MORTGAGE DEFAULT INSURANCE

Customer Information Sheet

What is Mortgage Default Insurance?

Mortgage default insurance protects lenders against loss caused by mortgage payment default on the part of a borrower. Generally, a default occurs when a payment is not made on the scheduled due date, but there are other situations when a mortgage may be in default. If a property is sold as the result of a mortgage default and the sale does not generate enough money to pay the outstanding balance and all associated costs, fees and interest, the insurer will pay the shortfall to the Bank. The insurer will then have the right to enforce against each borrower personally for the deficiency.

What coverage is provided?

In Canada, Bridgewater Bank and other lenders are required to obtain mortgage default insurance when a borrower provides a down payment of less than 20% of the purchase price (or appraised value in the case of refinancing). Mortgages that fall into this category are called 'High Ratio Mortgages'.

Bridgewater Bank may ask for mortgage default insurance on conventional mortgages (down payment of 20% or more) that have unique risks. These situations include a property in a remote location with limited or poor marketability, or in a community supported by a single industry regardless of the loan-to-value ratio.

Bridgewater Bank obtains mortgage default insurance from the following three insurance companies:

- Canada Mortgage and Housing Corporation (CMHC)
- Sagen™
- Canada Guaranty

Who pays for the coverage?

Insurance companies charge an insurance premium for mortgage default insurance. The premium is charged to the mortgage borrower (customer) by the individual lender (bank). The premium may be paid upfront in a lump sum or blended in with the mortgage loan payments. Mortgage premium calculations are available on each insurer's website or by contacting Bridgewater Bank at **1.866.243.4301** or by email at **customer.experience@ bridgewaterbank.ca**

Some factors that may be considered by the mortgage default insurer when calculating the mortgage default insurance premium:

Property value	Lesser of purchase price or property value, as provided by you.
Loan-to-value ratio	The higher the mortgage loan amount is in relation to the property value, the higher the premium rate.
Amortization period	If the amortization period or the mortgage is more than 25 years when the mortgage default insurance is obtained, the premium rate may be higher.
Premium rate	Premiums vary depending on amortization period of your mortgage and the loan-to-value ratio. Rates can be found on each insurer's website.
Self-employed	The premium rate may be higher if the borrower is self-employed.

Example:

Property value	$300,000
Down payment	15% = $45,000
Mortgage loan	$300,000 - $45,000 = $255,000
Amortization	25 years
Loan-to-value ratio	$255,000 ÷ $300,000 = 85%
Premium rate	1.75%
Mortgage Default Insurance Premium	$255,000 x 1.75% = $4,462.50

What is the actual cost of Mortgage Default Insurance?

Bridgewater Bank charges borrowers the actual cost of the mortgage default insurance and any applicable taxes.

The actual cost is equal to the amount charged to the bank by the insurer. It does not include any payments or benefits not related to the mortgage default insurance.

Bridgewater Bank and its employees/representatives do not receive, directly or indirectly, any payments or benefits from any of the insurers who provide our mortgage default insurances. This includes rebates, discounts, fees or commissions for marketing, advertising or promotional activities related to the mortgage default insurance.

If you have any questions about mortgage default insurance, please contact us at **1.866.243.4301** or at **customer.experience@bridgewaterbank.ca**

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