BRITISH COLUMBIA | Financial Institutions Commission

June 5, 2017
File No.: 71000-10
Ref. No.: 0198

To: All CEOs/General Managers of British Columbia Credit Unions

Re: Residential Mortgage Loans Report Completion Guide - Final

The Financial Institutions Commission (FICOM) is issuing the final version of its Residential Mortgage Loans Report (RMLR). The revised RMLR Completion Guide and report template are posted on FICOM's website.

RMLR was first introduced in May 2013 and only selected[1] credit unions were required to submit the report on a quarterly basis.

FICOM then published the draft RMLR for comment in January 2017. A summary of industry comments received and FICOM's response is attached. FICOM extends its appreciation to those that provided comments and suggestions.

Effective quarter ending December 2017:

- credit unions in asset groups 1 and 2 will complete all sections of the RMLR; and
- credit unions in asset groups 3, 4, 5, and 6 will complete only sections A and B of the RMLR.

The RMLR is to be completed quarterly and submitted within 30 days of each quarter end. FICOM may request this information occasionally as part of supervisory reviews; hence all credit unions are encouraged to maintain this information and provide it to FICOM upon request.

FICOM will continue to monitor emerging issues and developments in the credit union industry and may periodically revise the RMLR Completion Guide and report template to ensure that the report continues to capture appropriate information.

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[1] Selected credit unions are in asset groups 1 and 2.

- Superintendent of Financial Institutions
- Superintendent of Pensions
- Superintendent of Real Estate
- Registrar of Mortgage Brokers

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Questions regarding the RMLR Completion Guide and report template should be addressed to Tiffany Mak at Tiffany.Mak@ficombc.ca.

Sincerely,

Mehrdad Rastan
Executive Director
Risk, Analytics & Reporting
Regulation

Enclosure

cc: CFOs/Finance Managers

TM/db

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Summary of Industry Comments and FICOM's Response on the Residential Mortgage Loans Report

Consultation period ended March 11, 2017

Comments	FICOM's Response
1. General Comments	
Significant increase in proposed reporting points, of which many are not historically held in banking systems, will require significant resources and costs to implement. Some may not be achievable – at least in the allotted time frame and/or resources or cost prohibitive.	FICOM stated in 2015 Residential Mortgage Underwriting Guideline that credit unions are expected to capture and record data listed in the proposed RMLR. Credit unions that are not able to submit the RMLR by the required due date should notify FICOM in advance of the deadline, provide rationale, and present a plan that demonstrates how and when the credit union will meet reporting requirements.
2. Section A: LTV	
There is some overlap with Section G	In section G, FICOM collects further details on insurance companies that provide mortgage default insurance.
3. Section C: TDS	
The TDS calculation methodology is very prescriptive where the RMUG is not as prescriptive. It is likely that there is not a broadly used consistent approach for all less impactful elements (e.g. heat) of the calculation across the system.	FICOM requires that credit unions use the TDS ratio calculation formula prescribed by CMHC: https://www.cmhc-schl.gc.ca/en/hoficlincl/moloin/hopr/mupr_015.cfm The consistent standard for the calculation of TDS ratio will allow credit unions to more accurately compare their mortgage underwriting practices to those of comparable credit unions, aid credit unions in determining appropriate risk exposures, and improve risk management. Credit unions that are using a different TDS formula should provide rationale, methodology, and analysis of how the credit union's formula compares to the prescribed formula.
• Under section C.7. (Other debt obligations) – in terms of calculating TDS for LOC's with a limit over $10k, our policy is to use the <u>greater of</u> 1% of the limit or the credit bureau payment (unless Insured then we follow Insurer's guidelines). The guide states to "use no less than 3% of outstanding balance" for LOC's. • We will have some missing data "no TDS ratio available" for many of the older mortgages that do not have applications in either of our previous or current loans origination systems. • Need to confirm - are we to use the TDS for the member or the mortgage loan itself? IE. If an original mortgage application had a TDS of 30 and then a year later the member came in for a personal loan and the TDS is now at 40%. Would we be reporting the original TDS (30%) for the mortgage or the more recent updated TDS (40%)?	• Use 3% to calculate TDS as FICOM has adopted CMHC's definition of Other Debt Obligations – for unsecured lines of credit and credit cards, factor in a monthly payment amount corresponding to no less than 3% of the outstanding balance. • Report missing data in "no TDS ratio available" line • Please refer to section C1 in the Completion Guide. In your example, use the TDS for the member

