

From: Diane Hester [hester@kos.net]
Sent: January 09, 2011 1:16 PM
To: MBCE
Subject: CE Consultation for the Mortgage Broker Sector

I read with interest, your proposal for continuing education for Mortgage Brokers and Agents and wonder if such a plan would be of significant benefit to the public, firstly and to the practitioners in the business.

I have been a Credit Supervisor, Credit Inspector and Branch Manager of a major bank, accredited real estate appraiser and President of a medium-sized appraisal firm for many years and a licensed mortgage broker for over 20 years. I have also been a direct investor in real estate mortgages and the purchase of actual real estate on a fairly substantial level.

I consider myself reasonably qualified to comment on the issues you have raised.

My first thought is directed toward the relevance of what appears to be a rather extensive program. The business of acquainting lenders with borrowers and some related activity - eg. mortgage administration is fairly straight forward.

It seems to me that a thorough course of study followed up by a meaningful exam with high passing criteria should be adequate to provide access to this business. After candidates have show they are cognizant of all aspects of the mortgage industry, the only other concern is character, integrity and honesty.

These latter qualities are the ones I have found most important over the years, because the actual mechanics - legal etc. in conducting this work is not difficult to grasp and employ.

An applicant should be required to provide a background check to at least show up to the point of entry, that there is no criminal record or a poor credit history. Previous employment check should also be conducted to determine how well a person has performed in the business world before entering this field.

I was shocked to read that a large number of brokers and/or agents have not complied with the dictates of FSCO and I don't believe any continuing education other than in ethics would replace this condition.

There is not much point in making rules and providing education if the recipients do not respond.

My suggestion is that, as mentioned, in addition to a test of knowledge of the mortgage industry, that a new ethics review be initiated for all existing brokers and agents as well as those aspiring to join the profession. If the rules and regulations are being ignored, those who are guilty should be severely reprimanded by way of fines and/or sanctions.

In terms of continuing education, I feel it would be entirely satisfactory to provide any new information relating to the business as it arises, such as legal matters or regulating matters and have all concerned acknowledge they have read, understood and will implement any such changes required.

There is a question of cost, and I would be concerned about this aspect - especially where a brokerage has a large staff.

What, if any, numbers have you arrive at in pricing out such a plan?

Another area of concern is the relationship between mortgage broker, appraiser and lender. There is a suspicion that some appraisers can be "accommodating" in a mortgage transaction. This may put pressure on all appraisers looking for business and may encourage mortgage brokers to participate in a practice that could be detrimental to a lender and possibly damage the reputation of mortgage brokers generally.

The mortgage broker takes no risk in those loans. only the lender and the appraiser. Institutional lenders are far less concerned. as evidenced by their lending practices in the last 10 years, but private and smaller lenders certainly are - or should be.

The only party ordering and communicating with the appraiser must be the party extending the mortgage loan. It is also worrisome that the mortgage broker is conducting the analysis of the loan. In many cases, a function also that should be the domain of the lender. There is nothing wrong with a mortgage broker collecting all relevant data, but the lender must verify and make their decision on the outcome of their own analysis.

The lending institutions now pay a fee, based on a percent of the mortgage to the broker, which encourages the broker to seek out the most lucrative source, rather than the "best deal" for the borrower.

It should be the case that the borrower is responsible for the fee and to obtain business from brokers, the lenders would adjust the rate of interest. This would ensure the mortgage broker would seek out the best lender for the borrower and the borrower would seek out the best, or the least expensive mortgage broker. The brokerage fee could simply be added to the advance of mortgage.

I believe if these measures were instituted, along with regular updates and information as mentioned earlier, we would have a more professional and respected industry in the future.

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