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<b>BULLETIN NUMBER:</b>	<b>MB 10-005</b>
<b>TITLE:</b>	<b>CO-BROKERING: REQUIREMENT FOR BOTH MORTGAGE BROKERS IN A CO-BROKERING ARRANGEMENT TO BE REGISTERED</b>
<b>LEGISLATION:</b>	<b>MORTGAGE BROKERS ACT</b>
<b>DATE:</b>	<b>JUNE 2010</b>

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Mortgage brokers enter into co-brokering arrangements with other mortgage brokers when they share the responsibility to originate mortgages with other mortgage brokers. Co-brokering differs from making mortgage referrals, as referral sources pass on potential client information to other registered brokers without participating in the origination process.

Activities which are included in the origination process include:

- Meeting with borrowers;
- Taking mortgage applications;
- Conducting due diligence to confirm the identity of potential borrowers and to verify the application information provided to lenders;
- Obtaining required consents from clients to perform credit bureau searches;
- Shopping mortgage applications to lenders;
- Providing mortgage commitments to borrowers and ensuring that conditions are satisfied;
- Ordering appraisals; and
- Preparing disclosure documents and ensuring that they are reviewed and executed by required parties.

Mortgage brokers and submortgage brokers must ensure that they do not co-broker a mortgage transaction with a person in British Columbia who is not registered under the *Mortgage Brokers Act*, or with a person in another jurisdiction, who is not licensed or registered as a mortgage broker in that other jurisdiction.

Both brokers in a co-brokering arrangement are equally liable for the mortgage transaction, and will share regulatory responsibility for compliance issues. However, if an individual in a co-brokering arrangement is not registered, and there are regulatory compliance issues with the transaction, it is likely that the registered broker will be the focus of disciplinary proceedings.

In addition, brokers should be aware that compliance problems are more likely to occur in co-brokered transactions with unregistered individuals. In some cases, brokers who co-broker mortgages with unregistered individuals may be participating in fraudulent transactions. For example, FICOM has recently received reports from industry members that an unregistered individual is presenting fully completed mortgage application forms to registered mortgage brokers and asking that they present the applications to their lenders. When mortgage brokers ask to meet with the borrowers, the unregistered individual will leave, and seek out another mortgage broker to process the application. While the true nature of the transaction is not known, there is a strong possibility that the transaction is fraudulent, and may even involve identity theft or straw buyers.

Mortgage brokers may verify the registration status of another mortgage broker or submortgage broker by checking FICOM's online data base at <http://www.fic.gov.bc.ca/> or by contacting FICOM at 604-953-5300 or [FICOM@ficombc.ca](mailto:FICOM@ficombc.ca).

At the office of the Registrar of Mortgage Brokers, we issue information bulletins to provide technical interpretations and positions regarding certain provisions contained in the *Mortgage Brokers Act*, *Business Practices and Consumer Protection Act* and Regulations. While the comments in a particular part of an information bulletin may relate to provisions of the law in force at the time they were made, these comments are not a substitute for the law. The reader should consider the comments in light of the relevant provisions of the law in force at the time, taking into account the effect of any relevant amendments to those provisions or relevant court decisions occurring after the date on which the comments were made. Subject to the above, an interpretation or position contained in an information bulletin generally applies as of the date on which it was published, unless otherwise specified.