



AMP NON-BROKER EDUCATION STREAM

KNOWLEDGE DOMAINS – DETAILED TOPIC SUMMARY

Use the topic summaries below to evaluate your knowledge level within each knowledge domain. The National Competency Exam questions are based on these topics and sub-topics. The optional AMP courses are specifically designed to address these areas and help prepare you for your exam.

TECHNICAL INDUSTRY KNOWLEDGE

Residential Mortgage Underwriting from a Lender's Perspective (MLPP1)

Underwriters must have an expert understanding of the mortgage underwriting process, including the technical elements of loan qualification as well as the importance of the co-dependent relationship that exists between the mortgage originator and the mortgage lender, and the factors that affect this bond. They must also be highly familiar with the regulatory requirements which govern mortgage lending, as well as their firm's business goals and underwriting guidelines. Underwriters must fully appreciate the importance of their role in assessing mortgage submissions – i.e. provide critical analysis of information in order to identify and manage risks.

Knowledge of the lender's process for monitoring its investments once the loan is funded, and the costs associated with mortgage arrears and defaults for borrowers, lenders and brokers, also reinforces the underwriter's key role in mortgage adjudication.

Section 1: Understanding the Lender's World

- Types of lenders
- The elements of building mortgage loan operations
- Risk management strategies
 - Loan portfolio diversification
 - Loan pricing
- Mortgage default insurance

Section 2: The Underwriting Process

- The five Cs of credit
- Loan qualification and funding
- Information collection and verification
- Enhancing the broker-lender relationship
- Credit analysis
- Verification of security
- Loan approval
- Adjustments to financial terms
- Loan closing and funding



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Residential Mortgage Underwriting from a Lender's Perspective (MLPP1) Continued

Section 3: Loan Monitoring and Repayment

- Ongoing mortgage administration or servicing
- Monitoring loan portfolios and collecting arrears
- Lender remedies
- Repayment and discharge

Section 4: The Role of Financial Statements and Tax Returns in Credit Analysis

- Accounting principles and concepts
- Understanding the Income statement
- Understanding the Balance Sheet
- Understanding the Statement of Retained Earnings
- Understanding the Statement of Changes in Financial Position
- Financial statements ratio analysis
- Forms of business organization
- Overview of the Canadian taxation system

Understanding Specialized Mortgages (MLPP2)

While underwriter's may not deal across the spectrum of specialized mortgages, they should have a basic understanding of the various financing alternatives available for borrowers and types of property in order to ensure an appropriate financing solution based on the borrower's unique needs is provided. At times, this may involve a recognition that the mortgage submission should be referred to a colleague who specializes in certain types of product (e.g. commercial mortgage). Specialized mortgages range from various repayment plans, private mortgages, leasehold, construction, and commercial financing.

An expert understanding of these mortgages will help mortgage professionals to serve a broader range of clients, or to specialize in specific sectors.

Section 1: Mortgage Loan Repayment Plans

- Interest accruing loans
- Interest only loans
- Straight line principal reduction loans
- Constant blended payment repayment plans
- Payment frequency
- Partial amortization and outstanding balances
- Variable rate mortgages (VRMs)



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Understanding Specialized Mortgages (MLPP2) Continued

- Graduated payment mortgages (GPMs)
- Sinking fund assisted mortgages
- Reverse mortgages (Reverse Annuity Mortgages)
- Participation mortgages
- Addressing inflation directly in mortgages

Section 2: Private Mortgages

- What is a private mortgage?
- Private lenders
- Who needs a private mortgage?
- Underwriting the private mortgage
- Funding the private mortgage

Section 3: Leasehold Finance

- Types of leases
- Identification of leasehold interests
- Occupation and ground (or building) leases
- Analysis of ground leases
- Ground leases on First Nations lands
- Ground leaseholds and mortgage lenders
- Subordination agreements
- Sale-leaseback
- Methods for appraisal of leasehold interests

Section 4: Development and Construction Financing

- Overview of the land development process
- Development financing
- Construction financing
- Structuring the construction loan
- Alternative development financing arrangements

Section 5: Commercial Mortgage Underwriting

- Application for commercial loans
- Cash flow analysis (income, allowances, and expenses)
- Lending constraints
- Nature of covenants



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Understanding Real Estate Transactions (MLPP3)

Underwriters should have an enhanced understanding of the real estate purchase transaction. Knowledge of the detailed process including key aspects of contract law as they relate to real estate transactions, the Agreement of Purchase and Sale, how to evaluate property appraisals, the Canadian land title systems, fraud prevention measures, and disbursements is critical in assessing a request for a mortgage.

