

MORTGAGE BROKERING IN ONTARIO

15th Edition

Joseph J White

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About the Author

Joseph J. White is the founder and President of the Real Estate and Mortgage Institute of Canada (REMIC), the Association of Mortgage Investment Professionals (AMIPROS), and the Fraud Prevention Centre of Canada (FPCC), a national charity dedicated to the prevention of fraud.

Mr. White has been a staunch supporter of the mortgage industry since 1988, when he began his career as a mortgage agent, and in the mortgage lending sector of the industry he has held positions as National Sales Manager and VP of Sales with two national mortgage lenders.

In the industry's mortgage brokering sector he is a licensed mortgage broker and has been a partner at a successful mortgage brokerage, manager at two national brokerages, principal broker at a commercial brokerage, founder of a mortgage investment corporation, and is owner and principal broker of his own boutique brokerage.

As an educator, Mr. White has personally instructed over twenty thousand students since 1996, many of whom are now leaders in the industry. During his years at Seneca College he was a professor, program coordinator, subject matter expert and winner of the Excellence Award for exceptional leadership. In addition to having developed several courses for Seneca College, including the first mortgage broker education program in Ontario's history, he designed the mortgage agent course currently used by REMIC and Ontario's colleges. Mr. White has written two textbooks used in the mortgage industry and by over 20 Ontario colleges, with over fifty thousand copies in print, as well as several business focused books and e-books.

Mr. White has made significant contributions to the growth of the mortgage industry. When he began his career in teaching, 120 students per year were taking the mortgage agent course. Because of his passion and dedication to helping those who want to make mortgage brokering their career, REMIC has become the largest mortgage educator in Canada, teaching over 10,000 students per year.

Mr. White was inducted into the CMP Mortgage Hall of Fame in 2019.

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Introduction

Welcome to the exciting world of mortgage brokering!

This book, the updated edition of the last publication of Mortgage Brokering in Ontario – Agent Edition, has been written to assist you in meeting the educational requirements to become licensed as a mortgage agent in Ontario. Since the publication of the First Edition, the new *Mortgage Brokerages, Lenders and Administrators Act, 2006* (while 2006 is part of the legislation's title, it actually didn't come into effect until 2008) also referred to as the *MBLAA* has been fully enacted, with the last piece of legislation coming into effect as of January 1, 2009. There have been several significant changes, all reflected in this book, to brokering in this province, such as changes to disclosure requirements for borrowers and investors, marketing and the use of specific titles by brokers and agents, to name but a few. The *MBLAA* also raises the bar for both consumer protection and professionalism in the industry by promoting appropriate training as well as the licensing of mortgage agents to meet both the regulator's and the industry's demand for quality professionals to service the mortgage market. In addition, the industry has undergone significant changes. It has survived the mortgage crisis, experienced regulatory changes that have impacted how Ontarians borrow, and have seen market participants leave the industry while new ones have entered it.

The one constant in our industry, as in life, is change. Change can have a positive or negative impact, depending on how we respond to it. To be successful you will have to surpass the minimum requirements for licensing and learn how to respond to the industry's changes, and that's where additional, practical, real-life information in this book will be of great interest to you!

I have organized this book in a way that prepares you to complete a mortgage transaction to a professional standard. To assist you further, I've added "Success Tips" throughout. These are designed to provide you practical success strategies that I have gathered from my own years of experience as well as those of my friends and colleagues in the industry. When new terms are introduced, I've added "Pause for clarification," designed to quickly define the new term.

The opportunities in this industry are endless – the mortgage brokerage industry has many diverse participants and offers those involved incredible opportunities for long, rewarding careers. My own career began in the late 80's, and I've held positions with both brokerages and lenders. Having begun as a mortgage agent, I went on to manage mortgage agents for two large brokerages. I've been a partner in a brokerage and held the positions of Vice President of Sales and National Sales Manager for two national lenders. I've owned a Mortgage Investment Corporation (MIC) and an Administration company and am now President of the Real Estate and Mortgage Institute of Canada Inc. I'm also a licensed mortgage broker and principal broker of my own boutique brokerage. In addition, I spent twelve years at Seneca College as an Instructor, Part-time Program Coordinator and developed both the mortgage agent and mortgage broker courses for licensing purposes in Ontario.

