

Policies & Procedures

LENDWORTH MIC MORTGAGE INVESTMENTS

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Mortgage Policies and Procedures

Introduction

Residential mortgage lending involves the provision of loans to individuals, either directly or with individual guarantees, where the loans are secured by individual residences or residences with one to four units. These loans are structured with a maximum loan-to-value ratio of 85%.

Lendworth's primary lending objectives revolve around providing a comprehensive range of mortgage solutions, including both primary and secondary options. These offerings are designed to address the diverse needs of individuals aiming to purchase or refinance a home, tap into their home equity for various financial requirements, or invest in properties for rental income.

Our approach to mortgage pricing is rooted in competitiveness, ensuring that our rates remain favourable within the market. Furthermore, our unwavering commitment to delivering exceptional service is geared towards establishing a positive reputation and fostering a favourable perception within the industry.

Lending Policy & Guidelines

Residential mortgage loans are available to facilitate the acquisition, improvement, or refinancing of existing homes or condominium units. These properties encompass a variety of types, including single detached residences, semi-detached structures, duplexes, triplexes, fourplexes, as well as single-unit condominiums or apartments within multi-unit buildings.

- To be eligible for consideration, properties must meet the following minimum requirements:
- The property should be located within a 50-kilometer radius of major metropolitan regions in Ontario. The possibility of expanding this radius is subject to management's discretion.
- Properties should generally have an age of under 50 years, unless recent renovations have taken place. Older properties may still be evaluated for mortgage eligibility, contingent upon the property's condition and estimated remaining useful life meeting the management's satisfaction.
- Buildings must conform to all relevant municipal, provincial, and national building code standards. Confirmation of this adherence should be clearly documented in the appraiser's report or supported by an inspection report from the municipal authority upon completion.
- Unless specifically approved by management, properties are expected to be connected to full municipal services.

Properties and individual's ineligible for mortgages include:

This policy has certain limitations and does not cover all types of mortgage lending. Specifically excluded are:

- Mobile Homes, which are defined as units equipped with axles.
- Properties involving time shares, fractional ownership, divided interest, or properties with occupancy restrictions/limitations.
- Properties enrolled in rental pool arrangements.

Property Valuations

Each mortgage application requires an assessment conducted by an impartial appraiser chosen from Lendworth's list of Approved Appraisers. In some cases, there might be allowances for deviations, permitting an appraisal from an appraiser not initially listed among Lendworth's approved appraisers. However, such exceptions necessitate approval from two members of the management team.

Appraisals should be directed to Lendworth MIC and carried out by an appraiser holding a CRA or AACI designation. They must entail an internal assessment accompanied by three interior photographs. The appraiser is also expected to provide comprehensive commentary on any unusual adverse property characteristics or local influences.

Payment Options

Mortgages are structured with a duration of one year, entailing monthly interest-only payments that are not pre-paid. Interest is compounded on a monthly basis. In certain situations, an extension of the standard one-year term may be granted.

Furthermore, there is an available pre-paid mortgage option: This option allows for reserving funds equal to a maximum of 12 months' worth of mortgage payments from the mortgage advance. This allocation is intended to cover the monthly payments over the specified period.

Mortgage Renewals

Before proceeding with a renewal, it is essential to confirm the satisfactory status of the existing mortgage and the up-to-date payment of property taxes. If the mortgage has experienced arrears extending beyond a 30-day period during the previous term, a comprehensive evaluation will be conducted before any renewal consideration.

All individuals holding mortgages must receive either direct communication or written notice at least 90 days prior to the maturity date.

A duplicate of the Mortgage Renewal Agreement must be distributed to all relevant parties associated with the mortgage, including joint mortgagors and covenantors.

Upon mortgage maturity, no further payments should be processed based on the terms that have elapsed. Delinquent renewals are subject to penalties as outlined in Schedule "A" of the commitment letter.

A duplicate of the Mortgage Renewal Agreement should be provided to all parties involved in the mortgage, including joint mortgagors and covenantors.

Upon reaching mortgage maturity, no additional payments are to be processed based on the expired terms. Renewals that extend beyond the designated timeframe may incur a penalty as specified in Schedule "A" of the commitment letter.

Non-Renewals

The management will communicate the decision of non-renewal to the client, with the intention of minimizing risk exposure and creating an opportunity for other private lenders with a higher risk tolerance to potentially explore mortgage refinancing.

If no payment or refinancing arrangement is secured from another private lender, the management will then conduct a comprehensive evaluation to determine the feasibility of internal renewal. This assessment involves reviewing the payment history, confirming the current status of property taxes, scrutinizing the existing application, assessing the present loan-to-value (LTV) ratio, and engaging in direct communication with the client to facilitate a thorough renewal assessment. Additionally, all associated fees linked to the file will be meticulously reviewed as part of this process.

Mortgage Application

Retail mortgage requests necessitate the completion of a thorough credit application. Each application submission should encompass the following details:

Applicant's Address: The physical residential address of the applicant, along with the mailing address, needs to be documented. Postal box mailing addresses are not considered valid.

