of either the Builder's Estimate or Appraisal amount may be used to determine the property tax; in the absence of either of these methods, 0.75% of the purchase price is to be used.

Down Payment

A full 90-day audit trail for the sources of down payment is required. A non-repayable gift from an immediate family member, supported by bank statement confirming availability of funds is acceptable; a CFCU approved gift letter is available.

In addition to the down payment confirmation, 1.5% of the mortgage amount for closing costs must also be confirmed available for all purchases.

Proceeds from the sale of real property being used for the down payment of a purchase requires the firm sale agreement, property tax statement and recent mortgage statement; net of real estate commissions, lawyer and other costs associated with the sale.

CFCU does not permit for second mortgages to be placed behind the requested CFCU first mortgage.

Switches / Transfers / Assignments / Pre-Approvals

CFCU does not process Switches/Transfers; these are treated as refinances with full appraisals and legal fees. CFCU does not lend on purchases where the property being purchased is via an **Assignment of Offer to Purchase**.

CFCU will fully underwrite pre-approvals. Rate holds are for 90 days only.

Rate Buy Downs

Brokers have the option for rate buy down to a maximum of 15 bps rate reduction on a 5 Year Term. Each 5 bps buy down will cost 20 bps reduction in commissions; and is subject to:

- (1) The borrower must qualify for the mortgage under the normal GDS and TDS ratio requirement at the current rate for the term.
- (2) The rate buydown request must accompany the application submission.
- (3) The cost for the buy down will be deducted from the final broker finder fee.

Payments Used in Debt Service Ratio Calculation

- (1) The higher of 3% of revolving credit balances (reported as "R" credit facilities), or the payment as reported on Credit Bureau.
- (2) The balance as reported on all "O" credit facilities, including telephone utility providers must be used in ratios; unless statements provided confirm payment in full is made monthly (obtain a minimum of 3 prior monthly statements).
- (3) Where a borrower holds a loan with an introductory "low interest" or "interest free period"; qualification is based on the regular rate of interest and payment as confirmed by the vendor credit agreement.
- (4) Where a borrower holds a variable interest rate mortgage and/or equity line of credit with another financial institution; qualification is based on the CFCU 5-Year campaign mortgage rate for the balance and remaining amortization.
- (5) A reasonable estimate is to be used for the heating cost formula is as follows: $(\text{Square footage} \times \$0.75) / 12$ months. For Example: using a 2000 square foot home $\times \$0.75 / 12 = \125
Square footage can be obtained from the MLS or Appraisal, include the basement where this space is actively lived-in, and finished with bedroom and bathroom.

Mortgage Product and Features

CFCU does not underwrite Construction, Purchase Plus mortgages; Equity Lines of Credit and Variable Rate Mortgage through the Broker Unit. Mortgages on residential (1 to 4 unit) rental properties is limited to one; unless CFCU is the mortgagor on the primary residence, to a maximum of two rental properties.

All high ratio mortgage applications are subject to CMHC or Sagen qualifying and property criteria.

Mortgage Term Loan (Primary Residence)		
Underwriting Criteria		
Maximum Term	5 Years	
Maximum Amortization	30 Years	
Qualifying Maximum GDS and TDS	Minimum FICO Score	Maximum Debt Service
	680 +	GDS 39% TDS 44%
	609 - 679	GDS 35% TDS 42%
Qualification	Contract Mortgage Term Rate and Amortization	
Maximum Loan Amount	Sliding Scale to maximum 80% LTV	

Other Features and Information	
Payment Required	Principal & Interest
Payment Frequency	Monthly; Bi-Weekly; Weekly
Interest Rate – See Rate Sheet	1 – 5 Year – fixed; closed

Pre-Payment Privileges (fixed rate closed terms)	Increase the regular P+I payment by up to 30% in the term; and, Lump sum principal payments of up to 30% of principal balance during the anniversary year
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Mortgage Term Loan (Rental Property)	
Underwriting Criteria	
Maximum Term	1 to 5 Years Only
Maximum Amortization	25 Years
Qualifying Maximum GDS	30%
Qualifying Maximum TDS	40%
Minimum FICO Score	680
Qualification	Contract Mortgage Term Rate and Amortization
Maximum Loan Amount	Sliding Scale to maximum 75% LTV

