

October 20, 2015

Honourable Michael de Jong, Q.C.
Minister of Finance
PO Box 9048, Stn Prov Govt
Victoria, BC V8W 9E2

Re: Changes to Borrower Conflict of Interest Disclosure Statement under the *Mortgage Brokers Act*

Dear Minister de Jong:

As Chair of the Canadian Association of Accredited Mortgage Professionals, I am writing to convey our position regarding the implementation of changes to the conflict of interest disclosure statements recently proposed by the B.C. Financial Institutions Commission (FICOM).

The Registrar is considering amendments to the manner in which brokerage compensation¹ is disclosed to borrowers on *Form 10: Borrower Conflict of Interest Disclosure Statement*. The contemplated changes would require the calculation and disclosure of the exact amount paid to brokerages, including all contingent future compensation. While FICOM has advised that stakeholder input is not being sought, we strongly believe effective public policy decisions are best developed in partnership with the industry through open consultation and dialogue, which has not occurred in this case.

Our understanding of the public policy rationale is to ensure that mortgage brokers are recommending the best product for their clients – a goal that we have always supported. Disclosure to borrowers is a critical component of the mortgage transaction, and we commend the Registrar and FICOM for considering efforts to enhance current disclosure requirements. The mortgage broker's responsibility is to recommend the best product based on a borrower's needs. As such, it is appropriate that a borrower have all the necessary facts before committing to a mortgage transaction, including disclosure that a brokerage has, or may, receive compensation with respect to a transaction, and from whom.

Beyond disclosing the nature of the compensation and manner of calculation, the intricacies of estimating and calculating potential compensation are not material to either the broker's recommendation or the consumer's choice. We believe this level of detail would not result in more meaningful disclosure to borrowers; rather it leads to borrower confusion, misunderstanding, and distraction from the more important terms and conditions of their mortgage.

¹ *The compensation disclosure considered here does not refer to fees payable by the borrower. Exact amount disclosure is already provided for any fees payable by the borrower that contribute to the total cost of borrowing.*

It is important to note that in offering mortgages, all lenders² incur costs. Many lenders choose to pay a fee to a brokerage instead of incurring overhead and staffing costs. Regardless of the business model, **these fees are not payable by the borrower, and do not directly influence the rate offered.** Disclosing the exact amounts would put the broker channel at a disadvantage to lenders who do not need to make a similar disclosure. Adding the exact amounts of compensation may distort the borrower's perception of their costs, and wrongly conclude that it is more expensive to use a broker.

We have been advised by FICOM that they have not received consumer complaints regarding the current method of disclosure, nor any consumer claims that the additional inclusion of exact fee amounts earned by brokerages would have been helpful in their decision-making process. Several other provinces have recently considered this same requirement and opted not to include it in their disclosure rules and/or regulations.

As a member-based association, it is important that we consult with our 1,600 strong membership in B.C. on these changes. We are in the process of preparing a special membership survey that will take approximately three to four weeks to complete. This consultation will ensure that our position best reflects the views, positions and expertise of our diverse membership and that all intended and unintended effects are identified.

The proposed additions to *Form 10* represent a significant change to the prescribed forms used by all mortgage brokers. We request that you delay any implementation and begin a stakeholder consultation process where we can present the findings from our industry survey and our recommendations.

Thank you for your consideration on this important matter.

Sincerely,



Jared Dreyer, AMP
Chair and BC Regional Director

cc: Honourable Suzanne Anton, Minister of Justice

² In this context, the term "lender" includes registered brokerages that are permitted to act as lenders under the Mortgage Brokers Act.