

CAAMP Membership Application Review Process Policy of the CAAMP Board of Directors (“Policy”)

Adopted by Board of Directors on May 11, 2010

A. OBJECTIVE

The Canadian Association of Accredited Mortgage Professionals (the “Corporation”) intends to establish a process for the review of its membership applications as permitted by its General Operating Bylaw, the *Canada Corporations Act* and related policies of Industry Canada, as amended from time to time (“Membership Application Review Process”).

B. PRELIMINARY MATTERS

Section 3.02 of the Corporation’s General Operating By-Law No. 6, as amended by By-law No. 7, once such by-law comes into effect, provides that after an applicant submits a CAAMP membership application form, *“The Board shall have full discretion in deciding whether or not to admit the applicant as a Member in accordance with the applicable Policy of the Corporation in place from time to time. In this regard, the Board shall consider among other factors whether the prospective Member, in the opinion of the Board, is of good character in accordance with the applicable Policy of the Corporation in place from time to time and is also likely to conduct him, her, or itself with integrity, honesty and in accordance with the Code of Ethics set out in section 23. Applicants for Membership shall be notified by the Corporation of the Board’s decision regarding their application for Membership.”*

In order to exercise the full discretion referenced in section 3.02 of its General Operating By-law No. 6 as amended by By-law No. 7 as set out above, the Directors shall follow the Membership Application Review Process set out in this Policy. Further, in accordance with the requirement in section 3.02 of the Corporation’s said General Operating By-law that the Board shall consider whether a prospective Member is of “good character”, a “Good Character” policy has been attached as a schedule to this Policy in order to assist Directors in assessing the character of applicants (“Good Character Policy”). In addition, the Board shall, in accordance with section 3.02 of the Corporation’s said General Operating By-law, consider whether the applicant is likely to conduct him, her or itself with integrity, honesty and in accordance with the Corporation’s Code of Ethics. All capitalized terms in this Policy shall have the definition given to them in the Corporation’s General Operating By-law No. 6, as amended by By-law No. 7, once such by-law comes into effect.

In addition to the Directors’ review of membership applications, the CAAMP Ethics Investigator, as defined in the Corporation’s General Operating By-law (“Investigator”), shall have the authority to review all membership applications, to investigate any membership applicants in his or her discretion and, as applicable, to provide reports as provided for herein on such investigations, all in accordance with the Membership

Application Review Process set out in this Policy. In this regard, the Investigator reserves the right in his or her sole discretion to require the membership applicant to provide a criminal record check upon written request.

The review of membership applications by Directors and/or the Investigator may only be done in relation to new membership applications. Such review may not be done in relation to those individuals who are current CAAMP Members and are transferring from one Business Member to another. At any time, a Director who has concerns about the good character of any existing Member may lodge a complaint against that Member with the Investigator.

C. PROCESS

The following are the steps that the Directors and/or the Investigator must follow in carrying out the Membership Application Review Process.

1. The Corporation shall periodically provide (i.e. by email, fax or regular mail) to the Directors and the Investigator a list of the applications for membership received by the Corporation. At the time that the said list of membership applications are provided to the Directors and the Investigator, they shall be advised that where no objection is received to a membership application in accordance with this policy, then the said membership applicant shall be automatically deemed to become a member of the Corporation as provided for below.
2. If a Director or the Investigator has concerns about an applicant for membership, the Director or the Investigator shall notify the President in writing (i.e. by email, fax or regular mail) within ten (10) days of the date that the list of applications for membership was sent to the Directors and the Investigator by the Corporation to indicate that he/she objects to a particular application. In order to ensure that the Director's and/or the Investigator's written objection will be kept as a confidential document, the Director and/or Investigator shall provide the written objection solely to the President and shall not copy the objection to any other persons, provided that the President shall provide a copy of the written objection to the Investigator as soon as possible after it is received from a Director.
3. Within twenty-one (21) days of the date that the list of applications for membership was sent to the Directors and the Investigator by the Corporation, the Investigator may conduct an investigation of the membership applicant. Any investigation carried out by the Investigator may include the interviewing of witnesses, including employees, members, directors and officers of the Corporation as determined necessary by the Investigator, the taking of statements and the gathering of such other evidence as, in his or her sole discretion, is determined by the Investigator to be of assistance to the investigation.

