

2017

annual report



MORTGAGE
PROFESSIONALS
CANADA



Contents

About Us	2
Governance	3
Message from the Chair	4
Message from the President and CEO	5
Government Relations	6
Broker Channel Promotion	8
Membership	10
Events	12
Accredited Mortgage Professional	15
Education	16
Financial Highlights	18
The Canadian Mortgage Market	19

Mortgage Professionals Canada is the national mortgage industry association representing 11,500 individuals and 1,000 companies, including mortgage brokerages, lenders, insurers and industry service providers. Our members make up the largest and most respected network of mortgage professionals in the country whose interests we represent to government, regulators, media and consumers. Together, we are dedicated to maintaining a high standard of industry ethics, consumer protection and best practices.

The mortgage broker channel originates 33% of all mortgages in Canada and nearly 50% for first-time buyers, representing approximately \$80 billion dollars in annual economic activity. With this diverse and strong membership, we are uniquely positioned to speak to issues impacting all aspects of the mortgage origination process.

In 2004, Mortgage Professionals Canada created the Accredited Mortgage Professional (AMP) designation as part of its ongoing commitment to increasing the level of professionalism in Canada's mortgage industry. AMPs must meet a number of qualifications which include successfully completing mortgage education covering ethical practice and responsibilities and completing Continuing Education (CE) units each year in order to maintain their designation. AMPs are committed to providing the highest level of service and meeting Canadian homebuyers' needs.

Vision

To be recognized as the premier voice of Canada's mortgage broker channel and the leading authority on mortgage issues.

Mission

To provide leadership, advocacy, education and information to ensure successful collaboration between the association, its members, regulators, and mortgage consumers.

Objectives

- ♦ Promote consumer awareness of the benefits of dealing with the mortgage broker channel
- ♦ Advocate for member interests on legislative and regulatory issues
- ♦ Develop, monitor and promote responsible mortgage industry standards and conduct
- ♦ Deliver best-in-class training for mortgage professionals
- ♦ Provide timely and relevant information to members and mortgage consumers

Governance

2017 Board of Directors

3

EXECUTIVE



Mark Kerzner
CHAIR



Lionel Lewko
VICE CHAIR



Claude Girard
TREASURER



Michael Wolfe
SECRETARY



Jared Dreyer
PAST CHAIR



Paul Taylor
PRESIDENT & CEO

DIRECTORS



Vince Agozzino
ONTARIO



Robert Boyd
ONTARIO



Michael Cameron
ALBERTA/NWT



Albert Collu
ONTARIO



Terri Gibbons
INDUSTRY
REPRESENTATIVE



Mathieu Lebrun
QUEBEC



Diane Macpherson
MANITOBA



Sangeeta Nair
ONTARIO



Maria Pimenta
DIRECTOR-AT-LARGE



Dan Pultr
BC/YUKON



Elaine Taylor
ONTARIO



Gail Temple
ATLANTIC



Dave Thrithart
AMBA
REPRESENTATIVE



Dustan
Woodhouse
BC/YUKON



A Defining Year

A Message from the Chair

Mark Kerzner, AMP

2017 could be easily described as one of the most critical for our industry and for the association. What began in the wake of the federal announcement on mortgage insurance and qualification changes in October 2016, resulted in an unrelenting 12 months of advocacy and awareness.

Words like stress testing, risk sharing and income sprinkling went from relative obscurity to being household terms. The cumulative impact of the changes has affected the Canadian mortgage market and lending landscape in material ways.

Despite this, the overall Canadian mortgage market remains quite healthy. Canadians continue to view real estate as a good long-term investment and consider their mortgage as good debt, despite fluctuating housing prices and recent government intervention.

Mortgage Professionals Canada took on an active, indeed proactive role on behalf of members regarding the proposed government changes. Time, financial resources, energy and focus were heavily invested to establish and enhance meaningful relationships with government, the Bank of Canada, the provincial regulators, the Department of Finance and OSFI.

I am extremely proud of what we accomplished together, however I am frustrated that we didn't make more headways in terms of our impact. We were able, at least in part, to persuade the government's Finance Committee to hold hearings, at which we were also able to testify and wield some influence. We held our first ever Hill Days that received national recognition. We then held provincial-member days at Queens Park, in Victoria, and throughout Atlantic Canada and testified in front of the Senate Committee on tax changes.

During my term, I wanted to concentrate on a number of priorities that would ultimately enhance the stability and growth of our association. While government relations took centre stage, we were also successful in broadening consumer awareness to ensure Canadian homebuyers understand that it is more important than ever to use the services of a mortgage broker. We undertook a leadership role in advocating for the Canadian mortgage consumer through meaningful campaigns and we were pleased to provide enhanced communications to our members. We worked collaboratively with all membership groups to strengthen the brokerage industry as a whole and enhanced our working relationship with AMBA to streamline member offerings.

I would like to thank our members for their commitment to the association. I had the pleasure of meeting many of you across the country over the course of the year and was impressed by your passion, hard work and commitment – all of which are invaluable to our industry's growth.

I would also like to thank the Board of Directors and senior management whose tremendous input, ideas and support were very much appreciated. I wish to thank each and every one of them for leading the association through these turbulent times. I would also like to acknowledge my supportive colleagues at TMG The Mortgage Group who saw a lot less of me this past year.

While stress in the marketplace is likely to cause additional changes ahead, rest assured that Mortgage Professionals Canada is well positioned to help the industry adjust and thrive in the face of these challenges. I have every confidence in both the future of our industry and our national association.

Thank you for a rewarding year.

“

Words like stress testing, risk sharing and income sprinkling went from relative obscurity to being household terms.

”

A Unified Industry

A Message from the President and CEO

Paul Taylor



5

The success of any association can be measured in different ways such as membership growth, strong financials or relevant and well-attended events. For 2017, success meant all of these things, but the overarching focus was working together to strive for positive change with government.

It has been just over a year since the federal government announced changes to mortgage insurance and eligibility. Since that time, we have taken our federal lobbying efforts full throttle. As the impact of the changes continues to be felt, it is paramount that we continue to apply collective industry pressure. The more unified we are in our voice, the greater the likelihood of us affecting positive change.

Over the course of the past year, members rallied like never before and I have been incredibly inspired by your overwhelming resolve. Together, we have created a movement and together, we can affect change.

You reached out to your MPs which helped initiate hundreds of meetings in Ottawa and resulted in a Parliamentary Committee study and the highly successful Advocacy Days.

You encouraged your clients to contact their MP to explain how the changes affected them personally.