Employer and Employer's Address: The civic address of the applicant's employer should be provided, along with the employer's name. Postal box mailing addresses are not accepted.

Employment Occupation: A comprehensive description of the applicant's occupation is mandatory. This description should include details about annual earnings and the duration of employment with the current employer.

Identification: Official identification documents must be obtained and submitted through the solicitor.

Credit Investigation: Prior to granting approval, a credit bureau report, obtained by The Mortgage Broker / Agent and not older than three (3) months, must exhibit a satisfactory standing.

Approval Process

Multiple factors are taken into consideration, which include:

- The broker/agent must complete a comprehensive Filogix application, which includes recording both the applicant's physical residential address and mailing address. Postal box mailing addresses are not permitted.
- The broker/agent is required to provide a Filogix credit bureau report for all applicants listed in the application.
- Any outstanding judgments, writs, collections, or consumer proposals must be resolved using funds from the mortgage advance.
- Verification of identification is crucial and must be facilitated by the solicitor.
- Properties are typically situated in urban areas, predominantly within the Greater Toronto Area (GTA), South Eastern, Western, and Central Ontario. Exceptions to location may be considered in specific instances.
- The maximum Loan-to-Value (LTV) ratio for both first and second mortgages must not exceed 85%.

- Mortgage amounts usually fall within the range of \$20,000 to \$1,250,000; however, there is room for exceptions for amounts exceeding \$1,250,000.
- Acceptance of properties with well and septic systems is subject to specific exceptions only.
- Appraisals are exclusively accepted from the Lendworth approved appraiser list. In extraordinary cases, consideration may be given to appraisers not on the list, but such exceptions require approval from two managers within the management team.
- All mortgaged properties are required to be adequately covered by Fire Insurance.
- Title Insurance is obligatory for all mortgaged properties.

Commitment Letters

Upon approval of each mortgage application, an official commitment letter or approval letter will be issued. Commitment letters should incorporate the acknowledgment and acceptance of the mortgagor and must be presented within a timeframe of no more than 10 days from the date of approval. All approval or commitment letters are subject to endorsement by two members of the management team and should be signed by an authorized member of the management team.

Solicitor Engagement

All documentation related to mortgages and title searches must be exclusively conducted by a solicitor affiliated with Lendworth. The expenses associated with solicitors and appraisals are the responsibility of the mortgagor. Solicitor fees are deducted at the point of disbursement by the solicitor.

At the time of closing, it is imperative that all taxes and municipal charges are up-to-date.

Unless local regulations dictate otherwise, in cases where a mortgage is established on a joint and several basis, both spouses are obligated to sign. In scenarios where the mortgage is not joint, one spouse should provide a dower rights acknowledgment. This applies even when two individuals are cohabiting.

For mortgages granted to incorporated borrowers, personal guarantees must be provided by all principals.

For mortgage advances secured by a condominium, an estoppel certificate, duly executed by the elected Board of Directors of the condominium corporation, must be obtained. The estoppel certificate should include:

- Details of outstanding common expense arrears for all units, including the unit under consideration.
- Information about pending or ongoing lawsuits involving the condominium.
- Specifics regarding Fire Insurance coverage.
- Provisions outlined in the Condominium By Laws.
- A Title Insurance policy is obligatory for all mortgages.

Suspicious Transactions-Proceeds of Crime Anti Money Laundering Terrorist Financing Act (PCMLTFA)

A suspicious transaction refers to any activity that raises concerns regarding potential involvement in money laundering or terrorist financing activities. If you encounter such transactions, it is essential to report them to the Chief Operations Officer, who will subsequently inform FINTRAC as required. Promptly report all suspicious transactions in writing immediately after your interaction with the client, without disclosing to the client that you are filing a report. In cases where the suspicious activity appears to be linked to potential terrorist actions, it is mandatory to notify the RCMP, CSIS, and any other relevant authorities. All reports must be submitted to FINTRAC within 30 days from the occurrence.

We place great emphasis on brokers fulfilling their fiduciary responsibilities and adhering to FSRA guidelines to ensure a comprehensive understanding of their clients. Our affiliation is solely with mortgage brokers whose professional practices we trust. Upon mortgage approval, the solicitor assumes the responsibility of verifying the borrower's identity and fulfilling all Anti-Money Laundering (AML) requirements. We do not accept cash or virtual currency as valid forms of payment.

Beginning May 1, 2023, AML Check is performed at the solicitor's request before any funds are released. As both lenders, the solicitor and mortgage broker have a professional duty to uphold the provisions of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA).

Our Policies and Procedures undergo an annual review, and the Anti-Money Laundering (AML) process is updated correspondingly.

Insurance

Each property must have sufficient insurance coverage, guaranteeing a minimum level that aligns with the replacement cost of the buildings. Upon the initial advance, it is essential to obtain a standard mortgage endorsement policy designating Lendworth Credit as the loss payee.

Income Confirmation

Regarding employment income, income verification is not generally required for all situations. However, self-employed individuals must include Canada Revenue Agency Notice of Assessments as part of the documentation.

