

MORTGAGE ASSOCIATES PROGRAM COMPETENCIES AND CURRICULUM



MBRCC

Mortgage Broker Regulators'
Council of Canada

CCARCH

Conseil canadien des autorités de
réglementation des courtiers hypothécaires

Preface

The Mortgage Broker Regulators' Council of Canada (MBRCC) is an inter-jurisdictional association of senior administrative officers representing governments and other self-regulatory organizations that are responsible for administering mortgage brokerage legislation in their respective jurisdictions. The work of the MBRCC is focused on improving and promoting harmonization of mortgage broker regulatory practices to serve the public interest. This includes developing standards of practice and establishing minimum education standards or curriculum blueprints for education course development.

Competencies and Curriculum Documents

A core competencies and curriculum document is intended to represent a preliminary step in the process of developing a curriculum plan. It is a blueprint that can be used as the foundation for curriculum development, or can be used as a standard against which existing education programs and how well they meet the desired learning outcomes are assessed. A core competencies and curriculum document does not provide extensive curriculum detail, but rather focuses on learning components that capture the essence of the knowledge and skill that must be acquired.

The MBRCC has committed to identifying the core competencies that are common across the country and develop a national, core competency and curriculum document for the Canadian mortgage broker industry. The core competencies and curriculum document is intended to create value and professionalism in the mortgage brokerage industry and improve consumer protection by establishing minimum education standards across Canada. This document will assist mortgage broker regulators in providing guidance to education providers as to the minimum content in the development of licensing education courses.

In developing the core competencies and curriculum document, the MBRCC distinguishes between two distinct sets of professional activities: *being* in the mortgage brokerage business and *running* a mortgage brokerage business. The distinction is based on the different activities of a) mortgage brokers or associates and b) managing brokers, principle broker and agency executive officers. Based on this conceptual separation, the MBRCC will identify the core competencies of industry participants in two separate phases or two tiers. The first tier reflects the core competency and curriculum document for entry into the industry, while the second will produce a similar document focused strictly on the requirements for managing a brokerage. Taken together, the two core competencies and curriculum documents will comprehensively outline the minimum competencies that are not only common across Canada, but also essential to the mortgage brokerage industry.

The following document includes the core competencies for mortgage brokers or associates. It describes minimum and common core competencies and provides a corresponding curriculum blueprint for the development of licensing and registration education

programs for entry into the mortgage brokerage industry. Seven core competencies have been identified as the skills and learning outcomes which form the foundation of the curriculum design. The core curriculum is then developed from these learning outcomes.

To develop the first-tier Core Competencies and Curriculum Document, the work of organizations that had already developed core competencies, skills analysis or undertaken similar exercises was reviewed. From that exercise, common competencies and content were rationalized to produce a national core competency document.

As intended for national use, the Core Competencies and Curriculum Document accounts for differences among the jurisdictions with respect to the individual regulatory requirements and business practices that may result in differences in terms of the way in which certain competencies and topic areas are addressed in course design and content. The document is intended to represent the minimum capabilities required and the skeletal framework for curriculum and course design. Each province is expected to use it as a guide and build upon the framework, in their own way, to ensure the learning outcomes reflect any province-specific circumstances or requirements that may need to be addressed. Doing so may call for increased focus or the addition of specific topic areas to certain competencies.

The differences in approaches to licensing are also accounted for in the document in the same way. The licensing regime in a jurisdiction may expect new industry participants to further develop and reinforce certain core competencies identified within the document through field experience rather than strictly through a licensing course. While such a system may place greater emphasis on practical aspects of the learning process, it does not diminish the importance of the competency. The competency remains an integral aspect of the mortgage brokerage services and activities and essential to know in order to be a mortgage broker.

In addition, there are topic areas contained in the Core Competencies and Curriculum Document, such as agency, that may not be directly required through legislation or regulation in a given jurisdiction. However, knowledge and familiarity of the duties and responsibilities of an agency relationship are essential for a mortgage broker industry participant. While such a relationship may not be a legislative or regulatory requirement in a given jurisdictions, certain actions and the behavior of the broker can place the broker in an agency relationship and trigger the associated duties and responsibilities. As a result, it is critical for entrant into the industry to understand the nature and requirements of such a relationship and the conditions under which they may apply.

