

**Comments on Bill 65 – An Act respecting Mortgage Brokerages,
Lenders and Administrators. Finance Committee – October 12, 2006**

About CIMBL

Good morning.

My name is Jim Murphy and I am senior Director of Government Relations and Communications for the Canadian Institute of Mortgage Brokers and Lenders or CIMBL.

CIMBL has over 9,400 members across Canada with approximately 5,400 here in Ontario. CIMBL represents all facets of the mortgage industry including lenders such as the banks and credit unions, mortgage insurers, title insurers and mortgage brokers and agents.

Research CIMBL has undertaken showed at the end of 2005 there was \$660 billion in outstanding mortgage credit in Canada of which roughly half was here in Ontario. This total is expected to grow by a further 10% this year. Our industry helps Canadians and Ontarians meet their dream of home ownership.

CIMBL has also established an Accredited Mortgage Professional (AMP) designation as part of our ongoing commitment to increase the level of professionalism in Canada's mortgage industry through the development of educational and mortgage standards. Over 3,000 CIMBL members have their AMP designation.

CIMBL has also developed best practices for fraud avoidance, a copy of which is in your packages, and also developed a strong ethics process.

Bill 65 – New Ontario Mortgage Brokerages and Lenders Act

The tremendous growth of our industry is reflected in the tabling of new legislation that will govern our industry and that is before you today. This is the first rewrite of the act in some time and reflects the tremendous growth of the mortgage industry. The overall intent of the legislation as stated by the government, and one CIMBL supports, is to increase professionalism in the

industry by raising the bar on several important standards such as disclosure and education.

As is often said, however, the devil is always in the details and while we have been in ongoing discussions with the Ministry of Finance and the government we have not yet seen the final set of regulations that will accompany the legislation. Let me review for you some of the important issues and CIMBL's positions.

Issues

First and foremost Bill 65 creates a tiered registration model for mortgage professionals. Mortgage brokers, mortgage agents, mortgage administrators and principal brokers will have to be licensed with the Financial Services Commission of Ontario (FSCO) the regulator and meet eligibility requirements including education standards.

Included in our package are copies of correspondence we have had with the government on the legislation. Our letter dated May 29th to Minister Sorbara highlights various positions.

- ❑ CIMBL supports mandatory errors and omission insurance for all brokerage firms in the province;
- ❑ CIMBL supports minimum capital requirements for both mortgage administrators and brokerage firms in the province;
- ❑ CIMBL supports disclosure, including enhanced disclosure of a mortgage professional's incentives and commissions. Earlier this year CIMBL established a Task Force to capture these types of remuneration and a copy of our form is included in your packages. You will be interested to know that Alberta on October 1st became the first province to mandate enhanced disclosure that we are promoting;
- ❑ CIMBL believes the legislation should allow for a "simple referral" in which only a name or a business card can be forwarded to mortgage professionals without the referral source being licensed. CIMBL believes that if an individual is undertaking a credit check, filling out an application, gathering financial information of any kind or providing mortgage advice then they are engaging in mortgage activity and must be licensed;

- Likewise for legal services, CIMBL believes that if lawyers are engaged in mortgage activity, then lawyers should also be licensed;

Finally, let me address education standards. The specifics of education standards will be determined in the regulations. But they are very important –and the failure to get them right could really undermine the success of this initiative.

Again CIMBL supports higher standards for education. A draft education paper has been released. CIMBL believes the options should be strengthened beyond what is in that paper.

The whole purpose of this legislation is to create high standards that the public can rely on.

Standards rest on the foundation of professional education. To create an effective education program, there must be a common curriculum, a common set of learning materials and a common exam.

Within that framework, there can be multiple deliverers of training – but only if they are teaching the same materials from the same text culminating in the same exam. Consistency in content is vital if the government is to meet its objectives of raising standards, improving quality and enhancing consumer protection. Indeed CIMBL believes that a common education standard should be implemented across Canada.

Our request would be that when the government and FSCO finalize the regulations including education regulations that minimum standards and quality be not only maintained, but enhanced.

We look forward to working with the ministry and the committee to ensure this happens.

Thank you for your time. I would be pleased to answer any questions that you may have.