

Understanding the Canadian Mortgage Stress Test

What is the Stress Test

The mortgage stress test is a federal government rule that tests if you can afford your mortgage if interest rates rise.

How the Stress Test works

You must qualify for the mortgage at the **higher** of:

- The Bank of Canada benchmark qualifying rate (currently 5.25%), or
- Your actual mortgage rate plus 2%

For example, if you were offered an interest rate of 2.75% then you would need to qualify at 5.25%, but if you were offered an interest rate of 4.5% then you would need to qualify for that mortgage at a rate of 6.5%

How Affordability is measured: GDS/TDS

Lenders use two key ratios to measure if you pass the stress test:

Gross Debt Service (GDS)

GDS measures your basic housing costs as a percentage of your monthly income.

GDS includes:

- Mortgage payment (Principal plus Interest)
- Property taxes
- Heating costs
- 50% of condo fees (if applicable)

Total Debt Service (TDS)

TDS includes all housing costs from GDS plus your other monthly debt payments, as a percentage of your monthly income.

TDS includes:

- Everything from your GDS
- Credit cards
- Car loans or leases
- Student loans
- Lines of credit

In order to qualify for an insured mortgage (you have less than 20% down payment), no more than 39% of your monthly income can go toward the costs associated with the GDS and no more than 44% of your monthly income can go toward the costs associated with your TDS. For uninsured mortgages, lenders prefer you to have GDS/TDS scores of 39/44 or lower but we may ask for an exception and can be qualified with a slightly higher score.

Working Together

As your mortgage agent, I'm here to help you navigate the stress test successfully.

This includes:

- Fully underwriting your file so you can tell exactly how much your purchase budget should be
- Identifying strategies to strengthen your application
- Connecting you with lenders who are the best fit for your situation
- Providing guidance on timing your application for optimal results

We can work together to find you the right mortgage solution for your financial situation.

Getting a pre-approval gives you a clear picture of your buying power and helps you shop for homes with confidence. Let's discuss your specific situation and create a plan.

[Click to check out the official Stress Test Calculator:](#)



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