4. Within twenty-one (21) days of the date that the list of applications for membership was sent to the Directors and the Investigator by the Corporation, the Director and/or the Investigator shall provide separate written reasons to the President (i.e. by email, fax or regular mail) to support his/her objection to a specific applicant for membership and, in so doing, shall make reference to the terms of the Good Character Policy attached as a schedule to this document or to the other considerations set out in section 3.02 of the Corporation's General Operating By-law No. 6, as amended by the By-law No. 7 once such by-law has come into effect. The Investigator shall have the right to supplement his or her written reasons at any time to include the results of a criminal record check, if requested from the applicant. In order to ensure that the Director's and/or Investigator's written reason(s) will be kept a confidential document, the Director and/or Investigator shall provide the written reason(s) solely to the President and shall not copy the written reason(s) to any other persons, provided that the President shall provide a copy of the written reason(s) to the Investigator as soon as possible after they are received from a Director(s). If the Director and/or Investigator does not provide written reasons to support his/her objection(s) to the President within twenty-one (21) days of the date that the list of applications for membership was sent to the Directors and the Investigator by the Corporation, his/her objection(s) shall be considered to have been withdrawn.
5. An applicant whose application for membership has been objected to by a Director and/or Investigator shall be notified by regular mail, fax or email that processing of his/her application will be delayed until the Board review process has been completed. Once the Director and/or Investigator has submitted a written objection and the written reasons in support of such objection, the Investigator shall provide a written summary of the objection(s) and reasons to the applicant. The summary shall not include the name of the Director(s), if applicable, who submitted the objection(s). The applicant shall be notified that, at his/her discretion, he/she may submit to the CAAMP President a written response to the objection(s), with a copy of such written response to be provided by the President to the Investigator as soon as possible after it is received. The applicant shall have twenty-one (21) days from the date that the written summary was sent to him or her by the Investigator to submit the said written response by regular mail, fax or email. At the same time as providing the said summary to the applicant, the Investigator shall advise the applicant that he or she shall be permitted during such twenty-one (21) day period to withdraw the membership application in writing if he/she wishes. The Investigator shall also advise the applicant that if his or her membership application is withdrawn, the objection(s) to it and the written reasons provided in support shall remain on the applicant's confidential record at the Corporation.
6. At the next Board meeting following the receipt of an objection(s) by a Director and/or the Investigator and the written reasons in support of such an objection(s), , the President shall read the objection(s) and reasons (or if lengthy, then a summary of the said objection and reason) submitted by the Director and/or the

Investigator at the Board meeting. If the applicant has submitted a written response to the objection(s), the President shall also read the written response (or if lengthy, then a summary of the said written response) at the same Board meeting. The President in his or her discretion may also provide all or a portion of the objection(s) and reasons, all or a portion of the applicant's written response, where applicable, and any other related documents to the Board members during the Board meeting, provided that all of the said documents are to be returned to the President at the end of the said Board meeting. After an opportunity for discussion, there shall be a motion made at the Board meeting to accept the applicant. However, the Board may decide in its sole discretion to defer making a decision on an application if deemed necessary in the circumstances for such time period as the Board determines is reasonable. Where the Board exercises its discretion to defer a decision on an application, the Investigator shall send notification to the applicant by regular mail, fax or email within five (5) days of the Board meeting that a decision on his/her application has been deferred by the Board. Following a motion being made to accept the applicant, the Directors shall be able thereafter to debate the motion. In order for a membership application to be accepted by the Board, the motion must pass by a majority vote of the Directors present at the meeting. If the motion does pass, the Investigator shall send notification to the applicant, by regular mail, fax or email within five (5) days of the Board meeting, that his/her application has been accepted by the Board.