Core Competencies

In today's workplace industry members are confronted with complex situations and they must have the key competencies to meet the demands when dealing in mortgages. Regulators and educators are challenged to provide educational experiences that develop appropriate competencies to meet the demands placed on industry members. Traditionally, education courses have provided learners with knowledge and some skills to perform their responsibilities for any given task. Tests are administered after the

conclusion of the course to assess how learners have understood the concepts and principles. The traditional education course is somewhat of an ineffective system if the goal is to train individuals to perform specific job related tasks and the learner does not have to perform those tasks as part of their learning experience. In a competency based education program learners will have the training in the competencies required to do their job.

A core competency can be defined as the criteria to be used in assessing achievement and the conditions under which the achievement will be assessed are explicitly stated and made public. Identifying the competencies necessary for an industry member to provide professional mortgage brokerage services is central to establishing a quality education program. Competencies to be achieved are carefully identified, verified and made public. Key competencies are not determined by arbitrary decisions about the skills and knowledge in order to function as a mortgage broker industry member.

In a perfect learning situation the learner not only gathers knowledge and skills applicable to their specific situation but the learner's performance is assessed against the identified competencies. This may not always be possible depending on resources and expertise in the education program, but the first step to moving in this direction is to identify the competencies and assess the performance of the learner the best you can against the competency.

The learner may be assessed on simulated situations or through scenario based learning. This can be accomplished through the effective use of e-learning opportunities in addressing the foundational concepts and skill-building activities, both of which are necessary building blocks for the development of competencies. However the true assessment of the learner's competencies is in real life situations. Apprenticeship or mentorship programs can be the true assessment of competencies in practice.

Some underlying characteristics of key competencies are:

- A framework of competencies bound together in an integrated approach. Many experts agree that coping with today's challenges calls for better development of individuals' abilities to tackle complex mental tasks, going well beyond the basic reproduction of accumulated knowledge.
- Key competencies involve an interaction of cognitive and practical skills, creative abilities and other psychosocial aspects such as attitudes, motivation and values. An underlying part of the framework is reflective thought and action.
- Thinking reflectively demands relatively complex mental processes and requires the subject of a thought process to become its object. Individuals who are reflective also follow up such thought processes with practice or action
- Any given situation or goal may demand a number of competencies be applied to any situation, and may be configured differently for each particular case.

Common characteristics of competency based teaching are:

- Explicit and clearly aligned expected competencies
- Criteria driven, focussed on accountability benchmarks and ultimately competency
- Grounded in real life situations and work related contexts
- Focussed on learners; ability to self-assess their skills and the elements of any particular situation
- Individualized, providing more opportunities for independent study

Link between Competencies and Curriculum Design

The competencies are designed to facilitate the work-readiness of future industry members practicing mortgage brokerage. Work-readiness requires certain minimal competencies to be present upon completion of a licensing program. The required competencies determine the learning outcomes of the program and the instructional design segments the supporting skills into learning Units and Sessions.

The seven competencies identified include the following:

