



July 20, 2021

Francesco Sorbara
Parliamentary Secretary to the Minister of National Revenue
House of Commons
Ottawa, ON K1A 0A6

Dear Mr. Sorbara,

Re: Enhancing Mortgage Fraud Prevention Through Canada Revenue Agency Income Verification

Thank you for the recent opportunity to discuss enhancing mortgage fraud prevention. As has been discussed, while almost all prospective borrowers are open and forthright with lenders when sharing their financial information, some are not. With loan values increasing, the mitigation of risk is more important than ever. Lenders have long desired - and requested of the Canada Revenue Agency - the ability to easily and readily verify the incomes of prospective borrowers through the CRA. Indeed, [it was reported in 2018 by Reuters](#) that CMHC also “asked the country’s tax authority to take a “more direct and formal role” verifying income claimed on mortgage applications, part of a two-year plan to tackle mortgage fraud,” to no avail.

Today, tax accountants are able to access their clients’ previous tax filings to assist in the accurate preparation of future filings. Clients provide their tax representative with a signed consent and authority, as prescribed by CRA, and the tax representative can then access previous filings and supporting documents; T4s, T4As, Investment and capital gains details, etc. We ask that a similar access be permitted to mortgage lenders (or third party service providers), with the appropriate client permissions, to enable the lenders to verify the details disclosed on received mortgage applications.

Lenders today receive any required income documents directly from the mortgage applicants. According to CRA, potential borrowers can receive this proof of income by:

- printing off their own Notice Of Assessment via the CRA’s My Account service; or
- ordering a copy of a proof of income statement to be mailed to them, which can take up to 10 days to receive by mail

We do not believe this is appropriate practice any longer; the former is susceptible to fraud, as outlined by CMHC in 2018, and expressed by many of our bank and lender members, and the latter takes far too long in a digital world, especially when this information is already available more quickly to other service providers in Canada by way of methods already approved by CRA.

In 2012, OSFI introduced its Residential Mortgage Underwriting Practices and Procedures Guideline, also known as Guideline B-20. OSFI introduced B-20 to “set out expectations for strong residential mortgage underwriting for federally regulated lenders.” Guideline B-20 was amended in late 2016 to introduce a mortgage stress test and, importantly for this discussion, set out a heightened responsibility of due diligence for banks and lenders to verify income and employment status of mortgage applicants. The introduction of a client-authorized means for mortgage lenders to verify previously declared income information would significantly increase the ability for lenders to meet the requirements outlined in



Guideline B-20, and help better protect these banks and lenders from fraudulent misrepresentation. Such income verification will ultimately make the housing market significantly freer of fraudulent transactions, real estate investments freer from proceeds of crime or money laundering, and send a signal to Canadians that the government is taking action to alleviate house prices by reducing criminality.

There is also a potential benefit to the CRA in what we seek: In providing authorized access to individuals' reported income details to the mortgage banking community, CRA will learn if disclosed taxable incomes match stated incomes for mortgage qualification purposes. Indeed, in much the same way our community seeks to verify its clients, CRA itself can potentially verify taxable income.

The proverb "trust, but verify" holds especially true when it comes to large loans such as mortgages. Safe and ready access to approved income verification information by qualified lenders and their established service providers benefits honest borrowers, the mortgage and lending industries, the federal government, and Canadian taxpayers as a whole. We trust that this request be thoroughly considered and finally implemented in short order. We are ready and willing to discuss and provide any information relevant ministries, agencies or other entities may seek.

Mr. Sorbara, thank you for your attention to this matter and for your ongoing efforts on behalf of your constituents and all Canadians. I look forward to your reply.

Sincerely,

A handwritten signature in blue ink, appearing to read 'PTaylor', with a long horizontal flourish extending to the right.

Paul Taylor
President and CEO
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