



PRINCIPLES FOR MORTGAGE PRODUCT SUITABILITY ASSESSMENTS **November 23, 2023**

PREAMBLE

Regulated persons and entities must ensure any mortgage product option(s) (including renewals) they present to their clients are suitable for the client based on the client's unique circumstances. However, regulators noticed, through supervision, that regulated persons and entities are often unable to demonstrate if and how they meet this obligation.

To aid regulated persons and entities to meet this obligation, and assist regulators with supervision, the MBRCC has developed a set of six principles for conducting suitability assessments of the products they present to their clients ("suitability assessment principles"). Regulated persons and entities should conduct their business following these common principles, while ensuring compliance with all applicable laws, regulations and rules in the jurisdictions where they operate.

The suitability assessment principles further help regulated persons and entities achieve the principles set out in the [MBRCC Code of Conduct for the Mortgage Brokering Sector](#) ("Code of Conduct"), including Principle 2 on Accountability, Principle 4 on Competence, Principle 5 on Suitability and Principle 6 on Disclosure.

The MBRCC published the Code of Conduct in 2021. The Code of Conduct outlines 10 principles to promote high standards of conduct for regulated persons and entities in order to protect consumers of mortgage brokering services.

Mortgage Product Suitability Assessment Principles

1. **Know your Client (KYC).** Regulated persons and entities must understand the unique needs and circumstances of their client.
2. **Know Your Product (KYP).** Regulated persons and entities must understand and be able to explain the mortgage products that are reasonably available to them (e.g., the features and risks of a product).
3. **Assess Options and Make Suitable Recommendations.** Regulated persons and entities must ensure any mortgage product option(s) they present to the client matches their client's unique needs and circumstances.
4. **Clearly Communicate and Explain Rationale of the Recommended Option.** Regulated persons and entities must clearly explain to their client any mortgage product option(s) they present for the client's consideration. The explanations must include documented rationale for the option(s) they select to present to the client. Regulated persons and entities should obtain written acknowledgement from their client that the client understands the option(s).
5. **Ensure Adequate Oversight and Accountability.** Regulated entities should have reasonable processes in place to ensure regulated persons authorized by the brokerage conduct adequate suitability assessments of mortgage product options and present the option(s) that are suitable for the client.
6. **Document Suitability Assessment and Oversight.** Regulated persons and entities, as applicable, must adequately document their suitability assessments. Documentation should, at a minimum, include the mortgage product recommendation provided to the client and the rationale for how the recommendation matches the client's unique needs and circumstances.

Further, regulated entities should document their (a) approach to reviewing the suitability assessments conducted by their authorized regulated persons, and (b) implementation of such approach.