FREE GUIDE · FOR ALBERTA BUYERS & OWNERS

The Stress Test, Explained

Why you must qualify at a higher rate than you will actually pay, what that does to your buying power - and the honest levers that create room when the math feels tight.

- What the test actually is, in one page of plain language
- Why buyers qualify for less than they expect - and how much less
- The four levers that legitimately create qualifying room
- Renewals, switches and the test - what applies when

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The Rule That Shrinks Everyone's Budget

> You do not qualify at the rate you will pay. You qualify at a HIGHER one - a buffer proving you could still make payments if rates rose. That is the stress test, and it is the single biggest reason buyers qualify for less than they expect.

The mechanics, minus the jargon: when a lender runs your numbers, they calculate your payments at the **higher of your contract rate plus two percentage points, or a minimum qualifying floor the regulator maintains.** The floor moves with the market - which is exactly why this guide quotes no number for it. Whatever today's floor is, your file gets measured against a rate meaningfully above the one on your paperwork.

Why it exists: the test was built so that a rate rise at renewal does not turn homeowners into forced sellers. It is genuinely protective - and it genuinely stings, because it measures your budget against a payment you will probably never make.

What it does to real buying power

Because the qualifying payment is calculated at the inflated rate, the mortgage size that fits inside your income ratios shrinks - commonly by a double-digit percentage compared to what the same income would carry at your actual rate. Two households with identical incomes can land on very different maximums depending on their debts, down payment and amortization, which is why the only number that matters is YOURS, run properly.

Who gets tested

The test applies at federally regulated lenders - which covers the overwhelming majority of Canadian mortgages - on purchases and refinances alike. At renewal it gets more nuanced: a straight re-sign with your current lender typically is not re-tested, while switching lenders may involve requalifying, and the rules around insured switches have shifted over time. Translation: do not assume the test blocks you from shopping your renewal - ask, because the answer depends on your file and the current rules.

The mistake that makes it worse

Walking bank to bank collecting hard credit pulls, hoping one of them "passes" you. The test is the same everywhere it applies - what differs is how lenders treat your income, debts and property. One broker pull, one file, the whole market: same test, better odds, no inquiry pileup.

Four Levers That Legitimately Create Room

> You cannot shop the test away. You can absolutely optimize the file it measures.

- **Stretch the amortization.** A longer amortization lowers the qualifying payment, which raises what you qualify for. First-time buyers and new-build purchasers may have access to 30-year insured amortizations - often the single biggest lever available.
- **Kill a payment before you apply.** Debts count against you at their monthly payments. Paying out a car loan or clearing a card can free more qualifying room than a significantly larger down payment would - the order of operations is a fifteen-minute conversation worth having months early.
- **Add a co-borrower.** A partner or family member on the application adds income to the ratios. It also adds their debts and credit - the full picture decides whether it helps.
- **Rethink the down payment split.** Sometimes a slightly smaller down payment with a debt paid off qualifies for MORE than the bigger down payment with the debt still breathing. Counterintuitive, common, and exactly the kind of math a broker runs both ways.

What does not work

Hiding debts (lenders see the bureau), gifting yourself income on paper (verification exists precisely for this), or assuming a "no stress test" pitch from an unregulated corner of the market is free (that pricing has the risk built in). If a workaround sounds too easy, you are usually paying for it somewhere else.

Here's the thing about the test

It is not a verdict on you - it is a fixed hurdle everyone jumps. The buyers who clear it comfortably are not richer; they are **better prepared**: debts trimmed, documents ready, amortization chosen deliberately, file presented to the lender whose rules like it best. Preparation beats resentment every time.

Quick answers

Does the test predict my actual payment? No - you pay your contract rate. The test only decides how much you qualify to borrow.

What if I just barely miss? Barely is fixable: one debt out, a small amortization change, or a co-borrower usually closes a narrow gap. Bring the file before you shrink the dream.

Does it apply to renewals? Re-signing where you are: typically no. Switching: maybe, depending on your file and current rules - and switching is often still worth it. Ask first, decide second.

Want your real stress-tested number?

Fifteen minutes, your actual file, both amortizations priced - before you fall for a house.

Call or Text 403-703-6847

Go deeper: the first-time buyer FAQ at shawnselanders.ca/mortgage-faq-alberta/first-time-buyers · your document list at shawnselanders.ca/checklist.