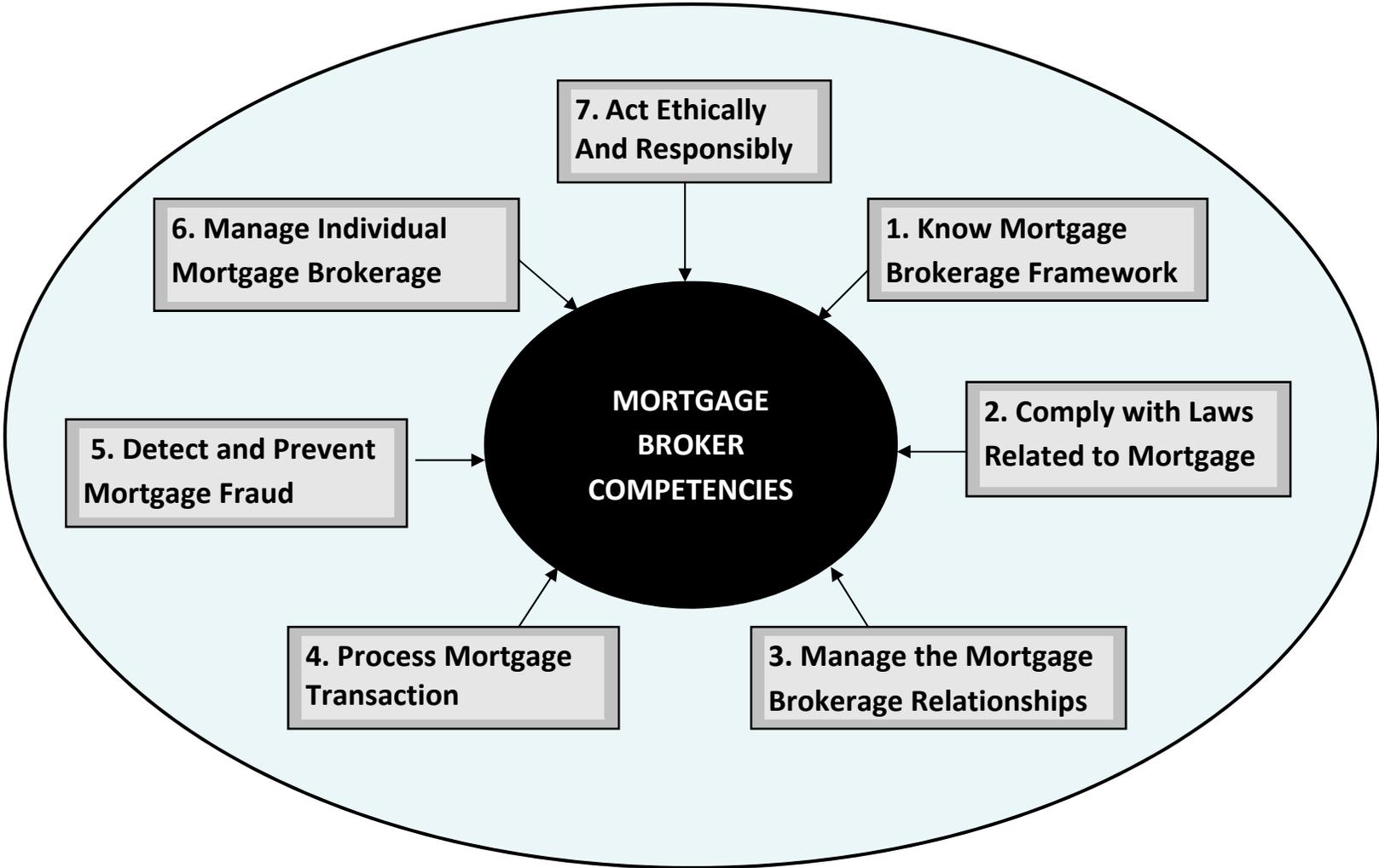
1. Know the mortgage brokerage framework
2. Comply with the laws that relate to mortgage brokerage
3. Manage the mortgage brokerage relationships
4. Process mortgage transactions
5. Detecting and preventing mortgage fraud
6. Manage an individual mortgage brokerage business
7. Acting ethically and responsibly

Weighting of Learning Outcomes (1, 2, or 3)

Each core competency has an overall weighting as well as details regarding the supporting skills, learning outcomes and topic areas associated with that competency. Each topic area within the competency also has a specific weighting that contributes to the overall weighting of that competency. An explanation of each of the weighting values (1, 2 and 3) follows:

- (1)** Reflects critical content. Learners must know this content in order to have a compliant mortgage brokerage practice with provincial and federal legislation and to build the work-ready competencies expected of a mortgage associate. Critical content is subject to assessment.
- (2)** Reflects important content. Learners need this content in order to have a greater awareness and understanding of the mortgage brokerage industry and the significant factors that influence their practice as an associate. Important content is subject to assessment.
- (3)** Reflects supplemental content: Learners would benefit from this information in order to broaden their understanding of the mortgage brokerage industry and enhance their practice as a mortgage associate. Supplemental content is not subject to assessment.

