



Mortgage Brokerage Licence #10119  
Mortgage Administrator Licence #11209

## CRITERIA CONSIDERED IN THE UNDERWRITING PROCESS

### 1. Credit

- 1.1. Beacon Score
  - 1.1.1. Is there a beacon score?
  - 1.1.2. Is the Beacon Score 550 and above?
- 1.2. Items of Poor Credit
  - 1.2.1. Are items of poor credit explained by a reasonable event? i.e. - sickness, unemployment, disability, marital separation, business loss
  - 1.2.2. Is each situation resolved? i.e. - back to work, receiving disability
- 1.3. Bankruptcy
  - 1.3.1. Is there a satisfactory explanation for the bankruptcy?
  - 1.3.2. Has the bankruptcy been discharged?
  - 1.3.3. Has the credit been re-established?
  - 1.3.4. Is there a reasonable assurance that bankruptcy won't recur?
- 1.4. Judgments
  - 1.4.1. Is the judgment explained and satisfied?
  - 1.4.2. Are there family responsibility arrears?
  - 1.4.3. Is there proof of payment of judgments?
- 1.5. Utilization of Credit
  - 1.5.1. Is the percentage of the total available credit utilized greater than 80%?

### 2. Cash-flow

- 2.1. Employment Details
  - 2.1.1. Pension
    - 2.1.1.1. Is it permanent?
    - 2.1.1.2. Is it supplied by a private carrier or by social services?
    - 2.1.1.3. Is it Old Age Security or Disability Pension?
  - 2.1.2. Unemployed
    - 2.1.2.1. Is there a reason provided for the unemployment?
    - 2.1.2.2. What are the current sources of income?
    - 2.1.2.3. Is there a probability of future employment?
  - 2.1.3. No Proof of Income
    - 2.1.3.1. Is there a reason for lack of proof?
    - 2.1.3.2. Are tax returns filed?
    - 2.1.3.3. Is there a Notice of Assessment in the file?
  - 2.1.4. Self Employed
    - 2.1.4.1. Duration?
    - 2.1.4.2. Net income from self-employment?
    - 2.1.4.3. Is there any tax issues (GST & PST)?
    - 2.1.4.4. Is there a Notice of Assessment in the file (required)?
    - 2.1.4.5. What are their spousal income/benefits?
  - 2.1.5. Employed Less than 1 Year
    - 2.1.5.1. What is previous employment history?
    - 2.1.5.2. What is the period of unemployment between jobs?
    - 2.1.5.3. Why?



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- 2.2. Consolidation
  - 2.2.1. Will it increase cash flow?
  - 2.2.2. Is the rate better than credit cards, revolving credit?
  - 2.2.3. Does it put short-term debt over longer term? Should the consolidation be amortized over no more than 5 years?
  - 2.2.4. Should the accounts paid in consolidation be closed?
  - 2.2.5. Should the client be counseled regarding financial management?
  - 2.2.6. Is this a second consolidation? If yes, should it be considered?
- 2.3. Non-Owner Occupied
  - 2.3.1. Can borrower carry debt if rent is not paid for 30-90 days?
- 3. **Character**
  - 3.1. Family Responsibility
    - 3.1.1. Are there delinquent payments?
    - 3.1.2. Have payments been confirmed with payee?
    - 3.1.3. What is the length of time for payment commitment?
- 4. **Collateral**
  - 4.1. Private Purchase
    - 4.1.1. Is transaction arms length?
    - 4.1.2. If transaction is not arms length, is value of property accurate?
  - 4.2. Loan to Value (LTV)
    - 4.2.1. Is LTV less than or equal to 80 %?
    - 4.2.2. Is a blanket mortgage on additional security required?
    - 4.2.3. Is owner different from borrower? If yes, has the owner been added as guarantor/mortgagor?
  - 4.3. Debt Service Ratio
    - 4.3.1. Is it less than or equal to 35 %?
  - 4.4. Total Debt Service Ratio
    - 4.4.1. Is it less than or equal to 45 %?
  - 4.5. Vacant Land
    - 4.5.1. Is the request for financing greater than 50 % LTV?
    - 4.5.2. Are there any environmental concerns?
  - 4.6. Rent to Own Agreements
    - 4.6.1. Has the agreement been confirmed on date of sale not at the time of application for financing? Funds surplus to rent should be identified in a separate account.
  - 4.7. Defaulted mortgage
    - 4.7.1. Has the payment history been confirmed with present lender? Explain problem with current situation.
  - 4.8. Spouse not on title
    - 4.8.1. Spouse must sign as the guarantor?
    - 4.8.2. Does the transaction qualify without partner?
  - 4.9. Vendor Take Back Mortgage
    - 4.9.1. What is net worth?
    - 4.9.2. Is value of property accurate?
    - 4.9.3. Is there information on the vendor on file?
  - 4.10. Borrower's Equity
    - 4.10.1. Borrower's equity can not be less than 10 %? If yes, is there a co-signer?



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- 4.11. Commercial
  - 4.11.1. Has all possible resources (accountants, lawyers, appraisers, environmental specialists, etc.) been used?
  - 4.11.2. Are there any tax implications (GST, PST, Source Deductions)?
  - 4.11.3. Are there any environmental issues?
- 4.12. Non-Owner Occupied
  - 4.12.1. What is the value of property, especially if neglected?
  - 4.12.2. Is the LTV greater than 65 %?
- 4.13. Construction
  - 4.13.1. Is appraisal as complete?
  - 4.13.2. Is it understood that funds are given in draws after inspections, and holdbacks will be used for deficiencies?
  - 4.13.3. Have building permits been confirmed? Has the inspector been spoken with?
  - 4.13.4. Has it been confirmed that the take out financing will be in place when complete?
- 4.14. Is the commitment clear regarding:
  - 4.14.1. Construction Liens Act is applicable
  - 4.14.2. Advances are to be clearly defined in understandable language
  - 4.14.3. Before each advance there is an inspection by the appraiser, municipal building inspector or architect. Advances are based on the percentage complete.
  - 4.14.4. The borrower should be encouraged to work with the builder to establish a realistic draw schedule so it can be built into the commitment. Advances should take place every 30 to 45 days.
  - 4.14.5. Inspections from a third party will occur every 30 days. If a project appears to be getting off schedule or budget a representative from Pillar Financial Services Inc. will meet with the borrower and broker.
  - 4.14.6. Construction funds are advanced to the borrower's lawyer, and interest accrues on the full amount during the construction period. Special arrangements can be made, but only on an exception basis.
  - 4.14.7. Ensure that the insurance policy covers construction.
- 4.15. Renovations
  - 4.15.1. Is the appraisal for the work being completed?
- 4.16. Trailer/Mobile Home
  - 4.16.1. Must be a permanent structure (foundation, winterized)?
  - 4.16.2. Is LTV at or below the maximum 65% on lot that is owned?