You responded to our impact survey to determine how the changes will affect you personally; and collectively, your answers were included in our public consultation report.

You submitted personal letters to government through the public consultation process on proposed tax code changes.

Advocacy efforts, important in any given year, but critical this past year, were made possible and more effective thanks to our members.

While a significant amount of time and energy was spent on government relations, we did not lose sight of offering quality member services in all areas. Here are just a few highlights:

- ♦ 2,000 new members were welcomed and several new member benefit programs were added
- ♦ Two-jam packed days of mortgage content at the national conference, held in Niagara Falls for the first time
- ♦ Ample opportunities for business development and networking at events and education sessions across the country including inaugural events in Ottawa
- ♦ Mortgage fraud summit featuring leading experts discussing best practices
- ♦ Strong association partnerships with AMBA in Alberta and APH in Quebec
- ♦ Awarded agent and broker relicensing in Ontario; submitted licensing course for Quebec mortgage brokering; offered a second mandatory continuing education course for licence renewal in BC
- ♦ Delivered daily mortgage industry news and streamlined member communications
- ♦ Restructured CMT website, added new contributors, increased article frequency, restructured advertising process
- ♦ Enhanced, member-focus for Mortgage Journal magazine
- ♦ New consumer-facing advertising campaign
- ♦ World-class market research highlighting the issues that matter most to the industry as well as information on consumer borrowing behaviour

I would like to thank 2017 Chair, Mark Kerzner for successfully leading us through a challenging year. Mark's contributions, support and strong voice for professionalism were valuable assets indeed, particularly when confronting federal government issues. While the industry faces potential uncertainties ahead, the association remains strong, thanks in large part to Mark's commitment and steadfast devotion which have already helped steer the course for what lies ahead. It was an honour to work along side him this year, and a continued privilege for me to serve such a great industry.

Government Relations

6

Rallying Behind the Industry

This past year was likely one of the most challenging and most important for the association and the industry and could easily be defined by three simple words: mortgage rule changes.

Federal Finance Minister Morneau's announcement of mortgage insurance and qualification changes sent shock waves through the industry. These changes were announced with no warning to the industry and almost no consultation. Since that time, the association has been vehemently advocating on behalf of and in collaboration with members to mitigate the negative impacts of the changes.

From stress tests and portfolio insurance criteria to risk sharing, OSFI's B20 consultation and the proposed federal tax changes for corporations, Mortgage Professionals Canada was actively involved in all aspects of government relations pertaining to our industry.

At the start of the year, focus groups and roundtable discussions were held with key industry stakeholders to evaluate the impact and implications. Efforts to reach decision makers in Ottawa included regular communications with the Minister of Finance, meetings with MPs to increase their awareness and understanding and producing materials which summarized the issues and highlighted the industry's position.

Time and again, members have identified government relations as the number one activity the association undertakes, and with good reason. Representing

the interests of members with government and focusing on the important role played by members and the Canadian mortgage industry with all levels of government remains a top priority.

Aggressive federal advocacy efforts over the course of the year included, but were not limited to:

- ♦ Meetings with Finance Minister Morneau and Ottawa officials
- ♦ Parliament Hill Advocacy Days (March and October) educating MPs on the importance of the broker channel and the negative impacts of recent changes on their constituents – 100+ meetings held
- ♦ Submission to Standing Committee on Finance
- ♦ Presented at Parliamentary Committee Hearings
- ♦ Testified before Standing Committee on Finance
- ♦ Launched member-based and consumer-based advocacy campaigns
- ♦ Submission of multiple policy documents to government (Risk Sharing, B-20, Pre-budget, Finance Committee, Small Business Tax Code changes)
- ♦ Creation of background materials, speaking points, webinar
- ♦ Ongoing updates to members

Strong relationships were established with key officials and strategic meetings were held with MPs, the senior advisor in the Prime Minister's Office, the leader of the opposition and the parliamentary secretary to the minister responsible for CMHC ensuring an open and ongoing dialogue was maintained.



Overview of Changes

- ◆ Low-ratio insured mortgages to face the same stricter eligibility requirements as homebuyers with lower down payments
- ◆ Closing a tax loophole that allows non-residents to buy homes and later claim a tax exemption on the sale
- ◆ A stress test for all uninsured mortgages of at least 2% above the contract rate
- ◆ LTV measurements be dynamic and adjusted for local market conditions where they are used as a risk control, such as for qualifying borrowers
- ◆ Prohibiting co-lending arrangements that are designed, or appear to be designed, to circumvent regulatory requirements
- ◆ Tax planning strategies (income sprinkling, passive investment income and capital gains)

Provincial Advocacy

While the primary focus of government relations efforts were at the federal level, the association also continued to be active on the provincial front. The Regional Chapters worked with provincial regulators by providing important input on broker legislation and regulations. Provincial regulators also spoke at this year's spring regional symposiums providing updates and information to members across the country.

Provincial advocacy efforts over the course of the year included:

- ◆ First annual Queen's Park Advocacy Day including 30+ meetings with MPPs
- ◆ First annual BC Advocacy Day including 30+ meetings with MLAs
- ◆ Named to housing advisory body by MPP Ernie Hardeman
- ◆ Atlantic Canada government relations tour
- ◆ Saskatchewan Legislature blitz day
- ◆ Regular and ongoing dialogue with FICOM regarding the new borrower disclosure guidelines
- ◆ Consultation process with Quebec regulator regarding oversight from OACIQ to AMF

The focus on the Canadian mortgage industry during the year was almost unparalleled. The cumulative impact of rule change measures taken may not become immediately apparent, however Mortgage Professionals Canada will continue to ensure the industry's collective voice is heard. Working together as a unified industry will help to shape mortgage-related legislation that is efficient and effective for all stakeholders.



Broker Channel Promotion

Raising Awareness through Enhanced Communications

In a constantly evolving industry,

Mortgage Professionals Canada remains the constant voice providing updates and information on the issues that matter to members. Through a wide variety of distribution channels including targeted email campaigns, mass media coverage, print and digital publications and social media updates, members benefit from a consistent and credible source for association and industry information.

Over the course of the year, refinements were made to existing communication options and new ones embraced in order to better reach and serve the membership.

Enhanced Communication Offerings

- ♦ Introduction of daily mortgage industry news
- ♦ Improved design and functionality of emails
- ♦ CMT:
 - redesign of site; enhanced job posting section, more accessible content on all devices; increase of article frequency; additional contributors; restructured advertising; consumer content
- ♦ Mortgage Journal:
 - new publisher; member-focused editorial calendar, lenders' corner
- ♦ Advertising
 - new ad created; extensive coverage from coast to coast
 - digital campaigns promoting education offerings and national conference

Consumer Outreach

Strengthening the mortgage broker channel and fostering a more unified broker channel presence is one of the association's primary goals. This year saw a new campaign which builds on the value of a mortgage broker message.