7. If the motion does not pass, the Investigator shall send notification to the applicant by regular mail, fax or email within five (5) days of the Board meeting that his/her application has not been accepted by the Board. In addition to the notification of the non-acceptance of the application, the Investigator shall provide the applicant with a copy of the objection and written reasons provided by the Director(s) and/or the Investigator who objected to his/her membership application. The applicant shall be given thirty (30) days from the date of the Board meeting at which his/her application was not accepted to object to the decision and to request a hearing before the CAAMP National Ethics Committee ("NEC"), which objection must be received at the head office of the Corporation on or before the expiration of the said thirty (30) day period.
8. If the applicant requests a hearing within the same thirty (30) day period, the Investigator may undertake such further investigation as the Investigator deems necessary and will refer the matter to the NEC as a complaint (as such term is used in the Corporation's General Operating By-law) and the NEC shall provide a hearing to the applicant in accordance with the complaint process set out in CAAMP's General Operating By-law. If the applicant does not request a Hearing within the said thirty (30) days period, the application will be considered to have been rejected and the objection shall remain on the applicant's confidential record at the Corporation.

9. The procedures used in the investigation of the complaint shall be the procedures described in section 21.03 of the Corporation's General Operating Bylaw, save and except for sections 21.03(b), section 21.03(c), 21.03(d)(i)(A) to (F); 21.03(e); 21.03(h); and 21.03(j).
10. The procedures to be used in the hearing itself shall be the procedures described in section 21.06 of the Corporation's General Operating Bylaw, save and except for section 21.06(h) and the right of appeal set out in section 21.06(i). In addition, the range of disciplines referenced in section 21.06(a)(ii) shall be limited to the NEC either upholding or dismissing the Board's decision to reject an applicant for membership. If the Board's decision to reject an applicant for membership is dismissed, the applicant shall be admitted as a Member. However, where the NEC upholds the Board's decision to reject a membership application, the NEC may require the applicant to pay the costs of the proceedings in accordance with section 21.06(k). Reference to "Member" in Section 21.03 and 21.06 shall mean the "applicant" requesting the hearing. All decisions of the NEC in relation to membership applications shall be final, and there shall be no further appeal or right or review of any such decisions of the NEC by an applicant.
11. No information concerning the rejection of an application for membership will be provided to any other person other than the Board, the President and the Investigator. If the Corporation receives a request about the membership status of a person, the Corporation will only respond to advise the requesting party that the person is or is not currently a Member.
12. If an employer submits a membership application on behalf of an applicant, the Corporation shall notify only the applicant of the acceptance or rejection of his/her application. No notification shall be provided by the Corporation to the employer in question. If the said employer subsequently contacts the Corporation about the application, no information shall be given to the employer other than to indicate whether the applicant is a Member or not and to direct the employer to speak to the applicant.

Schedule 1

Good Character Policy

of the CAAMP Board of Directors, May 11, 2010

A. Introduction

Section 3.02 of CAAMP's General Operating By-Law No. 6, as amended by By-law No. 7 once such by-law comes into effect, provides that *"The Board shall have full discretion in deciding whether or not to admit the applicant as a Member"*. The By-Law provides some guidance to the Board in exercising this discretion: *"In this regard, the Board shall consider among other factors whether the prospective Member, in the opinion of the Board, is of good character in accordance with the applicable Policy of the Corporation in place from time to time and is also likely to conduct him, her, or itself with integrity, honesty and in accordance with the Code of Ethics..."* (underlining added). Thus, in considering membership applications, the Board is directed to consider whether the applicant is of "good character". The membership application contains a Declaration section in which applicants are asked to answer specific questions, the answers to which may provide information regarding their good character.

This Policy is designed to provide information and guidance as to the manner in which the Board will approach this issue, and the factors that it will consider. All capitalized terms in this Policy shall have the definition given to them in CAAMP's General Operating By-law No. 6, as amended by By-law No. 7 once such by-law comes into effect.

B. Purpose

The purposes of the good character requirement include the protection of the public, the maintenance of high ethical standards, and the maintenance of public confidence in the mortgage profession.

C. Definition of "Good Character"

Character is that combination of qualities or features distinguishing one person from another. Good character connotes moral or ethical strength, distinguishable as an amalgam of virtuous attributes or traits which include, among others, integrity, candour, empathy, and honesty but specifically excludes such conduct as set out in the guidelines, attached hereto as Appendix A ("Misconduct"), as well as excluding *conduct unbecoming* of a Member in accordance with the related Policy of the Corporation in place from time to time.