Other Features and Information	
Payment Required	Principal & Interest
Payment Frequency	Monthly; Bi-Weekly; Weekly
Interest Rate – See Rate Sheet	1 to 5 Year – fixed; closed
Pre-Payment Privileges (fixed rate closed terms)	Increase the regular P+I payment by up to 30% in the term; and, Lump sum principal payments of up to 30% of principal balance during the anniversary year

Bridge Financing (Primary Property)	
Underwriting Criteria	
Maximum Term	No longer than 120 days
Maximum Amortization	N/A
Qualifying Maximum GDS	39%
Qualifying Maximum TDS	44%
Minimum FICO Score	680
Qualification	Interest Only
Maximum Loan Amount	Net Equity of Sale Property after all deductions (mortgage, real estate and legal fees) to a maximum of \$500,000

Other Features and Information	
Payment Required	Interest Only
Payment Frequency	Monthly
Interest Rate – Base	Prime1 (currently 5.45%) Plus 1%
Bridge Financing loans are temporary loans used to facilitate the purchase of a residential property pending receipt of sale proceeds from the sale of another residential property (the purchase is closing <u>prior</u> to the sale). Considered only if CFCU is the mortgagee of the purchase property; and the borrower is on title to both the sale and purchase properties. The following must be obtained <u>prior to advance</u> :	

- Sub-search on sale property, calculation of net equity based on registered charge amount, or lawyer confirmed balance of non-re-advanceable 1st (unless CFCU is mortgagee on sale property);
- assignment of sale proceeds and irrevocable letter of direction and undertaking by the solicitor;
- purchase agreement and sale agreement for each property and all conditions on each agreement must be satisfied;
- lawyer confirmation of sale property's property taxes and insurance; confirmation of the mortgage balance at the other FI, in addition to confirming the loan is not re-advanceable;
- Fee of \$250

Mortgage Term Loan in Second Position

Underwriting Criteria

Maximum Term	1 to 3 Years
Maximum Amortization	25 Years
Qualifying Maximum GDS	30%
Qualifying Maximum TDS	40%
Minimum FICO Score	680
Qualification	Contract Mortgage Term Rate and Amortization
Maximum Loan Amount	Sliding Scale to a combined maximum 70% LTV

Other Features and Information

Payment Required	Principal & Interest
Payment Frequency	Monthly; Bi-Weekly; Weekly
Interest Rate – See Rate Sheet	1 – 3 Year fixed; closed (Add 0.45% risk premium)

A second mortgage is considered a higher risk, unless CFCU already holds the 1st mortgage. To compensate for that risk, a risk premium on the mortgage rate is charged; terms offered are restricted to 1, 2 and 3 years; and all borrowers must be registered on title (guarantors are not acceptable, unless the guarantor occupies the home and is the spouse or common-law partner of the borrower). Mortgages in second position may only be offered where the 1st lender is a major Canadian financial institution.

Mortgage terms loans in second position are offered on primary residences only to borrowers with a positive net worth; on properties located in GTA or GTO areas only.

Combined LTV is calculated on the appraised value, less balance of the 1st mortgage. If the 1st is a Collateral Charge, the amount registered on title by the 1st lender must be used. A property and title search, along with a mortgage verification statement from the 1st lender confirming no arrears must be obtained prior to approval.

Approved second mortgage term loans must be processed through a lawyer, be title insured and conditional on lawyer instructions to obtain 1st lender consent and confirmation of mortgage charge type, registered amount and loan balance to be submitted with the Lawyer Request for Funds.

Income / Employment Verification Requirements

Income and employment are subject to underwriter verbal / independent confirmation; and/or further confirmation. Employment income during a probationary period may not be used; with the exception of Fire Fighters employed on a permanent full-time basis by a city or municipal government. A minimum of 2 years employment history with the same employer, or in the same field of work is required.