Print and online advertising appeared in a variety of outlets both regionally and nationally to ensure the message is seen by consumers in markets across the country. The campaign's call-to-action directs consumers to the Find a Broker directory to ensure

maximum impact for broker members. We also undertook a closed-captioning campaign for the first time.

Value of a Mortgage Broker Video

The 30 second video is a valuable tool for brokers to use with their clients. Members are encouraged to leverage the simple, yet effective messaging that mortgage brokers offer unparalleled choice and expert advice by sharing the video on their websites and social media to help raise awareness among the borrowing public.

Valuable Resources

Canadian Mortgage Trends (CMT) continues to be Canada's preeminent mortgage news site by offering timely news and information you need to stay current. Timely, credible and accurate information is one of the strengths of our organization and we are pleased to offer added value to our members.



Over the course of the past year, a number of enhancements were made to the site including an overhaul of the site's functionality and usability as well as the addition of new contributors, more frequent articles, consumer content and restructured advertising.

Mortgage Dashboard continues to offer leading-edge data to help members decipher where rates are heading and accessing regularly-updated data and represents a valuable resource to share with clients.

Both sites help build awareness of the broker channel among Canadian mortgage consumers through the Find a Broker feature.

Social Media

Timely and relevant information is provided through the association's social media outlets. Members can connect with colleagues on specific issues and engage in productive discussions. Content includes industry facts, updates on events, education and government relations as well as interesting articles and sharable stats. These vehicles also encourage connection with members on more of a conversational level.

Publications

Industry and Consumer Research

Mortgage Professionals Canada continues to produce two key annual reports based on statistical data collected from surveys of Canadian consumers. The conclusions found in the surveys are designed to provide members with information on consumer borrowing behavior as well as an outlook on the residential mortgage market.

In the spring, survey respondents were grouped into four categories and for the first time, regional segmentation was implemented. In addition to standard benchmarking questions, new thoughts around the mortgage rule changes, including awareness, sentiment and impact were sought. Results revealed that Canadians in key regions across the country have measured optimism for the housing market and the economy.



The *Annual State of the Residential Mortgage Market* report in the fall revealed that despite a somewhat negative outlook of the housing market, Canadians have consistently shown confidence in residential real estate and the majority feel real estate is a good investment and viewed mortgage debt as "good debt". The report also reveals the current challenges in achieving homeownership, and the significant effect on younger Canadians.

Industry research and insight on consumer borrowing behaviours and market activity are designed to assist members in developing deeper client relationships and planning for success by being better informed.

Mortgage Journal

The industry's national publication has a new publisher and an enhanced focus on profiling members. Each issue contains an overarching theme such as economics, leadership, sales and marketing and real estate in which members will offer their insight and expertise. Available in both and electronic formats, the magazine is designed as a valuable industry resource, and delivers coverage and analysis of relevant issues and market activity. Each issue is also mailed to every MP in the country to help educate them on industry issues.

In an ever changing and somewhat challenging environment, membership remains stable. Over the course of the past year, we were pleased to welcome over 2,000 new members.

Mortgage Professionals Canada members, which include brokers, lenders, insurers and suppliers, belong to Canada's largest and most respected network of mortgage professionals in the country.

Through a demonstrated commitment to a code of ethics and adherence to professional and moral standards, members provide credibility and authority for borrowers and are committed to providing the highest level of service and meeting Canadian homebuyers' needs. Consumer confidence is critical as the need to work with a mortgage broker has never been more important. Canadian homebuyers can trust in the experience and knowledge of a broker who is a member of Canada's national mortgage industry association.

Members benefit from valuable products and services to help them meet their business needs and remain competitive including:

- ♦ Unparalleled advocacy efforts with all levels of government
- ♦ Provincial and regional representation on local matters
- ♦ Online Find a Broker directory for potential clients to find you
- ♦ Online Member Directory for mortgage professionals to find you
- ♦ Exclusive money saving benefits program
- ♦ Timely news and information
- ♦ Professional recognition through accreditation
- ♦ Career enhancement through education and training
- ♦ Opportunities for business development and networking

Member Benefits Program

Members benefit from a comprehensive benefits program offering a wide variety of quality products and services. This past year, we partnered with two new member benefits providers in order to offer enhanced value and savings:

The Business Source

Each month, members receive top business strategies from today's best business books right to their email. Time-saving summaries and key points are offered on a variety of platforms enabling members to use their preferred method to obtain new ideas and stay competitive. Book summaries are the fastest way to grow your business knowledge. Video summaries deliver the key ideas from a great business book in less than 5 minutes. If you want to go deeper, you can read a 6-page text summary or listen to a 20 minute audio summary.

Nebs Business Solutions

Members receive discounts on a wide range of business products and services including cheques and banking products, print marketing, office supplies, retail packaging and more.

Additional discounts for members include

- ♦ Enhanced savings on a wide variety of products and services through Perkopolis
- ♦ Exclusive discounts and special offers on attractions, events, hotels and more in the United States
- ♦ Preferred Home and Auto Insurance through thePersonal
- ♦ Premier Errors and Omissions Insurance through RDA Insurance
- ♦ Significant discounts on events and educational offerings

Young Professionals Network

The Young Professionals Network (YPN), made up of mortgage professionals, 35 and younger, is vitally important to the future of our industry and we are committed to supporting those newer to the industry.

The YPN provides peer-to-peer support for new entrants to the business, offers mentorship programs, creates a networking community and encourages professionalism as a fundamental platform for novice and intermediate mortgage brokers. Social networking events and friendly competition opportunities will also be offered.

Online Directories

Find a Broker

To promote broker awareness and use among the borrowing public, the Find a Broker directory is available through mortgageproscan.ca, canadianmortgagetrends.com and mortgagedashboard.ca as well as all consumer-facing advertising.

Member Business Directory

This online directory is a tool used to search for products and services within the industry. There are several tools available to help with your search including an advanced search to find mortgage professionals by company, name, or member type.

Committees and Chapters

Members have the opportunity to contribute to the development of the association by sharing

their expertise and perspectives as a volunteer on a committee. These dedicated volunteers help the association prosper through their knowledge, commitment and enthusiasm.

