

What is a Monoline Lender?



What do I need to know about this **lender option?**

WHAT IS A MONOLINE LENDER?

Monoline lenders (e.g. RMG, Strive, MCAP, and First National) specialize in only one type of lending: mortgages. In lieu of “brick-and-mortar” buildings, they are able to offer competitive mortgage interest rates, favourable penalty calculations, vast product options, and robust electronic infrastructure for their clients.

Instead of employing internal ‘mortgage specialists’ to bring in clientele, they rely on external mortgage brokers to place mortgages with them. Mortgage brokers then act as the primary point of contact and can assist with concerns throughout your mortgage term, answering questions and offering solutions faster.

ARE MONOLINE LENDERS SECURE?

Monoline lenders are heavily regulated and comply with both provincial and federal financing standards. Their mortgages are funded and backed by billions of dollars from institutions spread across North America, making them exceptionally secure. Additionally, monoline lenders rely on brokers (who carry strict licensing and compliance obligations) the quality of the mortgages they fund is consistently very high, adding to the strength of security.

FEATURES OF A MONOLINE LENDER

- ✓ **User-Friendly Client Portal**
 The client portal can be used to make any additional payments, change your payment frequency, check your balance, or make any applicable changes.
- ✓ **Allows Broker Assistance**
 Removing the need for in-branch appointments or meetings - this is especially helpful during mortgage maturity. Most monoline lenders allow us to liaise with them to obtain renewal offers in order to compare those offers with other current market offerings. This takes the stress and uncertainty out of the equation for you, the client.
- ✓ **Competitive Pre-Payment Options**
 Not only do monoline lenders offer some of the best pre-payment options on the mortgage market, they also make it easy to take advantage of them with their client portal. There’s no need to go to a branch or call a servicing department to make any changes.
- ✓ **Favourable Penalty Calculations**
 This is one of the most important and often overlooked parts of a mortgage. More than half of Canadians break their mortgage for some reason or another, and not all lenders calculate penalties the same way. Especially IRD penalties.

PENALTY CALCULATIONS

Lenders like the Big 5 Banks offer discounts on their posted rates, unlike monoline lenders, which use lower contract rates upfront. “Discounts” can come back to haunt you, as they are used in the IRD penalty calculation, and the difference can cost clients thousands in interest. Find more information [HERE](#).

In this example, the original **contract rate is 4.59%**. At the time of breaking the mortgage, the current balance is **\$400,000** with **3 years** remaining. With a monoline lender, this would result in **\$26,400** in savings compared to a Big Bank.

	Big 5 Bank	Monoline	
4.34%	Current Rate to Closest Remaining Term	Current Rate to Closest Remaining Term	4.34%
6.79%	Original Posted Rate	N/A	N/A
2.20%	Original Discount	N/A	N/A
2.45%	IRD (Contract Rate - Current Rate) + Original Discount	IRD (Contract Rate - Current Rate)	0.25%
\$29,400	IRD Penalty Calculation (balance x IRD ÷ 12) x remaining term (\$400,000 x IRD ÷ 12) x 36 months		\$3,000



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