Income used from multiple streams e.g., part-job employment and pension; or self-employed and pension must be separately verified.

Letters of Employment must be on employer letterhead, identify the borrower and include:

- (a) Position or Occupation
- (b) Length of Employment
- (c) Employment Status e.g., permanent full-time; permanent part-time; casual part-time
- (d) Guaranteed Number of Hours per week or Guaranteed Salary
- (e) Rate per Hour
- (f) Contact Name and Position
- (g) Contact Method e.g., phone number / email

PRIMARY INCOME SOURCE	REQUIRED DOCUMENTATION
Fixed <ul style="list-style-type: none"> • Includes salary and hourly wage for 40-hour week • Confirmation that probationary period is passed 	One of the following is required <ul style="list-style-type: none"> • Current pay stub (within 30 days of application); AND most recent T4 OR Letter of Employment (If there's been a change of job since last tax year) AND • Most recent NOA
Variable <ul style="list-style-type: none"> • Variable source must be sustained for a minimum of 2 Years. Sources include Bonus, Overtime, Contract or Part-Time employment • Use lower of 2 Year average or most recent year 	For Seasonal, Part-Time, Contract Employment: <ul style="list-style-type: none"> • Current pay stub AND most recent 2 Years T4s AND most recent NOA For Commission (e.g., sales rep on base + commission) <ul style="list-style-type: none"> • Current pay stub AND most recent 2 Years T1 General tax returns, AND NOAs
Self-Employed / Commission <ul style="list-style-type: none"> • Income generated from a business operated by the borrower including Sole Proprietor; Partnership; Incorporated with ownership of 25% or more; and Commission Sales where income tax is not deducted at source • Net business income can be grossed up by 15% for debt servicing purposes in lieu of add-backs • Use lower of 2 Year average or most recent year 	<ul style="list-style-type: none"> • Most recent 2 Years T1 General tax returns, including all schedules; AND 2 Years Personal NOAs; AND • Confirmation HST/Source Deductions are current (where applicable) AND • Most recent 2 Years Business NOAs • Articles of Incorporation / Compliance Certificate / Master Business License
Pension Income <ul style="list-style-type: none"> • Government pension (CPP / OAS) • Company pension 	One of the following is required: <ul style="list-style-type: none"> • 3 months bank statements showing direct deposit • Most recent pension stub or statement

<ul style="list-style-type: none"> Permanent Disability (CPP) (Disability income must have written confirmation that it is permanent) 	<ul style="list-style-type: none"> Letter from Pension Administrator stating pension amount Most recent T4A Most recent T4(P) Statement of Canada Pension Plan Benefits Most recent T4(A) (OAS) Statement of Old Age Security <p>AND</p> <ul style="list-style-type: none"> Most recent NOA or T1 General tax return
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RENTAL INCOME	REQUIRED DOCUMENTATION
<p>Owner Occupied: 2 Unit Property Where <u>each applicant</u> has a minimum <u>FICO score of 680</u></p> <ul style="list-style-type: none"> 100% of gross rental income LESS 10% Vacancy Allowance can be added to income using the 2 Year Average based on Lease Agreements for the most recent 2-year period <p>Where the minimum <u>FICO score is 679 or less</u></p> <ul style="list-style-type: none"> 50% of gross rental income LESS 10% Vacancy Allowance can be added to income using the 2 Year Average based on Lease Agreements for the most recent 2-year period 	<ul style="list-style-type: none"> Signed Lease Agreements AND T1 General tax return, incl T776 Statement of Rental Income and Expenses <p>OR</p> <p>where rental income cannot be validated with Lease Agreements for a 2 Year period</p> <ul style="list-style-type: none"> income for new or existing units can be confirmed via Appraisal Market Rent Opinion
<p>Owner Occupied 3- & 4-Unit Properties and Non-Owner-Occupied Rental Properties</p> <ul style="list-style-type: none"> Net rental Surplus or Deficit is applied Determined by: Gross Rent less Deductions Deductions: - Mortgage Payment - Property Taxes - 10% vacancy rate - 5% maintenance Allowance - Heat (higher of tax return or CFCU formula) - 100% Condo Fees Net Surplus is added to income Net Deficit is deducted from income 	<p>For existing rental properties</p> <ul style="list-style-type: none"> Signed Lease Agreements AND T1 General tax return, incl T776 Statement of Rental Income and Expenses <p>OR</p> <p>For purchases or rental properties not yet owned for one year</p> <ul style="list-style-type: none"> Income can be confirmed via Appraisal Market Rent Opinion

