



Reference: Implementation Note for
Banks/ FBBs/T&Ls/Co-
ops/Life/P&C

April 14, 2010

To: Federally Regulated Financial Institutions

Subject: **Mortgage Insurance Implementation Note**

As a result of the *Budget Implementation Act, 2009*, new provisions dealing with mortgage insurance in the statutes governing federally regulated financial institutions¹ are being brought into force. The amended sections will be effective July 1, 2010. The amendments are intended to provide additional clarity with respect to the costs related to mortgage insurance that can be charged to borrowers in respect of their loan.

In support of these changes, the *Mortgage Insurance Business Regulations* have been promulgated to provide details on what can form part of the cost of insurance that may be charged back to the borrower. In the course of its consultation on the Regulations, the Department of Finance (DoF) received a number of questions related to implementation issues. In order to address these questions in the widest possible manner, OSFI is issuing the attached Implementation Note. The Note is intended to provide further clarity to financial institutions that are passing on the cost of mortgage insurance to borrowers. It should be noted that, as part of its ongoing supervisory program, OSFI may assess compliance with the attached Note and with the Regulations.

The attached Note may be further amended until, but no later than, June 1, 2010 in order to provide financial institutions time to prepare for the coming into force of the Regulations.

Questions regarding this Implementation Note should be directed to Philippe-A. Sarrazin, Director, Legislation and Policy Initiatives at 613-998-4190 or at philipe.sarrazin@osfi-bsif.gc.ca.

Mark E. White
Assistant Superintendent
Regulation Sector

¹ Sections 418.1 and 552 of the *Bank Act*, section 418.1 of the *Trust and Loan Companies Act*, section 382.2 of the *Cooperative Credit Associations Act*, and sections 469.1 and 542.061 of the *Insurance Companies Act*.