We are also pleased to provide regional representation on local matters through our Broker Chapters across the country. Each chapter is comprised of mortgage brokers from the region who provide input on industry and regulatory issues and discuss emerging trends and issues specific to their regions.

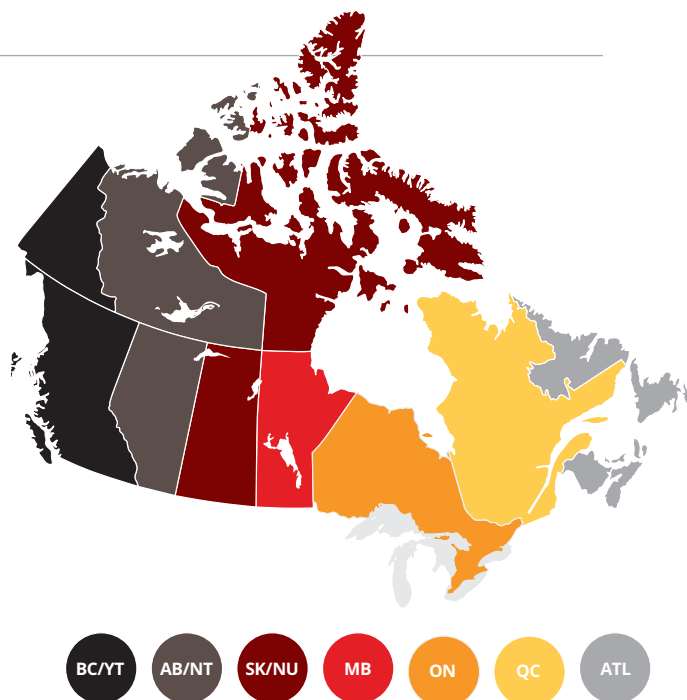
Membership Snapshot

The map below depicts the breakdown of broker members vs lender members in each region which shows significant broker member representation. On average, broker representation is at 90% in every province.

National Membership Breakdown

As at January 1, 2017

REGION	BROKER	LENDER	TOTAL
Alberta/NT	1,068	45	1,152
Atlantic	261	13	304
BC/Yukon	1,192	51	1,293
Manitoba	241	3	254
Ontario	6,474	284	6,994
Quebec	852	18	908
SK/Nunavut	235	31	276
Other	2	0	8
Members:	10,325	445	11,189



Representing Seven Regions Across the Country



Mortgage Professionals Canada is committed to

offering high-quality events that highlight relevant industry topics and deliver knowledge and insight to help achieve business success. Held throughout the year and across the country, leading-edge events are designed to help members broaden their contacts and develop their business and represent the ideal venue where the most influential community of mortgage leaders in Canada converge.

National Conference

In November, over 1,200 industry professionals from across the country descended upon Niagara Falls for the industry's flagship event of the year. Building on the success of the 2016 two-day format, this year's conference took advantage of the iconic and picturesque locale.

High-profile figures took the stage for a series of keynote presentations including Stephen Harper, Amanda Lang and Terry O'Reilly.

The program offered plenty of opportunities to learn about the latest trends in our constantly changing industry. Delegates heard insights and outlooks from industry experts; discovered the latest products and services and reconnected with old friends while making new connections.

During the lender panel, four industry leaders discussed the impacts of the federal mortgage rule changes over the past year and esteemed economists shared their insight into current market conditions and new financial realities.

Delegates also took advantage of customizing their learning experience through a wide variety of content-rich concurrent sessions delivered by industry experts. Organized into three learning streams: Management, Technical and Sales and Marketing, these sessions offered something for everyone.

The Expo offered the ideal venue for meeting new contacts and gaining valuable information. Delegates talked one-on-one with leading industry representatives to help move their business forward.

Canadian Mortgage Hall of Fame

During the National Conference, some 500 mortgage professionals came out to pay tribute and enjoy this night of celebration to honour the latest inductees to the Canadian Mortgage Hall of Fame: **John Bordinon, AMP, Ed Gettings, AMP, Andrew Moor, AMP and Dan Putnam, AMP.**

Industry Awards

The Industry Awards celebrate the accomplishments and innovations of mortgage professionals in a variety of categories. The 2017 recipients were honoured during the Mortgage Hall of Fame and Awards Night during the National Conference in Niagara Falls.



2017 Industry Award Recipients

Broker of the Year

Tracy Valko, AMP

Making a Difference Community Service Award

John Ribalkin, AMP

AMP of the Year

Mike Raghubar, AMP

Innovator of the Year

Matthew Ablakan

Mentor of the Year

Bud Jorgenson, AMP

BDM of the Year

Paul Gajdos

Underwriter of the Year

Helga Peller

Marketing Campaign of the Year

Ramin Nazaradeh

Financial Literacy Leader of the Year

Ross Taylor

Regional Symposiums and Trade Shows

The spring regional symposium circuit kicked off in March with a large crowd at the first-ever Ottawa symposium, held in partnership with the Eastern Ontario Lender's Association. Toronto followed shortly after, then Halifax, Saskatoon, Winnipeg and Burnaby. The Montreal event was held in October in partnership with the Mortgage Lenders Association.

Leading educators and industry authorities attracted some 2,000 mortgage professionals across the country who benefited from relevant and timely information and useful resources designed to improve their business. 140 exhibitors participated at the trade shows at each event where attendees discovered new industry initiatives and emerging trends.

In June, we were very pleased to partner once again with the Alberta Mortgage Brokers Association (AMBA) for a joint spring conference, Mortgage World 2017 held at the West Edmonton Mall. The event was a tremendous success, providing quality education, networking and social activities in one of the busiest shopping centres in North America. This enormous consumer hub also enabled us to promote the benefits and value of working with a mortgage broker to an unparalleled audience.



Events

Mortgage Fraud Summit

This year's Fraud Seminar held in October in Toronto was a jam-packed, half-day event where attendees heard from leading experts on mortgage fraud schemes and best-practices. The agenda covered fraud analytics and cyber crime, fraud detection to tools and new technologies as well as lender perspectives on mortgage fraud trends. Thank you to the support of our fraud prevention partners, Canada Guaranty, CMHC and Genworth Canada.

Information Sessions

Over the course of the year, compact and comprehensive education sessions were offered in various cities across the country during which attendees heard the latest updates on government relations initiatives and local market insights designed to help members stay informed and prepared for an ever-changing marketplace.

Home Shows

Held in Vancouver and Halifax, we were pleased to provide an opportunity for members to participate at local home shows to raise awareness of and educate consumers about the benefits of working with a mortgage broker.