SUPPLEMENTAL INCOME SOURCES	REQUIRED DOCUMENTATION
<p>Child and/or Spousal Support Income</p> <p><i>(Note: payments of child / spousal support are treated as liabilities on the application and be verified)</i></p>	<p>Supplemental income combined <u>cannot exceed 30% of regular income</u> required to service the deal, to confirm obtain</p> <ul style="list-style-type: none"> Signed and witnessed Separation Agreement <p>AND</p> <ul style="list-style-type: none"> 6 months of bank statements demonstrating receipt
<p>Parental / Maternity Leave</p>	<p>100% of base guaranteed income can be used, upon receipt of</p> <ul style="list-style-type: none"> Letter from employer confirming (a) position of borrower; (b) date of return to work; (c) income upon return to work <p>AND</p> <ul style="list-style-type: none"> Most recent NOA
<p>Foster Parent Care</p> <p>Primary Residence only; Maximum of 6 foster children</p>	<p>Supplemental income combined <u>cannot exceed 30% of regular income</u> required to service the deal, to confirm obtain</p> <ul style="list-style-type: none"> Confirmation of at least 2 years of foster parent experience by Letter from Social Services confirming tenure and active approved status Letter of income or contract from the Ministry responsible and a pay stub

<p>Investment Income e.g., Dividend income, Interest income, RIF income <i>(Note: dividend income used to qualify is the NET dividend income from the T1, NOT the grossed-up amount)</i> The value of the investment should demonstrate sufficiency of income used will continue and support the amortized period of the applied for loan</p>	<p>100% of the lower of the Average or the most recent year, to confirm obtain the most recent 2 Years of the following (or any relevant combination)</p> <ul style="list-style-type: none"> • T5 • T4RIF • NOAs and T1 General tax returns AND • Most recent investment statement(s)
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Document Checklist

To provide efficient service levels to you, CFCU requires a complete document package with each submission. The rate hold period will take effect only upon assignment of the loan application to the Underwriting team.

A full document package should include:

- (a) Income confirmation for each borrower and spousal guarantor
- (b) Down payment confirmation plus 1.5% for closing costs; to include copy of deposit cheque with Offer to Purchase, along with corresponding 3-month transaction history
- (c) Final signed and witnessed Separation Agreement, where applicable
- (d) Declaration and explanation of any prior bankruptcy or consumer proposal, where applicable
- (e) Full signed and accepted Offer to Purchase and Sale Agreements, including all Schedules, Amendments and Waivers
- (f) Copy MLS listing
- (g) Mortgage statements, current property tax statements, current property insurance
- (h) Recent statements for debts to be paid out with mortgage advance
- (i) VOID Cheque from bank account for mortgage payment

For an equity take-out, we require details on the use of funds, please provide quotes for renovations, contracts etc. CFCU will disburse direct and to the intended use of funds.

All submissions and communications will be directed to

Deirdre Austen

VP Risk Management

102 – 220 Yonge Street

Toronto

Ontario M5B 2H1

T: 416 598 1197 ext. 2205

F: 416 598 1437

E: deirdre.austen@comtechfirecu.com

Approvals will be communicated in writing, detailing conditions of credit where applicable. Sign back for acceptance must be received within 5 business days. The file will be cancelled if sign back is not received by the commitment expiry date, unless the broker requests an extension.