Government Programs and Regulations

Mortgage Stress Test

The Canadian mortgage stress test, enforced by the Office of the Superintendent of Financial Institutions (OSFI) helps evaluate a potential homeowner's financial stability, ensuring they can still afford their mortgage in case of higher interest rates or financial challenges. The stress test uses theoretical rates to assess a borrower's ability to stay under debt service ratios. Lenders consider these ratios when deciding how much to approve. The stress test measures a borrower's ability to handle increased rates or expenses to discourage borrowers from overextending their financial capacity.

Who It Affects:

- The Canadian mortgage stress test applies to anyone applying for a mortgage from a federally regulated lender, including those refinancing or renegotiating a mortgage. The test also applies to those taking out a home equity line of credit (HELOC).
- Those renewing with the same lender or switching lenders at the time of renewal are generally exempt from the stress test.
- The stress test is designed to prevent people from taking on unmanageable debt.

Qualifying Rate:

The stress test uses a minimum qualifying rate (MQR) to determine if a borrower qualifies for a mortgage. The MQR is based on either the standard rate or the rate offered by the lender plus 2%.

- Currently, the qualifying rate is 5.25 per cent or the contracted rate plus 2 percentage points—whichever is higher.
- In 2025, OSFI has announced that the rates will remain the same for both uninsured and insured mortgages.

More information is available on the Government of Canada website: More Info

Note: This information is provided as a guide. The Toronto Regional Real Estate Board assumes no responsibility for the accuracy of this information. Please discuss any inquiries with a qualified professional.

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