



Financial
Institutions
Commission

**Canadian Mortgage Brokers Association
B.C. Conference and Trade Show**

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**Chris Carter
Acting Registrar of Mortgage Brokers
Financial Institutions Commission**

REMARKS BY ACTING REGISTRAR OF MORTGAGE BROKERS, CHRIS CARTER

Thank you for the invitation to speak with you this afternoon.

My name is Chris Carter, Acting Registrar of Mortgage Brokers in British Columbia.

Allow me to extend my congratulations to President Troy Resvick, CEO Samantha Gale, and your Association on a successful 2017 conference. Troy and Sam, together with others including Ajay Soni, and Rob Regan-Pollock, represent your interests very effectively with the regulator.

It goes without saying that 2016 was a year of change for your industry, and 2017 is likely to be no different.

Regulators had much to do with that change and I'm here to talk about one of those changes – improvements to conflict of interest disclosure in British Columbia, and more particularly, compensation disclosure to consumers.

I would also like to take the opportunity to reinforce some regulatory priorities, and update you on some other key initiatives underway in my office.

CONFLICT OF INTEREST DISCLOSURE GUIDELINES

In November, my office released “Mortgage Broker Conflict of Interest Disclosure Guidelines”.

The Guidelines are the culmination of an 18-month consultation with industry, dating back to mid-2015.

To assist industry adjustment, we adopted an extended implementation period, and will enforce the Guidelines from July 2017 onwards.

My office is hosting an information session tomorrow afternoon at your Conference, and I welcome your participation in that session.

Please also feel free to contact my office directly with any questions you may have, and to otherwise discuss the Guidelines. We would welcome an opportunity to learn how your business is preparing to respond at the broker, brokerage, and firm level.

Under the Guidelines the compensation a broker, and their related parties, receive on a transaction will need to be disclosed to consumers.

Some brokers have embraced this change. Others have expressed concerns about how to communicate that information to consumers, and how the information will be received by consumers.

This afternoon I would like to contribute to that conversation, and I'll do that by encouraging industry to ask some questions:

Firstly, how does a consumer view their relationship with a mortgage broker ?

Consumers seek out your services because you work for consumers, not the lenders.

You have access to multiple lenders who fight for the consumer's business.

Your advice is based exclusively on the needs and interests of the consumer.

That is how consumers understand the services you provide.

That is how you market your services to consumers.

Secondly, how does a consumer believe a mortgage broker is compensated ?

Consumers believe your services are free to them.

That's how you market to consumers.

Only it's not entirely true.

Consumers pay for your services.

Your compensation forms part of the interest rate that a consumer pays on their mortgage. A hidden part of the interest rate a consumer pays on their mortgage.

Consumer pays lender, and lender pays mortgage broker, or in other words, lender cuts the cheque, and consumer pays the bill.

So, from a consumer's perspective, I hire a mortgage broker to work for me and I pay for those services.

What does the dollar figure represent in the conflict of interest disclosure I just received ?

The price of my mortgage broker's services.

My mortgage broker works for me, I pay for those services, and now I know the price of those services.

NEW CONVERSATIONS

Consumers value your services. Your growing origination market share proves that.

Disclosure of the price of those services can only serve to build trust with consumers and strengthen your reputation for professionalism. Indeed, many mortgage brokers in the private space have been disclosing the price of their services to consumers for many years.

Improved transparency leads to new conversations with consumers.

My office will be developing materials to assist consumers to understand and make informed decisions based on the disclosure they receive.

Those materials are likely to encourage questions and discussion between a consumer and their mortgage broker, for example, how much do I pay you if I choose another lender?, how do lenders influence your advice to me?, how many lenders do you work with?, am I receiving value for the price I'm paying?

As industry considers how to communicate dollar figures that will be made available to consumers from July onwards, I invite you to consider the question from the consumer's perspective.

My mortgage broker works for me, I pay for those services, and now I know the price of those services.

