

Private Lending¹

Supporting Skills: Provide Mortgage Brokering Services in Privately Arranged Mortgage in Compliance with the Law and Regulations

Learning Outcomes - Introduction to Mortgages (Overall Weighting: 1)

General

- Be able to describe which lenders are private lenders and which are financial institutions (in the context of the province that the broker is working in)
- Be able to describe the legal and regulatory framework that applies to private mortgages
- Be able to describe private lending structures (e.g. MICs, syndicate and individuals)
- Be able to describe the regulatory structure that applies to the different private lending structures
- Be able to compare the differences between private lending structures and financial institutions
- Be able to describe the stages of a private mortgage transaction
- Be able to analyze private lending transactions and identify potential instances of fraud

Working with the Borrower

- Be able to explain the borrower's risks associated with each private lending structure
- Be able to determine the borrower's needs, circumstances, and preferences as well as the appropriateness of private mortgage options
- Be able to demonstrate how the typical terms and conditions of a private mortgage would impact the borrower
- Be able to assess and recommend private mortgage options that would assist in recovering a borrower's credit / ability to borrow from a financial institution for a borrower that does not qualify for a mortgage from a financial institution

Working with the Lender/Investor

- Be able to explain the lender/investor's risks associated with each private lending structure
- Be able to explain the additional information/documentation required to be provided to a prospective lender/investor for a private mortgage transaction
- Be able to identify and describe potential conflicts of interest when arranging a mortgage on the behalf of the lender
- Be able to identify, gather, and evaluate relevant information regarding the borrower, property, and/or project that would assist the lender/investor's decision making

¹ For the purposes of this document, "private lending" refers to any mortgage loan secured against a property that is provided by an individual or company and not by a financial institution

- Be able to create a report regarding the property, project, borrower, mortgage, and transaction risks for the prospective lender/investor
- Be able to determine a prospective lender/investor's needs, circumstances, objectives, and risk appetite and evaluate the appropriateness of private mortgage opportunities

Working in Mortgage Administration

- Be able to describe the licensing requirements for administering mortgages
- Be able to describe the mortgage administration process and requirements
- Be able to create an accurate report on a private mortgage
- Be able to develop a strategy to address the foreclosure of a mortgage

Topics – Private Lending Overview (1)

- Role of the mortgage broker in private mortgages
 - Working with the borrower
 - Working with the lender/investor
 - Acting as the administrator
- Potential conflicts of interest
 - Acting for the borrower
 - Acting for the lender/investor
- Private lending structures/sources:
 - Mortgage Investment Corporations
 - Syndicates
 - Individuals
- Risks associated with private lending structures/sources
 - Risks for borrowers
 - Risks for lenders/investors
- Circumstances when private mortgages are often used (e.g. access equity, debt consolidation, construction, commercial, bridge financing, non-conforming property, mixed-use property, time sensitivity)
- Points of comparison with financial institutions:
 - Transaction process
 - Rates
 - Terms

- Risks
- Fees, penalties and charges
- Disclosures and documentation
- Foreclosures
- Potential benefits of private mortgages:
 - Corrects credit and debt issues
 - Improves borrower's future financial position

Topics – Regulatory Framework (1)

- Regulatory authorities
- Applicable statutes and regulations
- Licensing requirements and restrictions
- Consequences for noncompliant activities
- Standards of practice

Topics – Private Lending Transaction Process (1)

- Relationships and roles within the transaction
- Due diligence (i.e. understanding the client, property, mortgage, and documentation)
- Client expectations
- Regulatory requirements
- Disclosures
- Documentation
- [Funds held in trust](#)

Topics – Preparing the Transaction (1)

- Stages of private mortgage transactions
 - Qualifying a lead
 - Information gathering
 - Submitting an application
 - Preparing a proposal
 - Closing a deal

- Funding
- Establishing expectations with the borrower and lender/investor
- Identifying and gathering the required information
 - Assessing the borrower
 - Assessing the lender/investor
 - Assessing the property
 - Assessing the private mortgage option(s)
- Underwriting
 - Property valuation and appraisals
 - Current vs. projected value
 - Borrower's ability to pay
 - Mortgage details, conditions, and features
 - Determine borrower's identity
 - Determine key risks
 - Determine purpose of the loan
- Disclosures and additional information required
 - Cost of credit
 - Private lending-specific disclosures
 - [Initial mortgages and renewals](#)
- Communicate terms and conditions to the borrower
- Present the transaction to the lender/investor
- Communicate the risks

Topics – Administration (1)

- Regulatory requirements & additional authorizations required
- Service agreements
- Fees and compensation
- Managing payments
- Monitoring and assessing value
- Communication and reporting to the lender/investor
- Disclosures
- Managing risks, issues, and foreclosures

Topics – Fraud (1)

- Mortgage fraud overview/review
- Private lending mortgage fraud schemes
- Red flags for private lending mortgage fraud