

# The Mortgage Stress Test

## What Albertans Need to Know

Reviewed March 2026 | Qualifying rate: 5.25% or contract rate + 2%, whichever is higher

**Quick answer:** Most borrowers must qualify at a stress-test rate higher than their actual mortgage rate. This ensures you can handle payments if rates rise. The qualifying rate is the **higher** of 5.25% or your contract rate plus 2%.

### 1. Who Must Pass the Stress Test

The federal mortgage stress test (B-20 guideline) applies to:

- ✓ **Buyers purchasing a home** — with any size of down payment
- ✓ **Borrowers refinancing** — taking equity out or increasing the mortgage amount
- ✓ **Borrowers switching lenders at renewal** — if the new mortgage increases risk (e.g., longer amortization, higher amount)
- ✓ **Insured mortgage borrowers** (less than 20% down) — in all scenarios

### 2. Who May Be Exempt

**Updated December 2024:** Eligible straight switches at renewal — If you have a conventional (uninsured) mortgage and you are simply switching to a new lender at renewal *without* increasing your mortgage amount, extending your amortization, or otherwise increasing lender risk, you **may now be exempt** from the stress test under the updated federal guidelines. This change took effect December 15, 2024.

**Renewing with your current lender:** Your existing lender is not required to re-qualify you under the stress test at renewal. They already hold the mortgage. This has always been the case.

**Important:** Not all lenders have adopted the same interpretation of the December 2024 changes. Some federally regulated lenders still apply the stress test on all switches. Rules can also vary for provincially regulated credit unions. This is exactly why working with a broker matters — I know which lenders apply the exemption and which don't.

### 3. How the Stress Test Works

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The lender qualifies you at the **higher** of:

- The **Bank of Canada's minimum qualifying rate** (currently 5.25%)
- Your **actual contract rate + 2%**

**Example:** If your contract rate is 3.69%, the stress test rate would be 5.69% (3.69% + 2%), which is higher than 5.25% — so you'd be qualified at 5.69%.

This means your maximum mortgage amount is based on what you could afford at the *higher* rate — not what you'd actually pay. It's a safety buffer.

### 4. What This Means for You

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The stress test reduces how much you can borrow by roughly 20% compared to qualifying at your actual rate. That frustrates some buyers — but it's there for a reason. It protected a lot of Canadians when rates jumped from 2% to over 5% in 2022–2023.

If the stress test is limiting your purchase price, there are strategies: longer amortization (now 30 years for first-time buyers on new builds under \$1.5M), co-borrower income, paying down other debts first, or looking at price points that fit your real qualification. I walk clients through all of this — no charge.

#### Not sure if you'll pass the stress test?

Free pre-qualification — takes 15 minutes by phone. No credit check needed for an initial conversation.

📞 **Call or Text: 403-703-6847** ✉️ **Shawn@ShawnSelanders.ca**

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Sources: OSFI B-20 Guidelines, Bank of Canada minimum qualifying rate, federal mortgage rule changes effective December 15, 2024.

Rules can vary by lender and scenario. This guide is for educational purposes and does not constitute financial advice.

Shawn Selanders | RECA-Licensed Mortgage Broker | Your Local Mortgage Professionals (1460819 Alberta Ltd.)

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