

## All Island Equity MIC – Mortgage Underwriting and Pricing Guidelines

The following guidelines are to be used as an outline of the AIE MIC lending program. All loans will be underwritten and priced with the following metrics in mind:

- *Capital preservation*
- *Clear exit strategy*
- *Quality collateral*
- *Capacity to service debt*
- *Pricing reflects the situation*

**Lending Areas:** Vancouver Island (all), Kelowna, Penticton. Secondary markets include Lower Mainland, Fraser Valley, select Interior BC locations, Sunshine Coast, Powell River

**Lending Limits:** Loan amounts from \$50,000 up to \$5M

**Credit Requirements:** Full credit application/net worth statement and recent credit report with loan request submission. Net worth should support reasonable liquidity for the loan type and lending situation. No minimum credit requirement however derogatory mortgage history is not generally permitted.

**Lending Loan-to-Value, Location and Pricing Model:** The following table provides suggested LTV and pricing for the three primary lending categories. Loans are priced based on overall risk and on a deal-by-deal basis.

| Collateral Type                                                                                                                                               | Guidelines and Policies                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                 |                 |                 |                 |                 |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
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| <b>Residential</b> <ul style="list-style-type: none"><li>- Single Family</li><li>- Condo/Townhouse</li><li>- Duplex/triplex/fourplex</li></ul>                | <p>Max 75% LTV in primary lending areas/65% LTV in secondary lending areas – Property must be in reasonable condition.</p> <table><tr><td>Primary Area</td><td colspan="2">&gt; 65% LTV</td><td colspan="2">&gt;70% LTV</td><td colspan="2">&gt; 75%LTV</td></tr><tr><td>Secondary Area</td><td colspan="2">&gt; 50% LTV</td><td colspan="2">&gt;60% LTV</td><td colspan="2">&gt; 65%LTV</td></tr><tr><td>Position</td><td>1<sup>st</sup></td><td>2<sup>nd</sup></td><td>1<sup>st</sup></td><td>2<sup>nd</sup></td><td>1<sup>st</sup></td><td>2<sup>nd</sup></td></tr><tr><td>Rates*</td><td>7.5-8.5%</td><td>9 – 10%</td><td>8.5-9.5%</td><td>10 – 11%</td><td>9.5% - 10.5%</td><td>10.5 – 12%</td></tr><tr><td>Lender Fee</td><td>0 - 1%</td><td>1% - 2%</td><td>0.5-1%</td><td>1 – 2%</td><td>1 – 2%</td><td>2% +</td></tr></table> <p>*Denotes base rate, pricing should be based on overall risk and deal specifics</p> | Primary Area    | > 65% LTV       |                 | >70% LTV        |                 | > 75%LTV |  | Secondary Area   | > 50% LTV |  | >60% LTV |  | > 65%LTV |  | Position | 1 <sup>st</sup> | 2 <sup>nd</sup> | 1 <sup>st</sup> | 2 <sup>nd</sup> | 1 <sup>st</sup> | 2 <sup>nd</sup> | Rates*     | 7.5-8.5% | 9 – 10% | 8.5-9.5% | 10 – 11% | 9.5% - 10.5% | 10.5 – 12% | Lender Fee | 0 - 1% | 1% - 2% | 0.5-1% | 1 – 2% | 1 – 2% | 2% + |
| Primary Area                                                                                                                                                  | > 65% LTV                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                 | >70% LTV        |                 | > 75%LTV        |                 |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| Secondary Area                                                                                                                                                | > 50% LTV                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                 | >60% LTV        |                 | > 65%LTV        |                 |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| Position                                                                                                                                                      | 1 <sup>st</sup>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 2 <sup>nd</sup> | 1 <sup>st</sup> | 2 <sup>nd</sup> | 1 <sup>st</sup> | 2 <sup>nd</sup> |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| Rates*                                                                                                                                                        | 7.5-8.5%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | 9 – 10%         | 8.5-9.5%        | 10 – 11%        | 9.5% - 10.5%    | 10.5 – 12%      |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| Lender Fee                                                                                                                                                    | 0 - 1%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       | 1% - 2%         | 0.5-1%          | 1 – 2%          | 1 – 2%          | 2% +            |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| <b>Construction</b> <ul style="list-style-type: none"><li>- Single Family Custom</li><li>- Spec Construction</li><li>- Multi Family (up to 8 units)</li></ul> | <p>Max 75% LTV for custom homes with clear exit ie. Refinance/Max 65% LTV for spec or small multi family construction. LTV to be reduced 10% for construction in secondary lending areas and limited to custom home construction only.</p> <table><tr><td>SFR Custom</td><td colspan="2">&gt; 65% LTV</td><td colspan="2">&gt;70% LTV</td><td colspan="2">&gt; 75%LTV</td></tr><tr><td>Spec/Small Multi</td><td colspan="2">&gt; 50% LTV</td><td colspan="2">&gt;60% LTV</td><td colspan="2">&gt; 65%LTV</td></tr><tr><td>Rates*</td><td colspan="2">9-10%</td><td colspan="2">9.5%-10.5%</td><td colspan="2">10-12%</td></tr><tr><td>Lender Fee</td><td colspan="2">0.5-1%</td><td colspan="2">0.5-1.5%</td><td colspan="2">1 - 2% +</td></tr></table> <p>*Denotes base rate, pricing should be based on overall risk and deal specifics</p>                                                                                | SFR Custom      | > 65% LTV       |                 | >70% LTV        |                 | > 75%LTV |  | Spec/Small Multi | > 50% LTV |  | >60% LTV |  | > 65%LTV |  | Rates*   | 9-10%           |                 | 9.5%-10.5%      |                 | 10-12%          |                 | Lender Fee | 0.5-1%   |         | 0.5-1.5% |          | 1 - 2% +     |            |            |        |         |        |        |        |      |
| SFR Custom                                                                                                                                                    | > 65% LTV                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                 | >70% LTV        |                 | > 75%LTV        |                 |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| Spec/Small Multi                                                                                                                                              | > 50% LTV                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                 | >60% LTV        |                 | > 65%LTV        |                 |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| Rates*                                                                                                                                                        | 9-10%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                 | 9.5%-10.5%      |                 | 10-12%          |                 |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| Lender Fee                                                                                                                                                    | 0.5-1%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                 | 0.5-1.5%        |                 | 1 - 2% +        |                 |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |
| <b>Commercial</b>                                                                                                                                             | <p>This category of the portfolio should be underwritten and priced according to the risk classification. Maximum 65%LTV for all commercial mortgages unless deal merits an exception.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                 |                 |                 |                 |                 |          |  |                  |           |  |          |  |          |  |          |                 |                 |                 |                 |                 |                 |            |          |         |          |          |              |            |            |        |         |        |        |        |      |

