



MBRCC Mortgage Broker Regulators'
Council of Canada

CCARCH Conseil canadien des autorités de
réglementation des courtiers hypothécaires

Strategic Plan

2016 – 2019

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Foreword

On behalf of the members of the Mortgage Broker Regulators' Council of Canada ("MBRCC"), it is my pleasure to present the MBRCC Strategic Plan for 2016 – 2019.

The MBRCC has successfully accomplished the priorities and initiatives of its inaugural Strategic Plan 2012 – 2015. The organization established a formal structure for regulatory collaboration in Canada that increased information sharing and collaboration among members, promoted greater consistency in regulatory practices and implemented a unified approach to engaging stakeholders.



Cory Peters
Chair, MBRCC

The 2016 – 2019 strategic plan reflects the maturing of the MBRCC. Having established the structure of the MBRCC and completed a number of initiatives, we see opportunities to further share information and to coordinate activities and solutions on issues of common interest. Over the next three years, while building on past successes, we will continue the mandate of greater coordination, exchange of information and coordinate activities on issues of common interest while supporting an open and fair marketplace.

While this strategic plan establishes new initiatives, it also expands on previous initiatives. The MBRCC has released a range of materials that assist consumers to understand the mortgage brokering process and protect their own interests. Our 2016 – 2019 strategic plan renews and strengthens MBRCC's commitment to consumer protection with a focus on important issues like disclosure and mortgage fraud.

We plan to further enhance collaboration amongst members and promote regulatory best practices. MBRCC members acknowledge that each jurisdiction has its own rules, requirements, and objectives. However, the insight into industry operations that comes from each member along with our common objectives positions MBRCC to develop principles based guidance. Each MBRCC member is equally and fully committed to protecting borrowers and investors who rely on the information and advice provided by mortgage industry participants.

I would like to take this opportunity to acknowledge and thank stakeholders for the input MBRCC received in the strategic planning process. The MBRCC recognizes this strategic plan will require a lot of work to make happen, but we are committed to regulatory consistency and are confident we can achieve our objectives.

Cory Peters
Chair
Mortgage Broker Regulators' Council of Canada

Mandate

MBRCC is a forum for Canadian mortgage broker regulators to collaborate and promote greater regulatory consistency to serve the public interest.

Vision

Effective mortgage broker regulation that balances consumer protection and an open and fair marketplace.

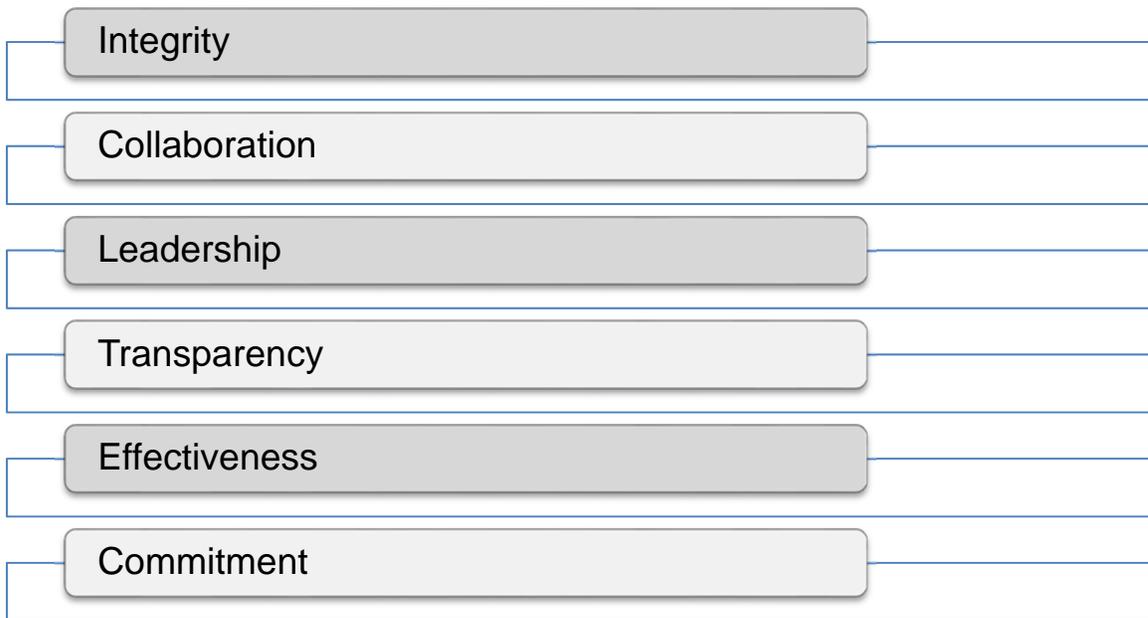
Mission

To work cooperatively to develop solutions to mortgage broker regulatory issues.