If income confirmations are indeed requested, the following forms are considered acceptable:

For Employed Individuals:

- Most recent T4 slip.
- Most recent Canada Revenue Agency Notice of Assessment.
- Current paystub or an official written statement signed by an appropriate employer official.

For Self-employed Individuals:

The client's most recent year Canada Revenue Agency Notice of Assessment.

Covenants/Guarantors

In the field of residential mortgage lending, it's important to understand the distinctions between a covenanter and a guarantor, as most transactions require the participation of one of these entities.

Covenanter: A covenanter engages in a mortgage by jointly and severally committing to the covenants alongside the mortgagor. This means they share equal responsibility for adhering to the terms and conditions of the mortgage debt. Similar to the actions that can be taken against the mortgagor, the mortgagee possesses the authority to initiate legal actions against a covenanter to enforce the mortgage's terms and conditions. Furthermore, the mortgagee can independently pursue legal action against the covenanter for repayment without relying on any actions directed towards the mortgagor. Essentially, a covenanter assumes the role of a primary debtor with the same degree of obligation as the mortgagor.

Guarantor: The liability of a guarantor in relation to the terms and conditions of the mortgage debt becomes applicable only after the mortgagee has exhausted all alternative avenues of collecting from the mortgagor and has established their inability to recover. The obligation of a guarantor is of a secondary nature, activating when primary avenues have been fully explored. The customary prerequisites for obtaining Independent Legal Advice remain applicable in this context.

Appraisal Guidelines

The appraisal should be carried out by a certified appraiser (CRA or AACI) who is acknowledged and included in Lendworth's Approved List of Appraisers.

Appraisals should be directed to either Lendworth MIC. In cases where approved appraisers send their appraisals to entities other than those mentioned above, the appraisals might still be accepted on the condition that the appraiser provides a Letter of Transmittal and directly submits the documents to Lendworth.

The appraisal report must explicitly indicate that Lendworth is authorized to utilize the assessment for mortgage financing purposes.

Appraisals should provide detailed commentary regarding any distinctive or unfavorable property attributes. This includes the property's maintenance status and any negative elements within the neighborhood.

A comprehensive appraisal analysis must be conducted, with a specific focus on aspects such as the property's geographic location, estimated remaining economic lifespan, overall condition, and the selection of comparables used in the Direct Comparison Approach section.

The responsibility for appraisal fees lies solely with the mortgage broker and the borrower, unless otherwise stipulated by Lendworth.

Appraisals must utilize standardized Appraisal Institute forms, and the following items must either be attached to or included within the appraisal report:

The reports should be based on an "as is" value perspective; values based on an "as complete" scenario will not be accepted.

Include three colour photographs: one of the property's front exterior, one of the rear, and one capturing the street scene.

Provide photographs of each room within the property, including the basement, along with images highlighting any distinctive, noteworthy, or adverse conditions observed on-site.

Alongside the report, enclose photos of comparable sales. Selected comparable sales should not be older than five months unless accompanied by a thorough explanation. Adjustments on comparable sales are limited to a maximum of 25% for gross adjustments and 15% for net adjustments, unless adequately justified.

Incorporate a location map displaying the property's position and the utilized comparable.

Attach a 12-month listing history for the property, detailing all listings, sales, and expired listings within that timeframe.

Appraisals must be provided in their original format or in electronic formats such as email or PDF; fax copies will not be accepted.

Policy for Mortgage Collection and Handling Defaults

Lendworth takes a proactive approach to mortgage portfolio collection activities, guided by the following policy:

Mortgage payments are scheduled for processing on the 1st and 15th of each month. Within the initial 5 days subsequent to payment processing, the Trust account is closely monitored to promptly identify any returned payments.

In the event of a Non-Sufficient Funds (NSF) payment, the borrower is immediately contacted to communicate the requirement for payment within 24 hours. Depending on management's discretion, payment options include cash, certified cheque/bank draft, or money order, accompanied by NSF fees, to reinstate the mortgage to a good standing status.

Within 15 business days or as determined by management after the initial contact with the borrower, a Demand Letter is dispatched via registered mail. This correspondence provides the borrower with necessary details to rectify the account status and restore it to good standing.

If payment remains outstanding 35 days following an NSF occurrence or as decided by management's judgment, legal proceedings will be initiated.

Enforcement of Power of Sale/Issuance of Sale Notice

After assessing the benefits of power of sale, judicial sale, and foreclosure, Lendworth favours the utilization of the private power of sale approach. As for the procedural aspects, we depend on legal counsel to provide us with the appropriate steps in the process.

Valuable Advice for Preventing Fraud

Look out for a logo with low resolution or one that deviates from the official website's version.

Ensure the applicant's information maintains consistency across the document.

Exercise caution regarding spelling mistakes.

Examine any irregularities in line spacing.

Validate the logical accuracy and proper summation of presented numbers.

Be mindful of cases where the letter "O" is substituted for the numeral zero "0."

Attend to the alignment of decimals and other visual elements.



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