Section 1: An Overview of the Process

- The resale home purchase process
- Deciding to buy and sell
- Receiving and accepting offers
- Buyer activity, inspections, and insurance
- Closing the deal

Section 2: Purchase and Sale Agreements

- The seven elements of a contract
- The key details of purchase/sale agreements
- Terms and conditions
- Preventing fraud
- Preventing termination and unenforceability

Section 3: Property Valuation

- Defining value and the appraisal process
- Analysis of the real estate market
- Appraisal results: error and fraud

Section 4: Title Registration

- Registration of land in Canada
- Registration, priority, and indefeasibility of charges

Section 5: Disbursements

- The closing procedure and document preparation
- Deposits, commissions, and adjustments
- Transfer taxes and legal fees



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ETHICS AND PROFESSIONAL CONDUCT

Ethical Practice in the Mortgage and Lending Industry (MLPP4)

Ethics involve frameworks for value-based conduct and making decisions where there is no clear wrong answer. These are referred to as ‘right-versus-right’ decisions. Ethics and professionalism are pervasive traits that affect every area business. Underwriters must understand and be able to apply the guidance provided throughout the areas listed below in their daily activities.

Section 1: Values as the Foundation for Ethical Practice

- Nature of values and value awareness
- How values influence goals
- Ethical relativism

Section 2: Ethical Systems

- Utilitarian ethics
- Duty ethics
- Group ethics
- Existential ethics
- Applicability of each ethical system

Section 3: Nature of Ethical Dilemmas

- What is an ethical dilemma?
- Right vs. Wrong issues and Right vs. Right dilemmas
- Types of dilemmas
- Ethical decision-making process

Section 4: Ethics and Trust

- Trust and expectations
- Elements of trustworthiness

REAL ESTATE AND MORTGAGE ECONOMICS AND INVESTMENTS

Real Estate and Mortgage Economics and Investments (MLPP5)

Underwriters should have a solid understanding of the macro-economic factors that affect the housing and mortgage markets in order to more fully assess how trends in these marketplaces may affect their borrowers (e.g. employment situation), the value of property securing the loan, and mortgage interest rates and products. Knowledge of financial planning and budgeting will also assist loan adjudicators with assessing a borrower’s plans and ability to meet his/her mortgage obligations, and to determine the most suitable mortgage product/terms for the borrower’s specific needs.



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Underwriters should also be informed of the various sources of mortgage funds, including financing available from Mortgage Investment Corporations and syndicated mortgages, and the role of mortgage investment products in raising funds.

Section 1: Real Estate and Mortgage Market Economics

- The economic importance of the real estate sector
- Factors that affect the demand and supply of housing
- Characteristics of real estate markets
- Considerations in establishing interest rates
- Characteristics of mortgage loans as investments
- Overview of mortgage market trends

Section 2: Financial Planning and Budgeting

- Household financial planning and budgeting
- Mortgage borrower qualification
- Types of mortgages
- Adjustments to financial terms
- Insurance considerations
- Prepayment clauses and costs
- Factors that impact credit reports

Section 3: Mortgage and Real Estate Investment Products

- Bonds and securitization of mortgages
- Mortgage investment corporations (MICs)
- Syndicated mortgages
- Real estate investment trusts (REITs)

REGULATION AND LEGISLATION

The Regulatory and Compliance Environment (MLPP6)

Underwriters must be knowledgeable about the legislative framework governing lenders, mortgage brokers, and mortgage default insurers, as well as other laws and regulations designed to ensure consumer protection. They must be able to apply these rules in practice, helping to ensure compliant conduct and prudent risk management, including fraud avoidance.

Section 1: Regulatory Overview

- Principles-based regulation
- Regulation of mortgage lenders
- Anti-money laundering and terrorist financing regulations



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The Regulatory and Compliance Environment (MLPP6) Continued

- Regulation of mortgage brokers
- Regulation of mortgage default insurers
- The Mortgage Broker Regulators' Council of Canada (MBRCC)
- Consumer protection laws (personal information, consumer reporting, anti-spam)
- Industry association codes of ethics and professionalism

Section 2: Compliance and Risk Management

- Definition of compliance and compliance risk
- Roles of compliance function
- Elements and benefits of creating effective compliance environments
- Required competencies for compliance roles
- Consequences of non-compliance
- Elements of risk and risk tolerance
- Basic approach to risk management
- Reputational risk
- Risk response options
- Enterprise risk management
- Monitoring risks