Values

Organizations are driven by the shared values of their members. These values define acceptable behaviour and dictate how members relate to one another and to stakeholders.

The members of the MBRCC have a shared commitment to the following core values:



Environment

The Environment that mortgage brokers operate in today continues to evolve and change. Current economic indicators point to a prolonged low interest rate environment coupled with a demand-driven housing market in some areas, as well as the impact of decreased oil and commodity prices in other areas. With changing economic conditions in the housing market, consumers are affected by access to credit, affordability and eligibility.

The MBRCC recognizes that changes in financial systems include technological, social and global economic factors and require regulators to consider developments both in Canada as well as internationally, with particular focus on standards for market conduct and the fair treatment of consumers. As was shown in the financial crisis of 2008, which was triggered in part by the arranging of mortgages that were unsuitable for borrowers, mortgages have a significant impact on both individuals as well as the overall economy. Both federal and provincial governments have made changes affecting mortgage requirements and the broader housing markets.

The MBRCC acknowledges that these trends influence mortgage broker behaviour that can impact consumer protection. There is recognition of increased mortgage broker activity in other financial sectors like insurance and financial planning that could give rise to other potential risks to consumers. Regulators also understand that shifting business models in the mortgage broker sector are brought on by competitive pressures, technology and consumer preferences that could impact existing risks and/or introduce new risks. Changes to broker business models like the integration of brokers and lenders as well as national brokerage networks replacing smaller, localized brokerages could increase the potential for conflicts of interest. The way brokers and clients interact through electronic commerce options, such as virtual brokers, could increase not only risks to consumers but could also facilitate fraudulent activity. Regulators need to be positioned to address these immediate and long-term trends.

One recent trend is that mortgage brokers are seeking alternative sources for lending leading to the increased use of private lenders. Private lenders range from an individual investor to non-traditional entities. Similarly, as investors seek a rate of return that is difficult to obtain in the current low-rate environment, riskier options such as syndicated mortgages become more attractive. This causes concern with respect to potential harm to both consumers and investors. It becomes necessary to increase the education and competency requirements for mortgage brokers operating in this area in order to ensure both investors and borrowers are properly advised.

In the development of this strategic plan, including setting strategic priorities and initiatives, the MBRCC recognizes and responds to the, current economic environment

and trends in the mortgage broker sector. Its initiatives span from enhancing consumer protection and developing consistent standards for mortgage brokers, to collaborating and coordinating between jurisdictions.

Strategic Priorities

In setting its overall direction and strategic priorities for the next three years, the MBRCC has considered the relative risks among all the challenges that were identified and used this assessment to focus its efforts.

As a result, we have established four equally important strategic priorities:

- **Enhance consumer protection**
- **Enhance the practice of professional regulation and strengthen the MBRCC**
- **Establish appropriate practice and education standards**
- **Identify and address current and emerging issues**

Strategic Initiatives

The MBRCC will pursue its strategic priorities by working with stakeholders to undertake the following strategic initiatives over the next three years.

Priority: Enhance consumer protection

- Promote a common regulatory approach and consistent standards for mortgage brokers:
 - Develop principles-based guidance for consumer disclosure based upon sector best practices.
 - Draft recommendations for criteria for Errors and Omissions insurance including coverages and trailer provisions.
 - Promote consumer awareness of mortgage fraud risks and the adoption of anti-fraud strategies by industry members.

Priority: Enhance the practice of professional regulation and strengthen the MBRCC

- Enhance collaboration amongst regulators and promote regulatory best practices:
 - Establish processes to share regulatory approaches and promote the identification and adoption of best practices.
 - Enhance coordination of compliance and enforcement activities between jurisdictions, including the development of information sharing agreements.

Priority: Establish appropriate practice and education standards

- Ensure mortgage brokers have appropriate business practices and levels of professional knowledge and experience coupled with integrity and competence:
 - Review current licensing suitability requirements and develop recommendations to promote a national standard.
 - Research industry standards of supervision, policies and procedures to identify best practices with respect to broker compliance functions.
 - Review continuing/re-licensing education models and assess alignment of course content and opportunities for course recognition across jurisdictions.

Priority: Identify and address current and emerging issues

- Establish a mechanism to consider a process to identify current and emerging regulatory or supervisory issues