MORTGAGE BROKER COMPETENCIES



Competency 1:

Know Mortgage Brokerage Contextual Framework

Supporting Skills: Describe the Foundational Knowledge and Stakeholder Professions related to the Mortgage Brokerage Industry

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

- Be able to identify the stakeholder organizations within the mortgage brokerage industry
- Be able to identify the stakeholder professions within the mortgage brokerage industry
- Be able to identify the types of mortgages available and describe features associated with each type
- Be able to identify the different types of lenders and when each may be used for funding
- Be able to define real estate from various perspectives and its relationship to mortgages
- Be able to discuss trends and forces which influence the real estate and mortgage markets
- Be able to explain the concepts of property value and market influences
- Be able to describe the steps involved in determining the value of a property

Topics – Mortgage Overview (1)

- Mortgages, historical development
- Key word definitions
- Five C's of the borrower's credit analysis
- Purpose of mortgaging
- Commercial and residential mortgages
- Benefits of using a mortgage broker

Topics – Sources of Mortgage Funds (1)

- Financial institutions
- Other sources (Pension funds, insurance companies)
- Government funds
- Mortgage bankers (e.g. MCAP, Firstline, etc.)

- Private lenders
- Mortgage Investment Corporations (MIC)
- Syndicated mortgages

Topics – Areas of Mortgage Lending (1)

- Prime mortgage lending
- Alternate mortgage lending
- Mortgage Investment Corporation (MIC)
- Syndicated Mortgages

Topics – Types of Mortgages Overview (1)

- Conventional vs. insured mortgages
- Define conventional/insured mortgages
- Mortgage insurance, overview
- Mortgage insurance, brief history of (NHA)

Topics - Mortgages Features/Types (1)

- Equity take-out
- Wraparound, blanket, etc.
- Draw mortgage
- Interim financing
- Participating mortgage
- Discount/bonus mortgages
- Mortgage portability
- Agreement for sale
- Vendor take back
- Mortgage with improvements
- Reverse mortgages
- Collateral mortgages
- Switch mortgages
- Existing mortgages

Topics – Fundamentals of Real Estate Market (1)

- Definitions related to real estate
- Economic and social importance of real estate
- Characteristics of land

Topics – Forces That Influence Real Estate and Mortgage Markets (1)

- The six characteristics of the real estate market
- The economics of the real estate market
- Social influences (employment, family composition, population growth, consumer habits, etc.)
- The economy (value of money, availability of financing)
- Government influences

Topics – Real Property Valuation (1)

- Property valuation and market value
- Objective/subjective value (seller/real estate industry member)
- Basic principles of property valuation (supply, demand, etc.)
- Reasons for an appraisal to occur
- The appraisal report and how to read it

Topics – Types of Appraisals (1)

- The appraisal process
- Direct Market Analysis
- Cost Approach
- Income Approach

Topics – Mortgage Brokerage Related Organizations (1)

- Regulator(s)
- Professional association(s)
- Trade association(s)
- Federal government
- Provincial government

Topics – Mortgage Brokerage Related Organizations (1)

- Real estate/mortgage lawyers
- Real estate industry members
- Real estate appraisers
- Real property assessors
- Real property inspectors
- Condominium document reviewers
- Land surveyors
- Title insurers
- Mortgage lenders
- Mortgage insurers

Competency 2:

Practice Mortgage Brokerage in Compliance with the Law

Supporting Skills: Practice Mortgage Brokerage in Compliance with Laws Pertaining to Real Estate and Mortgages Industries

Learning Outcomes - Real Estate and Mortgage Law (Overall Weighting: 1 - 2)

- Be able to demonstrate knowledge of provincial laws governing mortgage brokerage
- Be able to demonstrate knowledge of federal laws governing mortgage brokerage
- Be able to determine compliant practice from non-compliant practice
- Be able to make practice-related decisions that are compliant
- Be able to discuss how legislation impacts the mortgage brokerage industry

Topics – Provincial Real Estate/Mortgage Legislation (1)

- Provide background and context for the governing provincial legislation
- Examine the role of the regulative authority in relation to mortgage broker
- Key word definitions from the legislation perspective
- Applications and exemptions in the legislation regarding licensing/registration
- Eligibility requirements for individuals seeking to be mortgage broker

Topics – Provincial Real Estate/Mortgage Legislation (1)