The need for mortgage agents has never been greater! There are more lenders than ever before, even with the recent economic crisis, but the public has little or no knowledge of them. To illustrate this point, take a moment to list the names of all of the lenders that you know or have heard about. How many can you think of? In fact, there are dozens of lenders in the Canadian mortgage market. This incredible number of lenders provides consumers with an overwhelming array of choice for their mortgage financing, and yet the majority of consumers are unaware of them. The typical consumer needs the assistance of a knowledgeable and skilled advisor to find a suitable product from among the various options available. In many cases consumers require "non-conventional" lending - unique, innovative products that serve their

particular needs. Again, the consumer needs a professional mortgage agent with knowledge of and access to these products.

Fraud is an ongoing concern. The professional mortgage agent must be trained to be alert to “red flags” – indicators of potential fraud. Fraud has no place in an industry with professional standards. By acquiring and maintaining clear personal standards and ethical values, professionals ensure that the industry continues to be held in high regard by consumers. The professional mortgage agent plays a key role in ensuring a healthy future for the whole industry.

It is my hope that this text will provide you valuable insights into the mortgage brokerage industry and will continue to serve as a practical reference guide which will be of benefit on an ongoing basis.

I firmly believe that every consumer, not just those who have been declined by their institution, should use a *qualified* mortgage broker or agent. I have had the honour and pleasure of working with and managing some of the most professional and ethical agents in our industry. They have acted and continue to act as ambassadors on our behalf, increasing the public’s awareness and respect of our industry. While the regulatory requirements discussed throughout this text will help raise the standards of professionalism for our industry as a whole, regulation is not the sole answer.

In my opinion, to increase market penetration from the current level of approximately 30% requires a change in the public’s attitude about our industry. Every broker and agent who acts with the highest levels of integrity, ethics and professionalism is an ambassador for our industry, increasing consumer confidence in our abilities and reinforcing the belief that we are here to serve *them*, not ourselves. Unfortunately, every broker and agent who acts unethically or unprofessionally tarnishes the reputation of the industry. Simply stated, there is no place in our industry for those who would tarnish our reputation by taking advantage of the public. Brokerages and lenders must continue to have and expand upon top-down philosophies that reward ethical and professional behaviour and raise the standard of professionalism above what the MBLAA, its *Regulations* and the regulator require. In so doing our industry will shatter that 30% ceiling, an event that is long overdue.

Joseph J. White

Chapter 1: Market Overview

Learning Outcomes

Successful understanding of the concepts presented in this chapter will enable the learner to:

1. Describe the differences between a mortgage agent and mortgage broker
2. Explain the role of the mortgage agent
3. Describe the benefits of using a mortgage agent
4. Describe how an agent is contracted, compensated, and income potential
5. Understand how the industry is regulated
6. List and describe the key participants in Ontario's mortgage market
7. Discuss the history of the mortgage industry in Ontario
8. List legislative changes designed to manage the mortgage industry
9. List the different mortgage associations and designations available in Ontario
10. Understand the important questions to ask when interviewing with a brokerage

Introduction

The Ontario mortgage market is a vast and diverse industry comprised of dozens of lenders and other key participants in the mortgage process. The following sections will break down the market into its different segments and attempt to provide context for the financing activities in the province. Of course, to understand the market, you first need to know your role in it, which brings us to our first section.

