

Public Consultation - Summary of Stakeholder Comments
Principles for Mortgage Product Suitability Assessments

Comments were provided by the following three stakeholders:

1. Bud Jorgenson – Mortgage Professionals Canada (MPC) Director for Saskatchewan
2. Canadian Alternative Mortgage Lenders Association (CAMLA)
3. Canadian Mortgage Brokers Association (CMBA)

Below is a summary of the comments received.

Table 1: Stakeholder Comments

Topics/Principles	Key Comments	Proposed Response
Support for the proposed Principles for Mortgage Suitability Assessments	The majority of commenters indicated general support for the proposed Principles for Mortgage Suitability Assessments and noted, most of what is being recommended is the current practice in the mortgage brokering industry.	The Mortgage Broker Regulators Council of Canada thanks the stakeholders for their comments and support.
Preamble included in the Principles Document	One commenter raised concerns regarding MBRCC including in the preamble of the Principles, the statement, “Any stricter or more specific requirements, rules or standards of conduct take priority over these principles”. It was noted that this statement sets up the possibility of regulations that are stronger than the suggested principles.	The preamble has been amended to address this uncertainty. The high-level Principles are intended to align with local requirements. The expectation is that by following these Principles in conducting their business, brokers will also meet their local requirements.
Principle 1: Know your Client (KYC)	Another commenter noted that MBRCC should make it clear where the KYC obligations lie and where they do not (originating broker vs. funding Mortgage Investment Corporation (MIC)/ Mortgage Investment Entities (MIE), borrower vs. investor, at the time of original funding vs. renewals).	The MBRCC Principles for Mortgage Product Suitability Assessments were intentionally designed to provide high-level guidance. The high-level Principles reflect common requirements across Canada’s mortgage brokering industry and provide licensees the flexibility to implement the Principles based on their own business needs and specific licensing classes.
Principle 2: Know Your Product (KYP).	<p>One commenter noted that brokers should not be expected to consider all available lending opportunities. Since this would result in the broker having high-level knowledge of many options instead of in-depth knowledge of a reasonable breadth of alternatives.</p> <p>It was also noted that lenders can assist firms and brokers in fulfilling their related KYP obligations by providing user-friendly and readily available information.</p> <p>The commenter also mentioned, where a private lender is involved in a mortgage, the lender should be required to provide full disclosure to the borrower as to their lending experience (years as a lender, size of portfolio) and the expected time horizon of their investment.</p>	<p>Mortgage brokers are not required to understand and assess all options in the market but those options that are reasonably available to them. Principle 2 has been amended to clarify this point.</p> <p>A mortgage broker’s KYP obligation includes knowing the recommended lender’s experience and product features in order to make a recommendation that is suitable for a client. In addition, there are currently resources provided by lenders that licensees can use to fulfill their KYP obligations.</p>
Principle 3: Assess Options and Make Suitable Recommendations.	<p>One commenter noted that it is important that regulators inform mortgage brokers of the requirement to communicate the client’s obligation to opt for an option different from what is recommended.</p> <p>In addition, the commenter pointed out that MBRCC should make it clear where the suitability assessment obligations lie and where they do not (for borrower vs. investor, at the time of original funding vs. renewals).</p>	<p>MBRCC recognizes the broker’s obligation to make a suitable recommendation and the client’s option to reject the recommendation.</p> <p>The MBRCC Principles for Mortgage Product Suitability Assessments were intentionally designed to provide high-level guidance. The high-level Principles reflect common requirements across Canada’s mortgage brokering industry and</p>

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		provide licensees the flexibility to implement the Principles based on their own business needs and specific licensing classes.
Principle 4: Clearly Communicate and Explain Rationale of the Recommended Option.	<p>One commenter highlighted that clients should be encouraged to inform the broker if they do not want the product the broker considers the best match.</p> <p>In addition, where the private lender has no other options, additional conflict disclosure is required.</p> <p>The commenter also mentioned, where industry vendors develop technology to assist brokers in assessing suitability, firms should conduct due diligence to identify and address gaps or misalignment with the firm and broker's obligations.</p>	The MBRCC Principles for Mortgage Product Suitability Assessments were intentionally designed to provide high-level guidance. The high-level Principles reflect common requirements across Canada's mortgage brokering industry and provide licensees the flexibility to implement the Principles based on their own business needs and specific licensing classes.
Principle 5: Ensure Adequate Oversight and Accountability.	One commenter noted that oversight and accountability should be extended to lawyers and private individuals lending money since they pose additional risks and aren't held to the same standard.	<p>Lenders (including private individuals) who are licensed/registered as a mortgage broker in their jurisdiction are responsible for oversight and are accountable for the work they perform.</p> <p>Extending oversight to lawyers is beyond the scope of this consultation.</p>
Principle 6: Document Suitability Assessment and Oversight	<p>One commenter highlighted, clients should acknowledge the advice received and the understanding they can choose a different option if they feel the broker's recommendation does not align with their circumstances.</p> <p>Another commenter suggested that there should be disclosure of what are the consequences if the client's situation changes, and the client is forced to close the mortgage prior to maturity.</p>	<p>Principle 4 sets out MBRCC's expectation that regulated persons and entities should obtain written acknowledgement from the client that the client understands the option(s). It is also MBRCC's expectation that the client's acknowledgement does not supersede the mortgage broker's obligation to make a suitable recommendation based on the client's specific circumstances at the time.</p> <p>The MBRCC Principles for Mortgage Product Suitability Assessments were intentionally designed to provide high-level guidance. The high-level Principles reflect common requirements across Canada's mortgage brokering industry and provide licensees the flexibility to implement the Principles based on their own business needs and specific licensing classes.</p> <p>For these reasons, MBRCC has decided not to provide additional details about requirements such as disclosure.</p>
Challenges or concerns mortgage brokers may face in complying with the Principles	One commenter pointed out that it would be challenging for brokers to provide significant details to confirm that they are complying with the Principles.	MBRCC is not expecting the sector to write significant information for every file, the expectation is that licensees will include sufficient information to support their recommendation.
Need for training and detailed guidance	Two commenters noted that MBRCC should provide training and guidance on how to implement the Principles.	The MBRCC Principles for Mortgage Product Suitability Assessments were intentionally designed to provide high-level guidance. The high-level Principles reflect common requirements across Canada's mortgage brokering industry and provide licensees the flexibility to implement the Principles based on their own business needs and specific licensing classes.

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		MBRCC agrees with the recommendation that training is important. Education providers and industry associations are encouraged to provide training to support licensees to implement the principles.
Regulation of Private Lenders	One commenter noted that all private lenders should be regulated with rules governing their activities.	This comment is beyond the scope of this consultation.
Mortgage Fraud	One commenter also wrote that MBRCC support is needed for the Federal Government to give mortgage professionals access to client/applicant income verification information which will help to combat mortgage fraud.	This comment is beyond the scope of this consultation.