DEAL STRUCTURING CHEAT SHEET

Parent Support: The Structure, the "Why," and What Changes It

The Financial Collective
Internal Reference

Client wants the parent to **guarantee** off title; lender wants them **on title**. Both can be right — it turns on whether the parent's **income is needed to qualify**, then on the **down payment** (who sets the rule) and the **charge type** (how much exposure the covenant carries).

1 THE THREE TIERS OF SUPPORT

TIER 1 · WEAKEST
Guarantor
Off title · separate guarantee

- **Secondary**, contingent — crystallizes only on default
- May need its own action to enforce
- Strictly construed; discharged on variation (*Holme v. Brunskill*)
- Formality traps (AB *Guarantees Acknowledgement Act*)

TIER 2 · MIDDLE
Covenantor
Off title · on the charge

- **Primary** covenant, joint & several
- Directly liable — no separate suit
- Stays **off title** (no LTT on their share)
- Not universally offered — ask the lender

TIER 3 · STRONGEST
Co-Borrower
On title · on the mortgage

- **Primary** covenant + **owner** of the asset
- Realize + sue on covenant in one shot
- Income usable for GDS/TDS
- Minimize exposure via **1% TIC**

WHY LENDERS PUSH TOWARD ON TITLE

Enforcement: primary beats secondary — direct covenant, one proceeding.

Durability: guarantees are brittle (contra proferentem; discharge on renewal/amendment).

Alignment: income-earner with zero ownership = straw-buyer/occupancy-fraud shape.

THE INSURER LINE · CMHC / SAGEN / CG

OFF OK **Credit support only** — income not needed for the ratios.

ON REQ'D **Income used to qualify** → co-borrower on title; adjudicator often can't waive (NHA-MBS/investor rules).

2 WHAT CHANGES IT: DOWN PAYMENT × CHARGE TYPE

	High-ratio · Insured < 20% down	Conventional · Uninsured 20%+ down, balance-sheet
Standard charge	OFF TITLE: ONLY IF NO INCOME USED **Insurer governs.** Income needed → on title, non-negotiable. Guarantor off title only as pure credit support.	OFF TITLE: MOST ACHIEVABLE **Lender governs.** Most room for a **covenantor** off title; income-qualifying guarantor on exception. Clean to unwind later.
Collateral charge	WORST OF BOTH — AVOID Insurer **on-title** rule still applies *and* all-indebtedness exposure; no re-advanceable benefit above 80% LTV.	POSSIBLE, BROADER EXPOSURE Lender governs, but all-obligations wording pushes lenders to want a **covenantor/co-borrower**, not a bare guarantor. Costlier to remove.

20% down ≠ free
Many lenders **portfolio-insure** 20%+ deals and apply insurer rules anyway. Confirm it's genuinely balance-sheeted.

All-indebtedness
Collateral secures **all present & future debts** at that lender (right of offset), registered to **100–125%** of value.

Unwind + ILA
Removing a parent is clean on standard, a **discharge/re-register** on collateral. Get **independent legal advice**.

MOST OFF-TITLE-FRIENDLY STACK → **Conventional (20%+)** + genuine **balance-sheet lender** + **standard charge** + a lender that permits a **covenantor**. On any high-ratio file where income is used, on title is the insurer's call.

Internal reference — general information, not legal advice. Confirm current insurer/lender guidelines, charge type, and provincial rules per file; review the supporting party's exposure with the client's real estate lawyer. The Financial Collective.