Disclosure of the price of your services can only serve to build trust with consumers and strengthen your reputation for professionalism.

REGULATORY PRIORITIES

I now wanted to turn to some other regulatory priorities that my office is focussed on, and I have four key takeaways for you.

Firstly, report misconduct.

Last year the real estate industry came under extraordinary public scrutiny, which culminated in the loss of the privilege of self-regulation. The public formed the view that the real estate industry was not reporting misconduct to the regulator.

Over the years I have had many brokers tell me that they're aware of troubling conduct in the mortgage broker industry. I encourage them to send information the regulator's way. However, we rarely receive that information.

There is no surer way to erode the public's confidence than keeping knowledge of suspected misconduct "in the family".

All brokers, and particularly lenders, are encouraged to report misconduct to the regulator.

Secondly, don't engage in application fraud.

Providing false and misleading information to lenders puts borrowers at risk of being placed in mortgages they cannot afford, and lenders at risk of making loans they might otherwise have not made.

This benefits no-one, particularly in the current real estate market.

Industry knows what application fraud looks like and your regulator knows what application fraud looks like. It cannot be tolerated.

Thirdly, “say no” to facilitating unregistered mortgage broker activity.

Unregistered individuals require registrants to access lending channels.

Helping unregistered parties access lenders undermines the value of a mortgage broker’s services, and places the public at heightened risk of harm.

I encourage you to continue to “say no” to facilitating unregistered mortgage broker activity.

Fourthly, exercise extra vigilance when it comes to private lending.

Many, if not most, private lenders are well run businesses that structure deals in the interests of both themselves and the consumer. There are however, outliers.

Two years ago at your conference, my office encouraged industry to set boundaries and standards for dealing with private lenders that ensure consumers are positioned for a positive, long term outcome.

We also highlighted the conflicts of interest that can arise when brokers lend their own money.

You don’t work for the lenders. That is how the public understands your role and your value. As brokers increasingly become invested in, or connected to, private lenders your independence can become compromised.

Today, I wanted to reinforce those messages.

Positioning consumers for long term success and properly managing conflicts of interest, are more important than ever as brokers look for solutions to assist consumers to meet more stringent lending requirements.

OTHER INITIATIVES

In closing out my remarks this afternoon, I wanted to update you on some other initiatives that are underway in my office.

Firstly, my office has always undertaken proactive examinations of brokers and brokerages to reinforce good practices and address any activities or practices that may place consumers at risk.

We recently recruited dedicated staff to implement a more ambitious program of risk based examinations.

Because of these hires, you can expect to see more of us in the months and years ahead. Our Staff have deep industry knowledge and investigative experience, and we take our proactive role seriously. We know what to look for and where to look, and with additional resources, that's going to happen faster and with more precision.

Secondly, my office is undertaking a review of mortgage broker education in British Columbia, to ensure it continues to meet the needs of industry and the regulator.

We have heard industry concerns that new brokers are not properly prepared to enter industry, and we as the regulator are looking at better ways to set our expectations earlier and more effectively for industry.

My office has secured the services of an education expert to review the current education model in British Columbia. Our consultants have reviewed practices in other jurisdictions, consulted with industry, and I expect to review their findings and recommendations soon.

Through this process, my office looks forward to strengthening mortgage broker education in British Columbia, to better meet the needs of industry, consumers, and the regulator.

CONCLUSION

Thank you for the opportunity to speak with you this afternoon, and share some perspectives on compensation disclosure.

As industry considers how to engage consumers on this issue, I invite you to consider the issue from the consumer's perspective.

My mortgage broker works for me, I pay for those services, and now I know the price of those services.

Disclosure of the price of your services can only serve to build trust with consumers and strengthen your reputation for professionalism.

I also have appreciated the opportunity to reinforce our regulatory priorities, and highlight some key initiatives we have underway.

In closing, I hope to see you at our information session on the "Mortgage Broker Conflict of Interest Disclosure Guidelines" tomorrow afternoon, and wish you well for the remainder of your conference.