Since every person's character is formed over time and in response to a myriad of influences, no isolated act or series of acts necessarily defines or fixes one's essential nature for all time. We contemplate the possibility that a person's character may change. Thus, past conduct is not an automatic bar to membership.

D. Burden of Proof

An applicant's character must be assessed as fairly and as dispassionately as possible. It is also important to acknowledge that no applicant should be held to a standard of perfection, but nor should anything contained in this Policy be considered to limit in any way the full discretion of the Board in determining who is and who is not to be admitted as a Member.

Where the Board is called to assess an applicant's character in the context of prior Misconduct, the Board will consider:

- a) the nature and duration of the applicant's Misconduct,
- b) the date of such Misconduct;
- c) any evidence that shows that the applicant is remorseful,
- d) any evidence that rehabilitative efforts have been taken and the success of such efforts,
- e) the applicant's conduct since the proven Misconduct, and
- f) the age of the applicant at the time such Misconduct took place.

In general, a period of at least seven (7) years free of Misconduct will be required before an application will be considered favourably. An application will normally be refused where the applicant has engaged in Misconduct that has taken place less than seven (7) years prior to the date of the application, although there can be exceptions to this directive in exceptional circumstances. After seven (7) years from the date of the said Misconduct, the Board will give greater consideration to any mitigating circumstances involving the Misconduct and any evidence which the applicant can provide to show good character since the date of such Misconduct.

If there is clear and cogent evidence that the applicant has committed some prior Misconduct, then the onus will be upon the applicant to convince the Board that (s)he is nonetheless presently of good character. If there is not clear and cogent evidence of Misconduct by the applicant, then the onus is on the applicant to show the Board, on a balance of probabilities, that (s)he is presently of good character.

The essence of the test is whether the Board is satisfied that (s)he is of good character at the time of the application. Although the test does not require perfection or certainty that (s)he will always remain fit for membership. In exercising its discretion, the Board is entitled to, and will consider any available evidence about the risk that the applicant may abuse the public trust in future, or otherwise be unfit for membership.

E. Confidentiality

Information disclosed to CAAMP by applicants during the course of the application process can be extremely personal and private. The Board will treat any information and documents coming before it for this purpose with the highest degree of confidentiality and respect for the privacy of the applicant.

Appendix A discusses the manner in which the Board will address good character issues that come to its attention. It is formatted in accordance with the questions asked of applicants on CAAMP's membership application.

APPENDIX A – GUIDELINES FOR REVIEWING QUESTIONS IN THE MEMBERSHIP APPLICATION FORM

Q: Have you ever been charged with, convicted of or pardoned of a criminal offence?

Criminal Offences

In considering evidence of an applicant's good character, where previous convictions or other information relating to criminal matters is disclosed the Board will consider:

1. the nature of the offence(s),
2. whether the offence(s) was an isolated event or part of a series or pattern,
3. when the offence(s) occurred and when the conviction(s) was/were entered,
4. the applicant's personal circumstances when the offence(s) was/were committed, including age, health, family situation, etc., and
5. any other relevant mitigating or aggravating factors.

Where an applicant has been convicted of a criminal offence the Board will not re-examine the events leading up to the conviction. The Board will proceed on the basis that the conviction was proper and will not accept submissions from an applicant suggesting that (s)he was wrongly convicted.

The Board has adopted the following guidelines relating to the relevance of convictions, to which it refers in considering membership applications. The guidelines do not deal with every type of offence. However, offences described in the guidelines and similar offences, will be taken into account in accordance with the guidelines.

1. A person with a current conviction for a serious crime need not be permanently barred from membership but should be expected to (a) remain free of conviction for an appropriate period and (b) show adequate evidence of good character from the time of the conviction. Simply remaining free of conviction will not generally be regarded as sufficient evidence of good character.
2. An application will normally be refused where the applicant has a conviction for one or more of the serious offences described below, regardless of whether the applicant has or has not received a pardon for such offence(s), and the conviction is less than seven (7) years prior to the date of the application.
3. After seven (7) years from the date of conviction, the Board will give greater consideration to the circumstances of the offence and any evidence which the applicant can provide to show good character since the date of conviction.
4. Some discretion may be appropriate if the offence is isolated and there are mitigating circumstances. Similarly, multiple offences or a series of offences over a period of time are likely to give greater cause for concern and may

demonstrate a pattern of inappropriate behaviour which will be taken into account.