Golf Tournaments

The annual spring charity golf tournaments brought novice players and professional golfers-in-the-making together for fun on the links in Winnipeg, Vancouver, Toronto, London and, for the first time, Ottawa. These events provide an excellent opportunity to network with fellow mortgage professionals and develop new business relationships, all while supporting local charities.



Accredited Mortgage Professional (AMP)

A Standard of Excellence

15

The Accredited Mortgage Professional

is Canada's only national designation for mortgage professionals. Launched in 2004, the AMP was developed as part of our ongoing commitment to increasing the level of professionalism in Canada's mortgage industry through the development of educational and ethical standards.

AMPs maximize their competitive advantage with the knowledge and training needed to succeed in an increasingly assertive business market. The designation represents a powerful marketing tool, enhances consumer confidence and improves the image of the industry. AMPs also received discounts at events and on educational offerings.

As the designation and our industry have evolved, we have undertaken comprehensive evaluations and benchmarking exercises and review its objectives to ensure the designation continues to set the bar high. Enhancing professionalism within the industry brings value to the designation, the association and the industry as a whole.

Becoming an AMP

To reflect our strong and inclusive industry, there is one, unified AMP designation for both brokers and non-brokers.

We continually strive to strengthen the designation in terms of credibility, retention and awareness. Qualifications to both obtain and maintain the AMP have been enhanced including the successful completion of a National Competency Exam, offered in collaboration with the University of British Columbia's Sauder School of Business. The National Competency Exam represents an assessment of an AMP applicant's ability to apply the knowledge and skills required for the designation. The exam covers concepts and practices related to the topics outlined in the AMP Knowledge Domains, which reflect key areas of competency required for AMPs. There are a number of resources available to assist in preparing for the exam including practice exam questions and answers, and optional courses.

Raising Awareness

AMPs feature prominently on the consumer online tool, Find a Broker as well as in media articles. Research also shows that there is no better promotion than self-promotion and AMPs are encouraged to do their part to raise awareness of the value of the designation.

We would like to acknowledge all AMPs for their commitment to upholding the highest standard of industry performance.

Benefits of Being an AMP

- ♦ Maximize your competitive advantage
- ♦ Improve your marketability and distinguish your expertise
- ♦ Instill consumer confidence
- ♦ Demonstrate your proven industry experience and leadership
- ♦ Grow your business by raising your profile

AMP of the Year Award

The AMP of the Year award recognizes the Accredited Mortgage Professional who has demonstrated outstanding commitment to the support and enhancement of the designation. The individual has positioned him/herself for success by demonstrating the qualities that are synonymous with the objectives of the AMP and has demonstrated investment in professional growth through product knowledge, continuing education and a high standard of ethics.

Congratulations to the 2017 AMP of the Year, Mike Raghubar.



Mike Raghubar, AMP

To assist members increase efficiency and productivity to stay competitive, we are pleased to offer a wide variety of cost-effective, high-quality education, training and materials. Designed to fit the needs of members and conveniently offered in-class and online, our education provides timely and relevant information to ensure mortgage professionals have the knowledge and capabilities necessary to understand current business trends and changing industry regulations and keep pace with an ever-evolving industry. A large number of courses are offered free to members.

Here are some of the highlights over the past year:

- ◆ Submission of a licensing course to OACIQ for mortgage brokering in Quebec
- ◆ Release of a second mandatory continuing education course for licence renewal in BC *Avoiding Unconscionable Transactions*
- ◆ Creation of two FSCO authorized mandatory continuing education courses for both Ontario mortgage agents and brokers
- ◆ Updated course on Canadian Anti-Spam Legislation (*both English and French versions*), and released on July 1 to coincide with the end of the transition period
- ◆ Commenced updates to the Ontario Mortgage Broker Education Program to include content from the Mortgage Broker Regulators' Council of Canada's (MBRCC) *Managing Broker Program Competencies and Curriculum*
- ◆ Working towards developing a French version of the Ontario Mortgage Broker Education Program
- ◆ First ever participation at Student Life Expo promoting the broker channel as a viable career option

Courses Offered

Accreditation (AMP)

We are pleased to continue to offer the Accredited Mortgage Professional (AMP) designation to members. To become an Accredited Mortgage Professional, you must be licensed or registered as a mortgage broker in province(s) of operation. Mortgage Professionals Canada offers the required education offerings. A key aspect of the program is the successful completion of the National Competency Exam, designed in collaboration with the University of British Columbia's Sauder School of Business.

Qualification and maintenance requirements are divided into two streams, AMP for Brokers and AMP for Non-Brokers.

Provincial Licensing/Introductory

We are pleased to offer provincial licensing courses across the country. This past year, we focused our efforts on completing a mortgage broker licensing course for the province of Quebec.

Currently, licensing courses are offered in:

BC: *Practices for Fraud Prevention and Avoiding Unconscionable Transactions*

Saskatchewan: *Saskatchewan Mortgage Associate Course*

Manitoba: *Manitoba Mortgage Salespersons Course*

Ontario: *Ontario Mortgage Agent Course*

Nova Scotia: *Nova Scotia Mortgage Broker Course*

Newfoundland and Labrador: *Newfoundland and Labrador Mortgage Broker Course*

New Brunswick: *New Brunswick Mortgage Associate Course*

Provincial Re-Licensing

In certain provinces, mortgage brokers are required to maintain their license or registration in good standing with the provincial regulator. Mortgage Professionals Canada offers regulator-approved continuing education courses in several provinces, including Ontario, Saskatchewan, British Columbia and Quebec.

Managing Broker

We are pleased to offer Mortgage Broker Education Programs in Ontario, Saskatchewan and New Brunswick (*the latter offered in both English and French*) designed to meet the needs of those wishing to become licensed as mortgage brokers under the MBLAA (Ontario), the MBMA (Saskatchewan) and the FCNB (New Brunswick).

These courses are for Mortgage Professionals:

- ♦ Wanting to become licensed as a mortgage broker
- ♦ Aspiring to become a Principal Broker
- ♦ Specializing in mortgage compliance
- ♦ Looking to explore career development opportunities or upgrade their qualifications

Commercial

In addition to the vast array of residential mortgage courses offered through mortgageproscan.ca, we also provide commercial mortgage courses such as Commercial Mortgage Financing, Analyzing Commercial Real Estate, Commercial Lending and Commercial Roofing.

Continuing Education (CE)

CE offerings are designed to ensure mortgage professionals have the knowledge and capabilities for continued professional growth and business success. Courses fall into multiple categories, including Fraud Avoidance, Advertising Standards, Regulatory Compliance, Mortgage Economics, and Professional Development.