| Collateral Type                                                                                                                                                                                               | Guidelines and Policies  |           |            |              |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------|-----------|------------|--------------|
| <ul style="list-style-type: none"> <li>- Development land</li> <li>- Industrial</li> <li>- Office/Retail</li> </ul>                                                                                           | Development Land         | > 50% LTV | >60% LTV   | > 65%LTV     |
|                                                                                                                                                                                                               | Rates*                   | 10%       | 10%-10.5%  | 10.5-11.5%   |
|                                                                                                                                                                                                               | Lender Fee               | 0.5-1%    | 0.5-1%     | 1 - 2% +     |
|                                                                                                                                                                                                               | Industrial/Office/Retail | > 50% LTV | >60% LTV   | > 65%LTV     |
|                                                                                                                                                                                                               | Rates*                   | 10%       | 10%-10.5%  | 10.5-11.5% + |
|                                                                                                                                                                                                               | Lender Fee               | 0.5-1%    | 0.5-1%     | 1 - 2% +     |
|                                                                                                                                                                                                               | Multi-Family             | > 50% LTV | >60% LTV   | > 65%LTV     |
| Multi-Family                                                                                                                                                                                                  | Rates*                   | 9.5%      | 9.5%-10.5% | 10.5-11.5% + |
|                                                                                                                                                                                                               | Lender Fee               | 0.5-1%    | 0.5-1%     | 1 - 2% +     |
| *Denotes base rate, pricing should be based on overall risk and deal specifics                                                                                                                                |                          |           |            |              |
| AIE MIC has extensive experience with multi-family financing. This includes purchase, refinance, 1 <sup>st</sup> and 2 <sup>nd</sup> mortgages, renovation, and construction. Call for deal specific pricing. |                          |           |            |              |

### **Documentation Requirements:**

The following documentation list is a general guideline for loan underwriting. This is for reference only, loans are conditioned on a deal-by-deal basis.

#### **Personal Borrower:**

- Application/Net worth
- Credit Bureau
- Confirmation no income taxes owing
- Proof of financial assets (if applicable)
- Income reasonability ie. T1 Generals, NOA, paystub
- Mortgage statement
- Property tax statement

#### **Corporate Borrower:**

- Corporate articles
- Corporate registry
- Corporate letter of opinion (solicitor to request)

#### **Construction:**

- House plans
- Budget
- HPO confirmation
- Warranty confirmation
- Building permit
- Course of construction insurance (solicitor to request)

### **Appraisal Requirements:**

Preferred appraiser should be used where possible. Preferred appraisers include: Cunningham Rivard, Isle West Appraisals, Pacific Rim Appraisals, Jackson and Associates, and Coast Appraisals. BC Assessment may be considered in cases where the non-primary property is being used as additional inter alia collateral. This is an exception and is not standard practice.

**\*\*\*DEAL SUBMISSION – Submit through Filogix, Velocity or email [brokers@allislandequitymic.com](mailto:brokers@allislandequitymic.com) or call 250-244-9700 to discuss a deal prior to submitting\*\*\***