Section 3: Fraud Prevention

- Overview of mortgage fraud
- Tools used by fraudsters
- Fraud for shelter
- Appraisal fraud
- Illegal property flipping
- Air loan fraud
- Title fraud
- Fraud to further other criminal activities
- Red flags for fraud and fraud prevention/mitigation strategies
- Fraud avoidance practices for mortgage brokers
 - Face-to-face verification
 - Non face-to-face verification
 - Verifying application, employment, down payment, property, and credit report information
- What to do if fraud is suspected



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BUSINESS MANAGEMENT

Business Management (MLPP7)

Organizations must possess key competencies for successful business operations. An enhanced understanding of the factors which affect critical thinking and frameworks for problem-solving is directly applicable to the lender's abilities to conduct thorough assessments of borrower needs. The capability to communicate well, in turn, allows for a clear and shared understanding of the needs of all parties to the mortgage transaction. This is important to the building of trusting and mutually beneficial relationships with clients.

The review of leadership styles, change management and conflict resolution should provide lenders with opportunity for self-reflection and professional development, which in turn may be manifested in dealings with brokers, regulators and other industry stakeholders.

Section 1: Critical Thinking and Problem Solving

- Key aspects of critical thinking
- Problem solving: understanding problems, generating ideas, planning for action
- Application of critical thinking in a problem solving framework

Section 2: Marketing and Communications

- The communication process
- Developing a communications message
- Communication noise and filtering
- Communication source, medium, and message
- Non-verbal communications
- Developing an integrated marketing program
- Decisions and strategies for price, product, promotion, and place (Four Ps)
- E-mail etiquette
- Canada's Anti-Spam Law
- Advertising

Section 3: Understanding Leadership

- The nature of leadership
- Leadership and management
- Sources of a leader's power and influence
- Leadership traits
- Advances in understanding leadership traits
- Leadership behaviour
- Contingency theories of leadership
- Coaching



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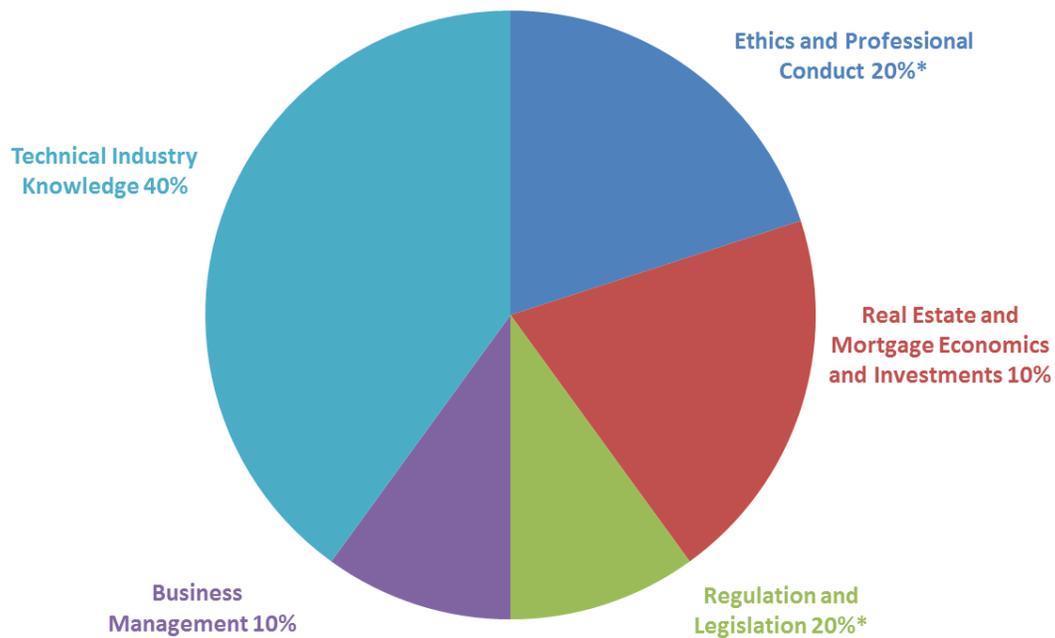
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Business Management (MLPP7) Continued

- Participative leadership
- Change management
- Conflict resolution

NATIONAL COMPETENCY EXAM

Non-Broker Stream Knowledge Domain Weightings



**These weightings may be higher given that: ethics and professionalism are pervasive attributes reflected across multiple domains; and knowledge of regulation and legislation underpin all activities.*