

JUST THE FACTS

Date modified: November 28, 2014

About CMHC's emili

emili assesses an application's overall risk of default by looking at the borrower, the property, the market in which the property is situated and the characteristics of the loan.

It is used for all transactional homeowner mortgage insurance applications.

emili is based on quantitative models that predict the risk of default on a mortgage. The system looks at a multitude of relevant variables to determine the overall risk; including the characteristics of the loan, the borrower, the market and the property. CMHC has the most comprehensive mortgage database in Canada, including property information on approximately 8 million properties. This includes property information CMHC has retained over many years of insuring mortgage loans.

emili incorporates statistical models that predict the risk of default by looking at individual characteristics of the application in conjunction with economic and housing market conditions as the basis for risk assessment.

No single characteristic of the mortgage application is assessed in isolation. emili looks at the overall picture, considers many factors and their interrelationship.

emili decisions are objective and consistent. It has assessed millions of applications since its inception in 1996.

The result is the ability to predict with a high degree of success which mortgage loan applications are likely to default.

An indicator of emili's performance is demonstrated by a relatively low CMHC mortgage loan insurance arrears rate. The overall CMHC arrears rate as of September 30, 2014 was 0.34 per cent, **consistent with** year-end 2013.

emili can approve an application, as submitted, if it meets the predetermined CMHC risk parameters. If an application falls outside of the predetermined risk parameters, it is referred to a Residential Underwriter, located in offices across the country. The Residential Underwriter will look at the application in greater detail, including the borrower, the property, the housing market in which the property is located and the application's characteristics as a whole, taking into consideration where the risk parameters were exceeded.

emili is not an automated valuation management tool (AVM). It is a risk management tool that approves or refers the loan application based on an analysis of different risk factors.

Following a review, the underwriter may seek clarifications or additional information or actions to determine whether the application can meet the risk parameters. This additional information may include a property appraisal, where appropriate. Additional actions may include an increase in the down payment or a decrease in the loan amount.

The application may not be approved if the risk parameters cannot be met.

Regarding the property risk assessment, first and foremost, CMHC looks at the specific characteristics of the property in question and uses different information sources. This includes:

- the physical characteristics of the property (like square footage, lot size, age, style of the home, etc.)
- the municipal property tax assessment
- historical and current sales activity within the local housing market, and
- prior sales activity of the property being assessed, when available.