Most banking systems do not record TDS with an extract. TDS is often held within a Loans Origination System (LOS). Although TDS can often be extracted, the ability to do so and merge with a system data extract within the allotted time is unlikely. Until such time that banking systems record TDS within the core data, many loans will be reported as “no TDS ratio available”.	FICOM stated in 2015 Residential Mortgage Underwriting Guideline that credit unions are expected to capture and record data listed in the proposed RMLR. Credit unions that are not able to submit the RMLR by the required due date should notify FICOM in advance of the deadline, provide rationale, and present a plan that demonstrates how and when the credit union will meet reporting requirements.
4. Section D: High Risk Mortgages	
Difficulty with providing data for section D2 (LTV>75% and Amortization >30 years and TDS>45%) as TDS is not held in the core banking system and not extracted as such. The ability to extract and merge data within the allotted reporting period is unlikely.	Credit unions that are not able to submit the RMLR by the required due date should notify FICOM in advance of the deadline, provide rationale, and present a plan that demonstrates how and when the credit union will meet reporting requirements.
5. Section E. Beacon Score	
Recommend using the high score as opposed to an average score. Averages create another need for a calculated field.	When there is more than one borrower, report the lowest beacon score in the RMLR.
Need to build this in the core banking system, data will be available in 2018.	Credit unions that are not able to submit the RMLR by the required due date should notify FICOM in advance of the deadline, provide rationale, and present a plan that demonstrates how and when the credit union will meet reporting requirements.
6. Section F: Location of Property/Security	
Suggested to consolidate groupings to mirror common platforms in the market such as the MLS HPI. This would allow for comparative analysis.	Location is based on geographic location in BC Stats web site: http://www.bcstats.gov.bc.ca/StatisticsBySubject/Geography/ReferenceMaps/DRs.aspx
• Need to confirm the language being used with respect to “mailing address,” as we are using the property address of the security and not the member’s “mailing address” (may be the same in many cases but not all). • Are you able to provide a definition of “Sunshine Coast”? Does it include Powell River? Should we use the regional district map definition?	• Report should be prepared based on location of the collateral. • Refer to BC Stats website for further information on location: http://www.bcstats.gov.bc.ca/StatisticsBySubject/Geography/ReferenceMaps/DRs.aspx
7. Section H: Loan Purpose & Property Type	
We may have a fair amount of reporting in the “no data available” with regards to owner-occupied or non-owner occupied. We are working on this particular data quality throughout 2017.	Credit unions that are not able to submit the RMLR by the required due date should notify FICOM in advance of the deadline, provide rationale, and present a plan that demonstrates how and when the credit union will meet reporting requirements.
Question	**FICOM’s Response**
1. Section A: LTV	
Requires FICOM’s confirmation that this is LTV at origination	LTV is based on the value of the property at the origination date of the mortgage and must be supported by an appraisal or other objective evidence of value. Adjustment of the LTV is permitted and encouraged as long as a new appraisal or appropriate proof of current LTV is obtained at the time of mortgage renewals, mortgage blend and extend and readvanceable mortgages.
2. Section D: High Risk Mortgages	
Requires FICOM’s confirmation that this is LTV at origination	LTV is based on the value of the property at the origination date of the mortgage and must be supported by an appraisal or other objective evidence of value. Adjustment of the LTV is permitted and encouraged as long as a new appraisal or appropriate proof of current LTV is obtained at the time of mortgage renewals, mortgage blend and extend and readvanceable mortgages.
3. Section I: Exception to Policy	

• Need to confirm the HELOC exception. Our maximum LTV on HELOC's is 65%, however we will allow members to advance to 80% as long as the additional amount is amortized. Just want to confirm that we are only looking at the LTV on the HELOC portion (>65%). • In terms of the exception "amortization > 30years" – we have an interest adjustment as part of our internal process (up to 30 days before the term begins). Our interpretation is that we would report 30yrs as per our mortgage contracts/documentation versus 30yrs 1mo (ie. 361 months due to the technicality of our internal "interest adjustment process"). Please confirm.	• Report HELOC >65% LTV in RMLR • Report amortization 30 years and not 30 years+1 month in RMLR