Mortgage Glossary: Most commonly used terms and acronyms in the mortgage industry pt.1

| ADJUSTABLE-RATE MORTGAGE (ARM) within this product, the monthly payment can change when the Bank of Canada changes the prime rate. ** Also, see VRM.

| BANK OF CANADA BENCHMARK RATE The Bank of Canada will set a benchmark rate on mortgage qualification. The rate plus 2% is lower than the benchmark rate; then, you must default to The Bank of Canada Benchmark rate when qualifying applicants.

| BEACON SCORE This is the credit scoring method used on your credit bureau that determines your rating as a credit risk. The score is based on an algorithm that includes; repayment history, the number of trades in use, length of time credit was granted, credit availability along with outstanding balances, and many other factors. Lenders look at beacon scores above 700 as low credit risk, and beacon scores below 700 as a higher credit risk.

| BDM Business Development Manager – They are the representatives that you refer to with different lenders and insurers. They are not underwriters; they are there to educate brokers about their products but will assist in deal escalations if necessary.

| BUSINESS FOR SELF (BFS) These type of applicants will break down into two categories; applicants that qualify based on using the income shown on line 150 and applicants that cannot provide documentation to support their income and will require a “stated income product” via an alternative lender, B-lender or MIC.

| BANKRUPTCY NAVIGATOR INDEX (BNI) Unlike the beacons score that analyzes a client’s past credit behavior, the BNI is predictive, and the score will indicate whether the client is at risk of declaring bankruptcy in the next two years. The BNI considers a consumer’s credit balances versus credit limits as the most heavily weighted factor. It has a scoring range starting at 100 (low) and ends at 950 (high) lenders consider anything under 450 at risk for future bankruptcy.

| BOC Bank of Canada

| COLLATERAL MORTGAGE – Also referred to as a collateral loan, this is a “type” of registration. Collaterals mortgages are registered in place of a first mortgage and can be one charge or a 1st with a LOC. In many cases collateral mortgages are registered for more than the mortgage amount. The standard charge terms will be different from those mortgages registered as a first mortgage. If your client is looking to switch their collateral mortgage, you must use the “Enhanced Transfer Program.” Upon completion of the Enhanced Transfer, the collateral mortgage/loan will be discharged and a new first mortgage will be registered against the property for the loan amount.

| DEBT TO INCOME RATIOS – Also referred to as GDS and TDS.

| ENHANCED TRANSFER PROGRAM – When a client wants to transfer their existing mortgage (no new funds) to another lender and their mortgage is registered as a collateral mortgage; then they would have to proceed with an enhanced transfer.

Mortgage Glossary: Most commonly used terms and acronyms in the mortgage industry pt.2

| EQUITY TAKE-OUT
This is also referred to as a refinance. It means to "take the equity out of your property."

| EXTENDED RATIOS This is where the applicant has used higher GDS/TDS to qualify a deal. Not all lenders or all products support extended ratios; always check the lender's product policies.

| GDS – GROSS DEBT SERVICE This is the total of the monthly financial obligation against the property; mortgage payment, taxes, heat, and 50% of condo fees if applicable. Total monthly expenses are divided by the total monthly income.

| KYC – KNOW YOUR CLIENT The KYC is not just about ensuring the suitability of a product for a client but also helps to determine a client's future financial goals while fostering an ongoing relationship with you built on trust and care; this will equate to repeat and referral business.

| LOC – LINE OF CREDIT LOC is a personal line of credit that is either unsecured or secured against a property.

| LTV – LOAN TO VALUE - This is the difference between the value of the property and the amount of mortgage registered against it; Property value $100,000 vs. Mortgage Amount of $80,000 equates to an 80% LTV

| MFC'S – MORTGAGE FINANCE COMPANY
previously known as Monolines.

| MIC Mortgage Investment Corporation

| PAYMENT SHOCK Refers mostly to clients going from living at home for free or paying rent too purchasing a property and all the financial responsibility that goes along with that (i.e., mortgage payments, taxes, property insurance, heat, hydro, gas, utility bill, cable, internet, and any indoor/outdoor maintenance). This change in financial obligation could lead to "payment shock."

| PRE-APPROVAL This gets fuzzy between lenders. Some lenders underwrite a preapproval, and some still treat these applications as a Rate Hold. Always confirm with your lender whether they underwrite the pre-approval or not. In the case of a BFS application, you may want the pre-approval underwritten to get a sense of what the lender will use for income. A pre-approval is only good if the correct information is supplied. If the borrower cannot meet the conditions of the preapproval based on the information you supplied, the pre-approval will be null and void.

| RATE BUYDOWN This term is referred to when a broker/agent is buying down the rate with their commission.

| RATE HOLD This is a request to hold a rate to a maximum of 120 days (some lenders are only 30, 60, or 90 days). A rate hold is not a guarantee of approval; it is confirmation of a secured rate, and qualification will follow at the time the deal is presented.

| SLIDING SCALE Lenders set maximum mortgage amounts they will lend too; larger priced properties will be subject to tiered lending. In Toronto and Vancouver, an A-lender will usually go to 80% of the first 1.250M and 50% of the balance. Locations outside of the GTA may be subject to lower tiers, 80% of the first $1M, and 50% of the balance. Always check the policy of each lender when it comes to higher mortgage amounts.

Mortgage Glossary: Most commonly used terms and acronyms in the mortgage industry pt.3

| SLIDING SCALE Lenders set maximum mortgage amounts they will lend too; larger priced properties will be subject to tiered lending. In Toronto and Vancouver, an A-lender will usually go to 80% of the first 1.250M and 50% of the balance. Locations outside of the GTA may be subject to lower tiers, 80% of the first $1M, and 50% of the balance. Always check the policy of each lender when it comes to higher mortgage amounts.

| SWITCH When a client wants to transfer their existing mortgage (A lender - no new funds) to another lender, and it is currently registered as a first mortgage.

| TOTAL DEBT SERVICE (TDS) This is the total of the monthly financial obligation against the property and any "other" monthly obligations, car loans, RRSP loans, personal lines of credit, and visas. You must also include any spousal support or child support in this calculation. Total monthly expenses of both property and personal divided by the total monthly income.

| VARIABLE-RATE MORTGAGE (VRM) Within this product, the monthly payments remain the same even when the Bank of Canada changes the prime rate.

| VENDOR TAKE BACK (VTB) This is where the seller provides the buyer with a mortgage.

Dominion Lending Centres