STREET CAPITAL
BANK OF CANADA™

Mortgage Default Insurance General Disclosure

Mortgage default insurance is an insurance policy that compensates a mortgage lender for losses due to borrowers who default on their mortgage. If a borrower stops making mortgage payments or breaches any other term of their mortgage, the bank may take legal action to sell the property to recover what the borrower owes under the mortgage, plus unpaid interest and legal fees. If the bank does not recover the full amount owing to it, the mortgage default insurer will pay the bank the amount of the shortfall. The mortgage default insurer may then take legal action to collect the shortfall from the borrower.

In Canada, mortgage default insurance is mandatory for mortgages that exceed 80% of the property value. These are known as high-ratio mortgages. Therefore, banks require default insurance when homebuyers make a down payment of less than 20% of the purchase price of their home. Default insurance may also be required when a borrower has more than a 20% down payment if the mortgage has unique risk factors (i.e. property is in a remote location or when a borrower does not meet minimum credit requirements). Mortgage default insurance is not available for homes worth over $1,000,000 or on mortgages with an amortization period over 25 years.

Mortgage default insurance helps homebuyers purchase a home with a smaller down payment and allows the borrower to receive a high-ratio mortgage with favourable terms and a competitive interest rate. Mortgage default insurance protects the bank only. It does not protect a borrower or a guarantor. Mortgage default insurance is not a type of optional creditor life insurance. It will not cover a mortgage payment or outstanding balance if the borrower is unable to pay it due to illness or death.

Street Capital's mortgage default insurance providers are:

- Canada Mortgage and Housing Corporation (CMHC)
- Genworth Financial Mortgage Insurance Company Canada (Genworth)
- Canada Guaranty Mortgage Insurance Company (Canada Guaranty)

Street Capital pays an insurance premium to the mortgage default insurance provider. This cost is passed on to the borrower. The premium can be paid in a single lump sum or it can be added to the mortgage and included in the mortgage payment amount. Provincial sales taxes may be charged on premiums.

Mortgage default insurance cost is calculated by multiplying the amount of the funds borrowed by the default insurance premium. The premium rate will vary depending on the mortgage amount, the amortization period and the size of the down payment. The size of the down payment affects the premium because a higher loan-to-value (LTV) ratio results in a higher rate. The LTV ratio is determined by dividing the amount borrowed by the value of the property. The higher the LTV ratio, the higher the insurance premium will be. Other factors may also influence the premium calculation. The mortgage default insurance provider determines the factors that are used in the calculation and the amount of the premium.

Examples of current default insurance premiums can be found at the following websites:

- https://www.cmhc-schl.gc.ca/en/co/moloin/moloin_005.cfm
- http://www.genworth.ca/en/lenders/premium-rate-table.aspx
- http://www.canadaguaranty.ca/products-at-a-glance/

Street Capital has not entered into any arrangements with its mortgage default insurance providers to receive payments or benefits from them relating to mortgage default insurance, other than the insurance payment that will be paid if any claims arise.