- Obligations and responsibilities of a mortgage associate according to the legislation
- Obligation and responsibilities of a mortgage broker according to the legislation
- Legislative relationship between broker and associate
- Explore areas of practice that pertain to new mortgage brokers in particular
- Mortgage broker standards of practice and legislative particulars
- Obligation of industry member to cooperate with regulator
- Consequences of failure to comply with regulatory requirements

Topics – Real Property Ownership and Title (1)

- Provincial real property legislation
- Historical background of land ownership
- Provincial land title legislation
- Type of estates: fee simple, leasehold, life interests, interests less than estates, etc.
- Classification of estates (ownership): Sole, joint tenancy, tenants in common

Topics – Land Registry Systems and Title Registrations (2)

- Provincial land registry system
- Land registration process
- Land title documents

Topics – Title Document Registrations (1)

- Understanding title documents
- Understanding title encumbrances (caveats, liens, etc.)
- Mortgage registrations and priority: first mortgage, subsequent mortgage(s)
- Mortgage transfers and assumptions
- Mortgage discharge

Topics – Land Titles Documents (2)

- Know how to find land title document, title encumbrances
- Finding current title and historic property titles
- Land legal descriptions: fee simple, condominiums, subdivision plans, strata plans

Topics – Surveys/Real Property Reports (2)

- Surveys/real property reports, brief overview
- How to read a survey/real property reports, brief overview
- Municipal compliance requirements
- Title Insurance

Topics – Introduction to Mortgage Law (1)

- Provincial real property legislation
- Types of real property ownership
- Read/interpret land title documents
- Title registrations and priorities

Topics – Mortgage Registration (2)

- Mortgage registration defined
- Mortgage registration process
- Assignment of the mortgage
- Assumption of the mortgage
- Discharge of a mortgage

Topics – Mortgage Default (2)

- Remedies upon default
- Foreclosure procedures
- Default management

Topics – Condominium Property (2)

- Definition of condominium
- Condominiums and cooperatives
- Types of condominiums: conventional, bare land, barely blended
- Condominium plan: registration process and elements of the plan
- Registration of condominium
- Condo bylaw restrictions
- Condominium documents: reserve funds, engineering reports, owner/tenant ratios, minutes etc.

Topics – Municipal Legislation (2)

- Land use restrictions
- Legality of property use
- Role of building codes
- Conformity of property use: compliance with building codes, land use controls

Topics – Environmental Protection (2)

- Implications for mortgage deals
- Sector needs – residential, commercial, agri-business

Topics – Provincial/Federal Privacy Legislation (overview) (1)

- Provincial privacy legislation
- Federal privacy legislation

Topics – Federal Legislation (2)

- Canada Interest Act
- National Housing Act
- Anti-Money Laundering Legislation (FINTRAC)

Topics – Contract Law (1)

- Historical perspective on contract law
- The essential elements of a contract
- Void, voidable, illegal contracts
- Remedies for breaches of a contract
- Termination of a contract
- Contracts related to mortgage brokers (e.g. real estate)
- Employment contracts with mortgage brokerage

Competency 3: Manage the Mortgage Brokerage Relationships

Supporting Skills: Manage Relationships with Borrower, Lender and Brokerage According to Regulatory Requirements

Learning Outcomes - Mortgage Brokerage Relationships (Overall Weighting: 1)

- Be able to explain the nature of an agency relationship and how it is created
- Be able to identify the duties that may apply when working with a borrower or a lender
- Be able to describe the agency relationship with the brokerage
- Be able to describe the disclosure requirements regarding the relationship options
- Be able to explain the relationship between the mortgage associate and the brokerage
- Be able to describe the obligations and responsibilities of each to the other

Topics – Agency Relationship (1)

- Define what is Agency
- Agency Applied: Agent, Principal, Third Parties
- Creation of an Agency Relationship

Topics – Common Law Duties to the Principal, (1)

- Duties of the Agent to the Principal
- Duties of the Principal to the Agent
- Recognizing conflicts of Interest (avoiding, disclosing, etc.)
- Agents required disclosures to the Principal
- Remedies of the Principal
- Termination of the Agency

Topics – Intermediary Relationship (1)

