July 1, 2025

Canadian Residential Mortgage PD Regression Model

Model Summary Document (MSD)

1. Model Purpose and Description

The objective of this model is to estimate the loan-level probabilities of default of newly originated Canadian residential mortgage using logistic regression. It is designed to encompass all Canadian RMBS transactions that are rated by Fitch.

2. Model Assumptions

The model estimates contribute to criteria assumptions in the "Canada Residential Mortgage Rating Criteria". Statistical assumption of logistic regression were diagnosed during initial development as well as additional validation testing. Diagnostic tests include statistical significance and multicollinearity.

3. Model Inputs

Six credit risk factors, which can be derived from the data fields of the CIBC's and NBC's data template, are used as the inputs:

- Loan-To-Value (LTV)
- Total-Debt-Service-Ratio (TDSR)
- Credit Score
- Occupancy
- Loan Purpose
- Property Type

4. Model Development Data

Development data consists of two data sources: CIBC and NBC. CIBC data included loans originated in the period of 2003 to 2008. NBC data only included loans originated from 2007 to 2009 which account for ~6% of total loans in the data.

5. Model Limitations

This model is only intended to be used to evaluate Canadian RMBS transactions.

6. Material Changes

The current model version is 1.0.0. Any future material changes will be disclosed in this section

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Contact Information

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