Additional details including registration information for all our courses can be found at mortgageproscan.ca.



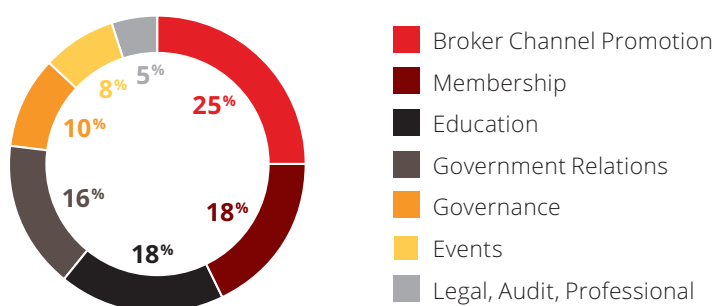
Financial Highlights

This summary of financial information has been extracted from the audited financial statements of the association for the year ended April 30, 2017.

These financial results are indicative of a very busy year. Staff worked diligently on many fronts including a greater emphasis on government relations, membership, promotion and education. The financial information herewith reflects a focus on these activities.

The association remains in a strong financial position but is keenly aware of the market conditions members are facing. During the challenging issues of the past year, we remained committed to taking steps to ensure the association was prepared financially to support members' needs including setting aside reserve funds for future use. We will continue to carefully monitor all operations and expenses.

Association Expenditures by Key Activity



Statement of Operations (Year ended April 30, 2017)

	2017	2016
REVENUE		
Membership	\$ 2,383,411	\$ 2,382,127
Events	1,973,922	1,942,696
Education	824,424	1,002,597
Designation dues	263,686	318,288
Advertising and publications	247,338	261,034
Interest and other income	113,647	113,643
	5,806,428	6,020,385
OPERATING EXPENSES		
Salaries and wages	1,628,808	1,550,502
Events	1,534,433	1,581,464
Broker channel promotion	662,254	561,992
Membership	324,991	278,709
Education	322,942	458,157
Office and general	280,367	273,458
Employment costs	273,967	242,749
Rent	247,330	233,482
Federal and provincial government relations	231,928	303,745
Governance	227,147	284,832
Legal and professional	97,535	149,870
Amortization	66,931	105,426
	5,898,633	6,024,386
Reserve fund expenses:		
Federal government relations and advocacy initiatives	100,000	-
Deficiency of revenue over expenses	\$ (192,205)	\$ (4,001)

The Canadian Mortgage Market



Will Dunning, Chief Economist

Canada experienced strong job creation

during Mortgage Professionals Canada's fiscal year (to April 30, 2017). Growth amounted to 276,000, or 1.5%, which exceeded population growth of 1.0%. As a result, the share of Canada's adult population that is employed expanded, from 61.1% at the start of the fiscal year to 61.4% at its end (see Figure 1). While this might seem a minor change, the data provides an encouraging sign that a long period of economic doldrums has ended. Growth has continued, and as of November, the employment rate has increased further, to 61.8%.

Yet, the employment rate is far below the pre-recession level. This is partly due to demographic change: as the Canadian population gets older, more of us are retired and the percentage of adults who want to work is tending to fall. In addition, more young people are staying in school longer, which also depresses the employment rate (but this is very favourable for our long run economic prospects). If we look at "prime working ages" (25 to 54 years), the employment rate has returned to the pre-recession level (about 82%). This indicates that the Canadian economy is close to full employment. The next step, hopefully, in this more favourable situation would be for wage growth to strengthen.

This evolving employment situation is, in itself, quite favourable for the housing market and thus for mortgage demand.

Figure 1



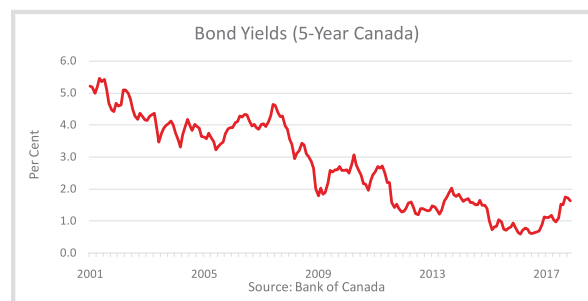
Interest Rates

Yet, the strengthening of the economy and the possibility of stronger wage growth means there is more risk that inflation could accelerate. The

Bank of Canada ("BoC") does, of course, stand on guard against high inflation. Therefore, it increased its benchmark interest rate twice during 2017 (in July and September). Even with these increases, the bank's "overnight" rate (now at 1.0%) is still quite low.

Bond yields have also increased, not just in Canada but in many other countries. As is shown in Figure 2, the yield for 5-year Government of Canada bonds increased quite sharply during the second half of 2017. For all of 2015 and 2016, the yield averaged 0.79%. As of the most recent data (early December), the yield has increased by 0.90 points, to 1.69%. Correspondingly, mortgage interest rates have increased. "Special offer" rates advertised by major lenders are now typically 3.4%, up from 2.6% during the spring and an average of 2.7% during 2015 and 2016.

Figure 2



Moods about the economy, and therefore about the outlook for interest rates, are subject to fairly rapid swings. At the present, the consensus among economists seems to be that the BoC rate will be on hold for at least several months, while we wait for an indication about the impacts of the increases. As well, there are some "downside risks" in the economic outlook which are encouraging a "wait-and-see" stance by the BoC. These include uncertainty about the renegotiation of the NAFTA trade treaty (Canada, US, and Mexico). As well, it is generally acknowledged that "macro-prudential" policies related to mortgage lending will slow the housing market and therefore have a negative influence on the broader economy.

The Canadian Mortgage Market

20

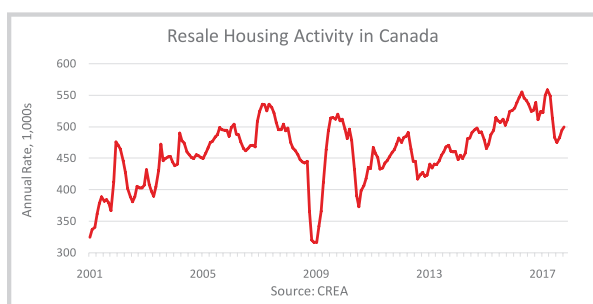
Housing Market Activity

A combination of an improving job creation and very low interest rates was very supportive to the housing market during 2016 and into early 2017 (as is shown in Figure 3, which uses data from the Canadian Real Estate Association, or “CREA”).

For a brief time, activity became excessive in Vancouver and then Toronto.

