STREET CAPITAL
BANK OF CANADA™

B-20 RESIDENTIAL MORTGAGE GUIDELINES

PUBLIC DISCLOSURES

DECEMBER 31, 2019

Overview

This disclosure is prepared in accordance with the requirements of OSFI Guideline B-20 - Residential Mortgage Underwriting Practices and Procedures ("Guideline B-20"). These disclosures are made to enable market participants to conduct an adequate evaluation of the soundness and condition of Street Capital Bank of Canada's (the "Bank") residential mortgage operations. Please note that effective January 1, 2020, the Bank now operates under the name "RFA Bank of Canada".

Insured and uninsured mortgages

The Bank defines "insured" residential mortgage loans as any loan that has been insured individually or as part of a portfolio of loans, by either CMHC or one of two government backed private insurers in the Canadian market. The insurance policy protects the Bank in the event that the borrower defaults on payments or is otherwise unable to meet the contractual obligations of the mortgage.

As of December 31, 2019, approximately $87 million of the Bank's $182 million insured mortgages held on-balance sheet are single-family residential mortgages that the Bank has securitized and sold through the NHA MBS program. These mortgages remain on balance sheet because, as the issuer of the MBS, the Bank is responsible for advancing all scheduled principal and interest payments, thereby retaining prepayment and interest rate risk.

The Bank has securitized an additional $11 million of mortgages through the NHA MBS program that have not yet been sold to investors ("stamped mortgages"). These are a component of the Bank's liquid assets, as they can be readily converted to cash.

At December 31, 2019 the Bank held $64 million of prime insured mortgages on-balance sheet. All of these mortgages were purchased during the fourth quarter of 2019. These mortgages are classified as held for sale.

Each quarter the Bank securitizes and sells 10-year insured NHA MBS mortgage loans on multi-unit residential properties ("MURS") through the CMB program. The Bank may temporarily carry loans in excess of its CMB allotment on its balance sheet. There were $9 million MURS mortgages on-balance sheet as at December 31, 2019.

The Bank's on-balance sheet uninsured portfolio totalled $508 million at December 31, 2019.

The largest component of these uninsured mortgages consists of $472 million of the Bank's Street Solutions Alt A product, which was first offered in the second quarter of 2017. These are non-prime single-family residential uninsured mortgages, consisting entirely of first mortgages. The program targets a market segment that consists of credit-worthy, but generally under-served, borrowers who may not qualify for a prime residential mortgage.

During the fourth quarter of 2019 the Bank began purchasing funded non-prime uninsured mortgages from a third party. The credit quality of these Alt-A mortgages is similar to the Street Solutions mortgages referenced above. At December 31, 2019 the Bank held $28 million of these mortgages on-balance sheet.

Uninsured mortgages, by their nature, have a higher degree of credit risk. For the uninsured mortgages that the Bank originates, it mitigates against this risk by adherence to Guideline B-20 compliant credit policies and underwriting requirements, and by targeting the market segment described above. The Bank also mitigates its risk by limiting its lending areas primarily to urban locations. To date the Bank has not incurred any losses on its originated Alt-A mortgages.

For the uninsured mortgages that the Bank purchases, it mitigates its credit risk by reviewing the original underwriting of these mortgages to ensure that their credit quality is aligned with the Bank's risk appetite. Additionally, the purchase contract allows the Bank to put back, within a specified time frame, mortgages that do not align with the Bank's credit standards. To date, the Bank has not incurred any losses on these purchased Alt-A mortgages.

The tables below detail the geographic distribution and remaining amortization of the insured and uninsured loans that the Bank holds on-balance sheet, inclusive of credit provisions.

Single-family Residential Loans by Province

The Bank originates most of its uninsured Street Solutions mortgages in Ontario and British Columbia. The Bank does not do business in Quebec, but a small portion of its purchased mortgages are located in that province.

	As at December 31, 2019				
(in thousands of $, except %)	**Insured Residential Mortgages**	**Percentage of Total by Province**	**Uninsured Residential Mortgages**	**Percentage of Total by Province**	**Total**
British Columbia	$ 18,707	16.7%	$ 93,298	83.3%	$ 112,005
Alberta	29,934	65.6%	15,715	34.4%	45,649
Prairies	6,731	73.1%	2,479	26.9%	9,211
Ontario	119,921	23.3%	393,963	76.7%	513,884
Atlantic	5,794	69.5%	2,547	30.5%	8,341
Quebec	659	100.0%	-	-	659
	$ 181,746	26.3%	$ 508,002	73.7%	$ 689,748

Insured and Uninsured Single-Family Residential Mortgages by Effective Remaining Amortization Period

	As at December 31, 2019				
(in thousands of $, except %)	**≤ 20 years**	**> 20 and ≤ 25 years**	**> 25 and ≤ 30 years**	**> 30 and ≤ 35 years**	**Total**
Balance outstanding	$ 60,535	$ 126,739	$ 498,658	$ 3,816	$ 689,748
Percentage of total	8.8%	18.4%	72.3%	0.50%	100.0%

Weighted Average LTV Ratios – Uninsured Single-Family Residential Mortgages Originated Q4 2019

The table below shows the weighted average loan to value ("LTV") ratios for all uninsured mortgages originated during Q4 2019.

	For the three months ended December 31, 2019					
	(Held on balance sheet)		(Originated and sold)		(Total originated)	
(in thousands of $, except %)	Volume	LTV	Volume	LTV	Volume	LTV
British Columbia	$ 630	62.3%	$ 14,198	67.5%	$ 14,828	67.3%
Ontario	3,065	62.7%	48,386	70.4%	51,451	69.9%
Alberta	930	65.8%	5,277	74.5%	6,207	73.2%
Prairies	-	0.0%	485	78.2%	485	78.2%
Atlantic	-	0.0%	2,713	76.6%	2,713	76.6%
	$ 4,625	63.3%	$ 71,059	70.4%	$ 75,684	70.0%

Economic Downturn

The Bank reviews the credit performance and credit quality of its mortgage portfolio on an ongoing basis and performs stress testing that includes scenarios that are based on adverse economic events. These scenarios include combinations of increasing unemployment, increasing interest rates and a decline in real-estate values, as well as specific operational and reputational stress tests. Generally, mortgage defaults are correlated to increases in unemployment rates, and in an economic downturn the Bank would expect an increase in mortgage defaults and losses on uninsured mortgages associated with declining real estate values. The Bank's stress testing indicates that the Bank has sufficient capital to absorb stress events associated with an adverse economic event, albeit with reduced income due to increased credit losses.

The Bank's uninsured mortgages that are held on-balance sheet are concentrated in the provinces of Ontario and British Columbia. The Bank's NHA insured mortgages for multi-unit residential loans are concentrated in the provinces of Nova Scotia and Ontario, and approximately 59% of balances outstanding at December 31, 2019 are owed by six borrowers or borrowing groups. The single construction mortgage loan outstanding at December 31, 2019 is for a property in British Columbia. Aside from this, the Bank does not have any significant concentrations of credit risk within any geographic region or group of customers. The Bank does business in all provinces except Quebec.