



Verifications Bulletin – October 2017

OSFI Guideline B-20: *Residential Mortgage Practices and Procedures* and Impact on Income Verifications

Situation

On October 17, 2017 the Office of the Superintendent of Financial Institutions Canada (OSFI) published the final version of [OSFI Guideline B-20 - Residential Mortgage Underwriting Practices and Procedures](#).

The Guideline which takes effect on January 1, 2018, applies to all federally regulated financial institutions (FRFIs).

The Role of Income Verification

Two key elements of the final Guideline B-20 stress the importance of verification of income as part of mortgage underwriting process; OSFI states that FRFIs must demonstrate strict “*rigour in the verification of a borrower’s income, as income is a key factor in the assessment of the capacity to repay a mortgage loan, and verification of income helps detect and deter fraud or misrepresentation*”, and that the overall variability/stability of employment and income (e.g., “overtime wages, irregular commissions and bonuses”) must also be considered.

According to the recent Guideline, FRFIs must confirm that:

- the income amount is verified by an independent source;
- the verification source is difficult to falsify;
- the verification source directly addresses the amount of the declared income; and
- the income verification information/documentation does not contradict other information provided by the borrower in the underwriting process.

The Bottom Line

The need for income and employment verifications continues to increase based on lenders looking to make better-informed decisions in the ever-changing financial landscape of consumer protection and regulatory requirements.

[Verification Exchange](#), the automated employment and income service from Equifax, may help FRFIs adhere to B-20 and other lending guidelines. The service may also help employers improve internal efficiency, consistency, and security of their internal verification completion processes, while enabling their employees’ access to new employment, credit and other benefits they may need.

To learn more about how Verification Exchange from Equifax can help lenders and employers manage income and employment verification processes, please contact Lionel Newman at (416) 999-2148 or lionel.newman@equifax.com or visit www.equifax.ca/verificationexchange