Offences of Dishonesty

Mortgage professionals are expected to be persons of trust. It is comparatively easy for a dishonest practitioner to defraud a lender or client through access to personal information and funds.

For these reasons a serious view is taken of any convictions involving dishonesty, including (but not limited to), the offences listed below and any similar or related offences, including being convicted of conspiring or attempting to commit them, or being a party to them:

- Theft
- Robbery
- Extortion
- Fraud
- Breaking and entering
- Forgery, uttering, counterfeiting

Violence

A mortgage professional has access to people and their property because clients expect the professional to be a trustworthy person. CAAMP membership reinforces that image of trustworthiness. Thus the Board will review the nature and type of convictions for violent offences in order to ensure that membership is granted only to those who respect the personal safety of others.

Examples of such offences include:

- Assault (including sexual assault)
- Homicide
- Kidnapping
- Arson

Drugs

The use of illegal drugs brings into question the practitioner's good judgement. In considering convictions for use of illegal drugs, the Board will consider the circumstances of the offence(s). Where the evidence indicates that the conviction is for personal use, the standard will be lower. The board will ask to be provided with evidence from which it can satisfy itself that the applicant is not addicted and, if (s)he is or has been, will look for evidence of the successful completion of a detoxification program.

Where the applicant's conviction was for conduct in the nature of a business activity, e.g. manufacturing, selling, distributing, importing, etc., the application may well be refused outright. However, the Board has the discretion to consider the usual factors to determine if the applicant is currently of good character.

Offences Involving Indecency, Obscenity, Disorderly Houses, Gaming and Betting

These offences, when committed by members, have the potential to bring the profession into disrepute. The Board will consider any such offence committed by the applicant while in a position of trust over the victim to be the most serious. The Board may ask for such medical evidence as it deems necessary to satisfy itself of the applicant's current state of health.

Driving Convictions

An isolated conviction for serious offences such as dangerous driving or impaired driving should not in and of itself disqualify an applicant from membership. However, the number, type and frequency of this type of offence will be taken into account in assessing the applicant's good character.

Q: Are there any outstanding civil judgments or actions against you or has judgment ever been entered against you in an action involving fraud?

CAAMP's Code of Ethics requires mortgage professionals, *inter alia*, to act with honesty and integrity, and to disclose real or perceived conflicts of interest. The existence of many or large civil judgments against an applicant could motivate a member to prefer his/her own financial interests over those of a client, and could potentially compromise the advice given to the client. Thus the Board will satisfy itself that outstanding civil judgments or actions are unlikely to compromise the applicant's professional advice.

As mortgage professionals are often placed in a position of trust by clients and other industry participants, a civil finding of fraud causes significant concern. The Board will be entitled to inquire into the circumstances of a civil judgement or action involving fraud in order to determine the specifics of the conduct at issue and will use its discretion in deciding how that conduct reflects on the applicant's current good character.

Q: Have you ever been disciplined, suspended or expelled as a member of any professional organization?

Q: Have you ever been denied a licence or permit, or had any licence or permit revoked, for failure to meet good character requirements?

The Board will examine any circumstances in which the applicant has previously been denied the type of privilege (s)he is now seeking, and the reasons for the denial.

Q: Are you currently subject to a petition or assignment in bankruptcy or a proposal to creditors under the Bankruptcy and Insolvency Act, or have you ever been bankrupt or insolvent, under any statute?

Bankruptcy or insolvency could indicate issues with the ability to manage a business or handle money, undesirable characteristics for a mortgage professional. The Board understands that many of CAAMP's members are business people and that from time to time business or personal affairs do not unfold as anticipated, sometimes resulting in bankruptcy or insolvency. The mere existence of unpaid creditors will not in itself be a bar to membership. The Board will review the age and circumstances of a past or current bankruptcy. The existence of fraud, or the commission of bankruptcy offences, will be viewed as aggravating factors.