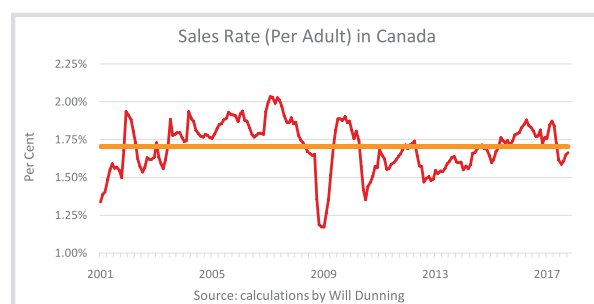
- ◆ In Vancouver, extreme price growth and very rapid sales were widely attributed to foreign buying. The imposition of a 15% tax on purchases by non-residents, in the summer of 2016, abruptly curtailed that activity.
- ◆ In Toronto, price growth accelerated during 2016 and by late in the year the runaway prices encouraged excessive buying (“panic-buying” or “fear-of-missing-out”). By April, however, consumers regained their senses and sales slowed. Then, just about 10 days after that turning point, the provincial government announced a suite of policies that were intended to slow the market. This included a 15% foreign buyers’ tax for the Greater Golden Horseshoe (Toronto and its hinterlands). The policies may have added to the slowdown that was already underway, by creating uncertainty about the market outlook.
- ◆ More recently, both Vancouver and Toronto are seeing some recovery from those slowdowns, although in both areas activity is still far below the prior levels.
- ◆ Less heralded in the discussions is that most other areas within Canada, many of which had been seeing prolonged periods of tepid housing activity, gained strength during 2016 and 2017, which contributed to the increased national sales totals.

Figure 3



As population grows over time, we should expect that sales will trend upwards. In addition, because newly-constructed dwellings are being added to the housing inventory, there are more dwellings that could potentially be sold. Therefore, it is useful to look at sales on a per person basis (Figure 4). The data shows that until early in 2017, the sales rate had been above the long-term average (the flat line), but had not been at record levels. With the recent slowdowns in Vancouver and Toronto, the sales rate is now slightly below average (as of November).

Figure 4



The housing market operates very much in the way that economic theory tells us it should: prices are highly responsive to the balance between demand and supply. The state-of-balance is measured by the sales-to-new listings ratio, or “SNLR”. As is illustrated in Figure 5, there is a close relationship between SNLR and growth of house prices. It can be seen that when there are sudden changes in the state-of-balance, it can take several months for the price adjustment to occur (two obvious examples are at the sudden onset of recession in 2008 and the sudden rebound that occurred in 2009). This data also shows that the market is currently in the midst of a sudden change, and therefore, we should expect that year-over-year price changes will show a further deceleration.

That said, the SNLR has been relatively stable for a few months, in the mid-50s. This is slightly above the threshold for a “balanced market”, which we estimate is in the low-50s for all of Canada (the thresholds vary for different communities). On this basis, we should expect that unless there are further disruptions, prices will grow at a moderate pace.

This comes with two large caveats:

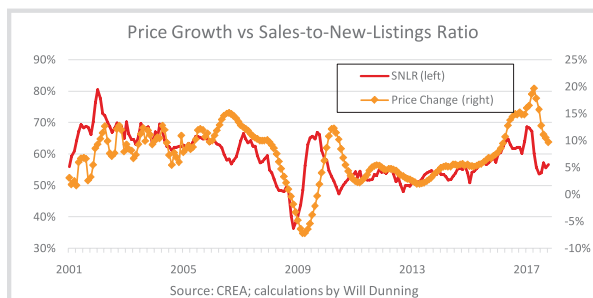
- ♦ There will be variations across the country, depending on local conditions and;
- ♦ We can foresee two disruptions that will likely reduce the SNLRs: interest rate increases that have occurred since mid-2017 can be expected to reduce sales. Likewise, federal government policies that are intended to reduce mortgage lending, as well as provincial policies (in BC and Ontario) that are aimed at reducing sales, will depress activity.

Therefore, it seems most likely that the current situation of a slight “sellers’ market” (at a national level) will weaken.

In communities with the strongest fundamentals, that weakness may still leave them in a “sellers’ market” status, or in “balance”.

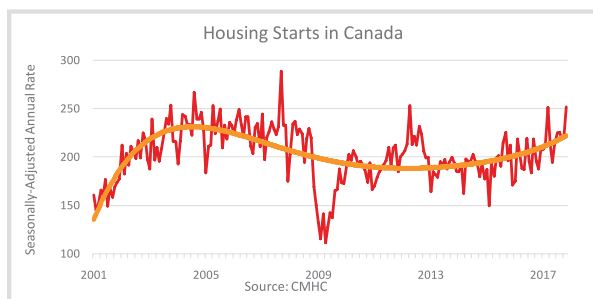
For communities that were already relatively weak, the status may change to “buyers’ market”, with risks of price reductions.

Figure 5



Housing starts trended upwards during 2016 and 2017 due to the strengthening economy. When the final data is available for 2017, it will likely show a total of about 220,000 units, which would be 11% higher than in 2016, and the highest annual total of the post-recession period (since 2007).

Figure 6



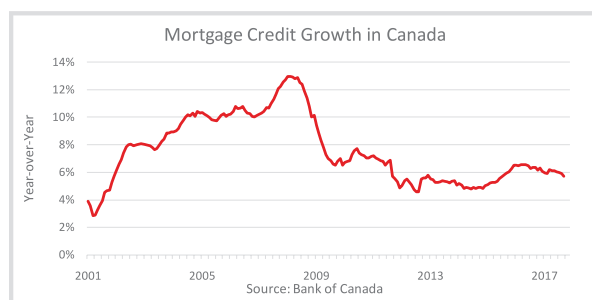
Mortgage Market Trends

At the end of Mortgage Professionals Canada’s 2017 fiscal year, the volume of outstanding residential mortgage credit in Canada stood at \$1.46 trillion, which was \$84 billion (6.1%) higher than a year earlier. As is illustrated in Figure 7, growth has tapered, to 5.7% as of September.

Growth of mortgage credit is driven by at least three major factors. Two of these factors have been quite positive but are turning negative. The third factor has been neutral, but should turn positive during 2018.

- ♦ The total value of resale activity (in dollars) had been growing very rapidly until April, when the downturn began in the Toronto area. Since then reduced closings of home sales have contributed to the deceleration of mortgage lending.
- ♦ Higher interest rates mean that mortgage borrowers will be less able to aggressively pay-down their mortgages. However, the effects of this occur very slowly, as mortgages are renewed.
- ♦ On the other hand, the recent increases in housing starts will mean that the number of housing completions will rise during 2018 and there will be more mortgage demand from this source. This will tend to moderate the slowdown of credit growth.