- Define Intermediary (non-agency)
- Outline role of an intermediary
- Intermediary Services: Intermediary relationship (non-agency relationship)

Topics – Mortgage Brokerage Relationships (1)

- Relationship options with consumers
- When to discuss these options with consumers

Topics – Mortgage Brokerage Disclosure Requirements (1)

- Understanding informed consent
- Representation disclosure form
- Obligations following acceptance/advance

Topics – Relationship with the Borrower (1)

- Disclosure requirements
- Obligations in an agency relationship
- Obligations following acceptance/advance
- Intermediary relationship with the borrower (non-agency)
- Obligations following acceptance/advance

Topics – Relationship with the Lender (1)

- Disclosure requirements
- Representing the lender (private mortgages)
- Obligations following acceptance/advance
- Intermediary relationship with the lender (non-agency)
- Obligations following acceptance/advance

Topics – Relationship with the Mortgage Brokerage (1)

- Agency relationship with mortgage brokerage (Agent /Principal relationship; Employment Contract)
- Obligations of mortgage associate to mortgage brokerage (Agent to Principal)
- Obligations of the mortgage brokerage to mortgage associate (Principal to Agent)

Competency 4: Process Mortgage Brokerage Transactions

Supporting Skills: Apply Steps in the Mortgage Process to Complete a Mortgage Transaction (1)

Learning Outcomes – Mortgage Application Process (Overall Weighting: 1)

- Be able to complete the mortgage application process according to provincial regulations
- Be able follow guidelines for underwriting for both lender and insurer (if applicable)
- Be able to apply the defined steps in the mortgage transaction

Topics – Discussing the Options (1)

- Types of lenders
- Lenders linked to real estate brokerages
- Discussing mortgage options
- Discussing payment options

Topics – Qualifying the Borrower (1)

- Know the borrower
- Determine the borrower's needs
- Address any regulatory, relationship, or disclosure requirements
- Qualify the borrower financially
- Do the calculations necessary to qualify the borrower
- Explain the application process
- Identify the documents needed for the mortgage process

Topics – Preparing the Loan File for the Lender (1)

- Ordering/reviewing the appraisal
- Underwriting the loan for the lender
- Documentation (application, credit report, employment, income, purchase contract, appraisal, etc.)
- Automated mortgage insurance
- Mortgage computer software

Topics – Receiving the Commitment (1)

- Presenting commitment and conditions to the borrower
- Fulfilling the condition of approval (submitting further documentation)
- Communicating with the lawyer
- Following up with the borrower
- Estimating closing costs

Topics – Completing the Mortgage File (1)

- Record keeping and file management
- Compensation from brokerage
- Long-term follow-up with borrower

Competency 5: Detect and Prevent Mortgage Fraud

Supporting Skills: Apply the Indicators of Mortgage Fraud to Mortgage Transactions

Learning Outcomes – Mortgage Fraud Detection and Prevention (Overall Weighting: 1)

- Be able to describe the nature of mortgage fraud and its ramifications
- Be able to explain the regulatory consequence of participation in mortgage fraud
- Be able to apply the indicators (red flags) of mortgage fraud to mortgage transactions
- Be able to suppress mortgage fraud through reporting of suspicious activities or transactions

Topics – Mortgage Fraud Overview (1)

- Define mortgage fraud
- Extent of mortgage fraud
- Impacts of mortgage fraud

Topics – Mortgage Fraud Schemes (1)

- Fraud for housing
- Fraud for profits
- Money laundering
- Mortgage fraud schemes

Topics – Mortgage Fraud Prevention/Detection (1)

- Know how to recognize mortgage fraud
- Know how to prevent mortgage fraud
- Know your borrower, your referral source, know your documents
- Understand the red flags of mortgage fraud detection
- Types of red flags (borrower/transaction/property/industry member/brokerage)
- Guidelines for mortgage broker originated applications
- Trends in mortgage fraud today
- Examples/case studies using actual mortgage fraud scenarios

Topics – Fight against Mortgage Fraud/Reporting Mortgage Fraud (1)

- Regulator's role in mortgage fraud suppression
- Responsibility of individual mortgage broker in suppressing mortgage fraud
- Responsibility of the mortgage brokerage in suppressing mortgage fraud
- Know who to contact if you suspect mortgage fraud

