

Key Messages

- Good morning, my name is (x) and I am a mortgage broker and constituent here in (x). I am hoping for an opportunity to discuss with (x) some recent changes that have been made by the BC mortgage regulator and how they will impact mortgage affordability in our province.
- Did you know that mortgage brokers help support affordable and accessible homeownership for British Columbians? We do by saving them on average, 19 basis points on the cost of their mortgage according to a Bank of Canada report. We keep the banks honest, and ensure healthy competition in the industry.
- You may not be aware, but recent changes made by the BC regulator regarding disclosure requirements for mortgage brokers have targeted our channel exclusively; banks and credit unions will not need to meet the same requirements. This is unfair and, effective June 30, will put the mortgage broker channel at a competitive disadvantage.
- I want to express my support for the goal of increased transparency with these new guidelines; however, I cannot support these measures because they do not actually meet their stated goal of demonstrating potential conflicts of interest.
- I am disappointed with the regulator's final decision in part because our industry had an ongoing dialogue with them and provided extensive feedback on their proposed guidelines. We are disappointed that our concerns, recommendations, and the evidence we provided were ignored.
- I am worried that the changes will increase the cost of mortgages in British Columbia. It will do so through the practical outcomes caused by the new disclosure requirements: All brokerages will have the same compensation structure, which will prevent innovation and competition.
- I would be pleased to provide your office with more information outlining our concerns and potential solutions that we see to the announced changes. May I send that information to you to share with (x)?
- I am asking you today to make a commitment to contact the Minister of Finance, Michael de Jong, and request that these changes be amended to take into account the competitive disadvantage they will have on our channel as well as the impact they will have on the competition and innovation we provide to consumers. Minister de Jong can be reached at mike.dejong.mla@leg.bc.ca or at his office at (250) 387-3751.

If pressed:

- The new requirement for brokerages, networks and franchisors to disclose any volume bonuses and other fees received directly from a lender is problematic for a few reasons:

- Namely, this requirement is not in place for bank mortgage ‘specialists who will not have to disclose similar fees or conflicts. This puts the mortgage broker channel at a direct competitive disadvantage, which we think is unfair.
- We think the consumer should receive increased disclosure from everyone operating in the industry. The competitive disadvantage could ultimately result in higher rates for consumers if there is a reduction in usage of the mortgage broker channel because of these changes.
- Additionally, many brokerages have individual agreements with lenders that provide better rates for consumers should that brokerage hit specific volumes. This benefits the consumer as it can save them thousands of dollars in interest payments over the course of their mortgage.
- The new requirements will force brokers to disclose these individual agreements, which are currently protected by non-disclosure agreements for obvious business and competition reasons, and we are concerned that the competition and innovation that these provide will be removed from the marketplace. This again will have a negative impact on rates for consumers.
- All of these changes are being compounded by the recent federal government announcements regarding mortgage insurance and eligibility, which are already placing significant burdens on our industry.