1.1 What is a Mortgage Agent/Broker?

Mortgage Agents vs. Mortgage Broker

There are two licenses that allow individuals to broker a mortgage: mortgage agent and mortgage broker. In Ontario, the regulator of mortgage brokering is the Financial Services Regulatory Authority of Ontario (FSRA), formerly referred to as the Financial Services Commission of Ontario (FSCO) until June 8, 2019. FSRA defines a mortgage agent as a “professional who deals or trades in mortgages for a licensed mortgage brokerage, under the supervision of a licensed mortgage broker. All individuals acting as mortgage agents or mortgage brokers in Ontario must have a licence from FSRA. They must also be sponsored by one licensed mortgage brokerage.”¹

FSRA defines a mortgage broker as a “professional who deals or trades in mortgages for a licensed mortgage brokerage. They may also be responsible for supervising the activities of one or more mortgage agents. All individuals acting as mortgage agents or mortgage brokers must have a licence from FSRA.”²

Mortgage brokers do not earn more commission than a mortgage agent simply because they are licensed as a broker. The difference between these two licenses is that a mortgage broker, in addition to being able to broker mortgages, can supervise agents (if allowed by the brokerage), and be the principal broker of a mortgage brokerage, a role that is required to provide effective supervision of the brokerage's mortgage

¹ FSRA, <https://www.fsrao.ca/licensing/mortgage-agent/apply-new-mortgage-agent-licence>

² FSRA, <https://www.fsrao.ca/licensing/mortgage-broker/become-mortgage-broker>

agents, among other duties. Each mortgage brokerage must have one principal broker to ensure that the brokerage, its agents and brokers comply with the appropriate legislation and regulations.

FSRA states, “The Principal Broker is responsible for the conduct of the Mortgage Brokerage and its Brokers and Agents. “Effective supervision” means that the principal broker can show that he/she has taken reasonable steps to ensure every requirement under the *Mortgage Brokerages, Lenders and Administrators Act*, 2006 and regulations are met, and that contraventions are handled appropriately.³ In addition the legislation states that all mortgage agents must be supervised by a mortgage broker.⁴

In practice this means that while a brokerage can only have one principal broker, it may have additional mortgage brokers providing direct supervision to their mortgage agents, all under the supervision of the principal broker. It’s up to the brokerage to decide how it implements effective supervision. If the brokerage has 10 agents, it may feel that the principal broker can effectively manage those agents. If the brokerage has 100 agents, it may feel it necessary to have additional mortgage brokers in a supervisory role.

Therefore, it’s necessary that mortgage agents know who their direct supervisor is so that help can be obtained in situations where the agent needs it. While these types of situations may be related to lender product and rate information, mortgage agents can also obtain this information directly from lenders.

A mortgage agent must, however, obtain help from their principal broker (or whomever the brokerage has deemed that support person to be) in regard to compliance related issues, or anything pertaining to legislation that regulates the conduct of the mortgage agent. Furthermore, the brokerage’s policies and procedures manual will clearly indicate all circumstances in which the mortgage agent must seek the help of a mortgage broker.

For our purposes we will use the term mortgage agent and mortgage broker interchangeably throughout this text, as both terms refer to a licensed individual authorized to broker mortgages in Ontario.

1.2 The Role of the Mortgage Agent

A mortgage agent/broker can be defined as a practicing professional, licensed by FSRA, who assesses a borrower’s financial goals with respect to real estate financing and, after detailed analysis, provides solutions to meet those goals by acting as an intermediary with the appropriate lending source.

The typical activities of a mortgage agent/broker, all of which will be discussed in detail throughout this book, include:

- Brokering a new mortgage, collateral mortgage, line of credit, or other type of loan secured by real property (which is land and whatever is affixed to it) through an institutional lender
- Brokering the refinancing or switch of an existing mortgage through an institutional lender
- Providing mortgage advice and counsel, including about renewal options

Mortgage agents/brokers can also provide specialized brokering, discussed in detail in chapter 8, which include:

³ FSCO, <https://www.fSCO.gov.on.ca/en/mortgage/Pages/reqforsup.aspx>

⁴ MBLAA, Licenses, Mortgage agent’s license, 9.(5)