

# CIMBL ICCPH

CANADIAN INSTITUTE OF MORTGAGE BROKERS AND LENDERS  
INSTITUT CANADIEN DES COURTIER ET DES PRÊTEURS HYPOTHÉCAIRES

May 29, 2006

Hon. Gregory Sorbara, MPP  
Minister of Finance  
7<sup>th</sup> Floor, Frost Building South  
7 Queen's Park Circle  
Toronto, Ontario  
M7A 1Y7

Dear Minister:



**Re: Ontario Mortgage Brokerages, Lenders and Administrators Act – Bill 65**

Let me begin by congratulating on your return to Cabinet as Minister of Finance. The Canadian Institute of Mortgage Brokers and Lenders (CIMBL) looks forward to working with you and your ministry on issues affecting the mortgage industry.

CIMBL has over 9,000 members across Canada, with 5,000 in Ontario alone. As you know, CIMBL has played an active role in the discussions leading up to the introduction of the new *Mortgage Brokerages, Lenders and Administrators Act, Bill 65*. The mortgage industry has grown enormously in Ontario over the last 30 years. Bill 65 is an important piece of legislation that we support. We encourage the government to proceed to second reading of Bill 65 as soon as possible.

CIMBL would like to present you with our positions on several key issues that are currently the subject of discussion under the new Act. As always, our primary objective is to raise the bar of professionalism in the industry and to enhance consumer protection.

1. Errors and Omission Insurance

CIMBL supports mandating errors and omission (E&O) insurance for all mortgage brokerage firms in the province as part of licensing requirements.

2. Minimum Capital Requirements – Mortgage Administrators

CIMBL supports there being minimum capital requirements in place in order to practice as a mortgage administrator in Ontario. We believe that suggestions on a minimum level put forth during current discussions are not high enough. As CIMBL noted at a recent meeting, the proposed \$10,000 minimum requirement is below that of even a convenience store operator. The minimum capital requirement should be raised to at least \$25,000.

Further, CIMBL believes that the improvement to the *Ontario Mortgage Brokerages, Lenders and Administrators Act, Bill 65* should not ignore the potential to maintain minimum levels of capital even for brokerage firms that are brokering the simpler kinds of transactions. Obligations such as the need to maintain records for a period after the closing of a transaction and the payment of E&O insurance deductibles become somewhat meaningless for firms with no capital standards. Consumers dealing with a mortgage broker would be hurt by the financial distress of a mortgage brokerage firm prior to the mortgage closing. CIMBL supports an approach that sets a minimum capital standard or otherwise sets out some clear rules around how the financial affairs of a mortgage broker should be conducted.

### 3. Enhanced Consumer Disclosure

CIMBL supports enhanced consumer disclosure. As your office is aware, CIMBL established a Task Force on Disclosure that has produced a two page document to cover these situations. We will forward to you and your officials a copy of this document later this month along with the results of the consumer focus groups that we held on this subject.

### 4. Cost of Borrowing Disclosure

Separate from enhanced disclosure of incentives fees and commissions is Ontario's new cost of borrowing regulation. In the interests of clarity, CIMBL would recommend that this statement come into effect when the new Act is proclaimed and not before.

### 5. Simple Referrals

Last fall, CIMBL presented to your ministry our position on the issue of simple referrals. CIMBL supports the concept of a simple referral where a name or contact information is provided by an unlicensed individual to a mortgage professional. However, if that person quotes mortgage rates, fills out an application or undertakes credit checks then they are clearly partaking in mortgage brokering activity and must be registered under the Act.

### 6. Legal Services under the Act

CIMBL has been made aware of discussion that your ministry has had with the Law Society concerning what legal services are covered under the Act and which will be exempt. CIMBL wishes to be clear. If anyone quotes mortgage rates, fills out an application or undertakes credit checks they should be registered with the Financial Services Commission of Ontario (FSCO) and adhere to similar standards. One of the new Act's main thrusts is to increase professionalism and enhance consumer protection. This cannot be done by providing exemptions to certain classes of practitioners who are undertaking mortgage brokering activity.

## 7. Education Proficiencies

CIMBL believes that the current proficiency standard for brokers needs to be reviewed and that an educational proficiency standard needs to be created for mortgage agents under the new Act. CIMBL believes that any licensing education for brokers and agents should be based on approved texts and that there should also be a standardized exam to ensure that new brokers and agents meet the proficiency standards.

CIMBL had been working on finalizing a meeting with your predecessor and would welcome the opportunity to meet with to discuss Bill 65 and CIMBL's positions.

Once again congratulations on your re-entry to Cabinet. CIMBL looks forward to working with you as we finalize Ontario's new mortgage legislation.

Sincerely,



Jim Murphy  
Senior Director of Government Relations and Communications  
CIMBL

Cc: Mr. Wayne Arthurs, PA to the Minister of Finance  
Ms. Luba Mycak, Ministry of Finance  
Mr. Michael Stewart, FSCO