Figure 7



Higher Interest Are Reducing Affordability

There are several housing affordability indexes in Canada. However, they share one limitation, which is that they use “posted” mortgage rates, rather than the discounted rates that can be obtained in our very competitive marketplace. The result is that those indices tend to over-estimate the costs of homeownership. The next chart uses estimates of typical “special offer” rates to calculate housing affordability. Those interest rates are combined with the Teranet/National Bank House Price Index (which covers 11 major market areas

The Canadian Mortgage Market

is Canada). A high index indicates reduced affordability. While house prices have increased very rapidly in Canada, reductions of interest rates have largely offset price rises. During the post-recession period, affordability has been much better than during the immediate pre-recession period, and slightly better than is seen on the left side of the chart. On a national basis, affordability has deteriorated during the past year, partly because of very rapid price growth in a few areas (chiefly Vancouver and Toronto and their surrounding areas). The most recent sharp deterioration is due to increased interest rates. At present the index is 9% above its average level, which is not crippling but will tend to dampen homebuying. Affordability conditions vary across the 11 centres covered by this index. As is shown in the table below, the indexes (as of October 2017) are below their average levels (100.0) in most of the 11 centres, which is encouraging, but above average in four of the 11 locales.

Figure 8

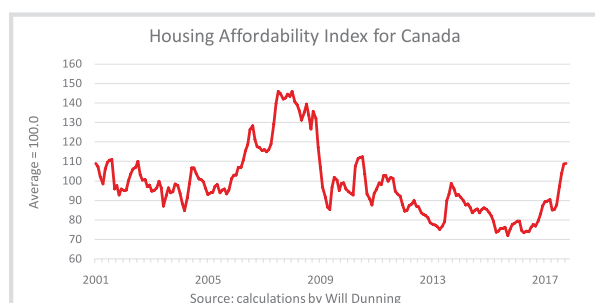


Table 1

HOUSING AFFORDABILITY INDEXES FOR 11 CENTRES IN CANADA	
Victoria	106.0
Vancouver	132.5
Calgary	75.0
Edmonton	75.2
Winnipeg	92.7
Hamilton	121.9
Toronto	125.5
Ottawa-Gatineau	82.9
Montreal	84.9
Québec	85.1
Halifax	73.1
Total - 11 Centres	108.8

Source: calculations by Will Dunning, using data from Teranet / National Bank and Statistics Canada

Policy-Related Risks

The fall 2017 edition of the *“Annual State of the Residential Mortgage Market in Canada”* provides a review of seven major policy changes that have occurred since the fall of 2008. Each of the policy changes has been intended to reduce mortgage borrowing.

As the report describes, the most recent policy change, from the Office of the Superintendent of Financial Institutions (OSFI), which requires stress-testing of all non-insured mortgages by federally-regulated lenders, in combination with the requirement for stress testing of insured mortgages, will apply to about 80% of all home purchases in Canada. Based on data from our spring 2017 consumer survey, we estimate that:

Among potential buyers who can afford their preferred home purchase (based on their actual circumstances):

- ♦ About 16% would fail the stress tests and therefore would be unable to get the financing they need to complete that preferred purchase. This would amount to about 100,000 out of about 700,000 buyers per year.
- ♦ Some of these will make adjustments (usually, lowering their expectations and buying something less expensive) so they can get the financing they need.
- ♦ Based on the survey data, of the 100,000 who are affected, 50,000 to 60,000 would succeed in making adjustments, but 40,000 to 50,000 would be unable to buy a home.
- ♦ The stress test policies would reduce home sales in the range of 6-7.5%.

Looking Forward

At the time of writing (in early December), the trend in the resale market appears to be in recovery from the sharp drop that was seen during the spring of 2017. In historic terms, sales are currently “mid-range”.

A mixed set of factors will influence the housing market during 2018:

- ◆ Increased job creation is a very positive factor.
- ◆ Consumer confidence related to the housing market took a hit during the spring and summer, but seems to be recovering.
- ◆ On the other hand, the stress test policies will begin to have their depressive effects starting early in the new year.
- ◆ On top of this, higher interest rates have not yet had much effect, as buyers have taken advantage of pre-approvals at guaranteed rates. The pool of pre-approvals is being depleted, and higher borrowing costs should soon start to bite, with increasing firmness. The rate increases seen to date will likely have an impact similar to the stress tests (reducing sales by 6-7.5%).

All of this considered, resale activity is projected to total about 470,000 in 2018. This would be about 12% lower than the 2016 total of about 536,000, and 8% lower than the expected total of about 512,000 for 2017.

Housing starts are expected to total close to 220,000 units in 2017, which will be an unusually high number. It should be expected that starts will gradually decelerate in 2018, in response to the same factors that will affect the resale market.

Residential mortgage credit is currently expanding by about 5.7% per year (as of September). For 2018, while there will be less mortgage demand for resale homes, there will be more housing completions. This should support mortgage credit growth of about 5.5% for all of 2018.

Factors that generally sustain the demand for new mortgages include:

- ◆ Growth of the housing inventory (via completions of newly constructed housing). Most of these dwellings will require mortgages when they become available to be occupied. Since the new dwellings that will be funded during the coming year are already under construction, this source of growth will see little impact from the policy change. (However, there may be instances of the purchasers being unable to obtain financing, and this will be disruptive to the housing market.)
- ◆ Continued growth of the Canadian population (largely determined by immigration into Canada) sustains the need to build new housing in Canada.
- ◆ Canadians continue to migrate in pursuit of economic opportunities, away from slow growth communities, which generally have low housing prices, into areas that provide more job opportunities and (as a result) have higher housing costs and larger associated mortgages. This “internal migration” is raising the average principal amounts of mortgages in Canada.
- ◆ There is “rotation” within the existing housing inventory: home owners who sell their dwellings usually have relatively small mortgages (or no mortgage at all) and the new home owners who take their place usually require larger mortgage amounts. This also raises the average principal amounts.

Will Dunning is the Chief Economist for Mortgage Professionals Canada and President of Will Dunning Inc., a consulting firm that specializes in economic analysis.

Presentations by Will Dunning may qualify for 1 Compulsory CE credit for AMPs. For more information contact him at wdunning@sympatico.ca.



MORTGAGE
PROFESSIONALS
CANADA

2005 Sheppard Avenue East, Suite 401
Toronto, ON M2J 5B4

mortgageproscan.ca