Competency 6: Manage an Individual Mortgage Brokerage Practice

Supporting Skills: Manage the Requirements of Developing and Maintaining an Individual Mortgage Brokerage Practice

Learning Outcomes - Managing an Individual Mortgage Practice (Overall Weighting 2 - 3)

- Define the criteria to consider when seeking employment with a mortgage brokerage
- Be able to explain the organizational and administrative aspects of a mortgage practice
- Define the essential components to consider when structuring a service business
- Be able to apply sales, marketing, advertising concepts to a new mortgage business

Topics – Skills Associated with Mortgage Brokering (3)

- Sales and marketing skills
- Organizational skills
- Time management
- Communication skills

Topics – Identifying and Building Industry Relationships (3)

- Underwriters
- Lenders
- Insurers
- Real estate professionals
- Appraisers
- Lawyers
- Trade associations
- Financial planners

Topics – Registering with a Brokerage (2)

- Knowing what is involved in getting registered
- Interviewing brokers and what to ask
- Criteria for selecting a brokerage
- Agency with the brokerage (employment contracts)
- Compensation arrangements
- Legal structure of the practice
- Brokerage employee (regulatory/employment standards)
- How to confirm your authorization(s) with the regulator
- Independent contractor (Canada Revenue Agency)

Topics – Organizing Your Business (2)

- Business insurance
- Tax considerations
- Office equipment
- Software programs to assist your practice
- Municipal by-laws for home businesses
- Develop system to organize time
- Develop system to manage files

Topics – Marketing (3)

- Introduction to marketing
- The marketing mix
- Marketing strategies
- Marketing promotions
- Advertising concepts
- Networking initiatives
- Establishing/maintaining your client database

Topics – Understanding Sales (3)

- Introduction and sales psychology
- Setting sales goals
- Personal motivation and commitment to goals

Topics – Writing a Business Plan (3)

- What is a business plan
- Mission, vision, value statements
- Projecting income
- Projecting expenses
- Monitoring and revising your business plan

Competency 7:

Acting Ethically and Responsibly

Supporting Skills: Practice Ethical and Professional Conduct as a Mortgage Broker

Learning Outcomes – Ethics, Professional Conduct and Risk Reduction (Overall Weighting: 1)

- Be able to identify and analyze ethical situations
- Be able to identify professional conduct that is not compliant
- Be able to demonstrate professional conduct and knowledge of applicable legislation
- Be able to demonstrate knowledge of ethical decision making professional standards of conduct
- Be able to avoid potential risk(s) to his/her mortgage brokerage practice
- Be able to detect and report non-compliant conduct by other mortgage brokers

Topics – Orientation to Ethics (1)

- Defining ethics
- Explaining individual moral/ethic development
- Differentiating ethical decision-making approaches
- Describing influences on ethical decision-making
- Using an ethical decision-making model
- Recognizing ethical situations
- Analyzing ethical situations
- Seeking assistance with ethical decisions
- Making/implementing ethical decisions

Topics – Professional Conduct and Standards (1)

- Define professional conduct
- Describe the relationship between ethics and professional conduct
- Elements of professionalism and duties to the profession
- Professional conduct in relation to legislative compliance
- Regulatory complaint/investigation/disciplinary process overview

Topics – Benefits of Professionalism and Ethics in Business (1)

- Overview of benefits of professional conduct
- Positive impact on personal character
- Positive impact on business reputation/referrals
- Positive impact on mortgage brokerage
- Positive impact on mortgage industry
- Positive impact on consumers
- Positive impact on society overall

Topics – Responsibility of Mortgage Associate/Broker for Professional Conduct (1)

- Role of the associate regarding professional conduct
- Role of the broker regarding professional conduct

Topics – Orientation to Risk Reduction (1)

- Explaining the nature of risk and risk reduction
- Describing Tort law as an aspect of mortgage brokers' risk
- Explaining misrepresentation (innocent, negligent, fraudulent)
- Vicarious liability of the broker for conduct of employee
- Risk reduction practices for mortgage brokerage
- Look at role of any assurance fund and/or errors/omissions insurance
- Practicing professional courtesy as part of risk reduction