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Each mortgage brokerage needs to appoint one principal broker.

The Mortgage Broker e-Info Newsletter provides updates on the implementation of Ontario's new Mortgage Brokerages, Lenders and Administrators Act, 2006, regulations, and new education requirements for mortgage brokers and agents.

The Newsletter is produced and distributed by the Financial Services Commission of Ontario.

The Principal Broker Edition

The new Mortgage Brokerages, Lenders and Administrators Act, 2006 (MBLAA) comes into full effect on July 1, 2008. To facilitate the new licensing process, a four month advance application period (March 1, 2008 to June 30, 2008) has been approved by the government and will be administered by the Financial Services Commission of Ontario (FSCO).

During this period, each mortgage brokerage needs to designate a principal broker and submit its licensing application to FSCO. Once approved, licences will be issued and will take effect on July 1, 2008.

Submitting the mortgage brokerage application to FSCO is important. A mortgage brokerage needs to submit its application and have it approved by FSCO before it can submit an application for its principal broker. This is a vital first step in the licensing process.

Appointing a Principal Broker

Under the MBLAA, each mortgage brokerage:

- Must designate one principal broker.
- Must have a principal broker at all times and there may only be one principal broker at a time.
- Needs to designate a principal broker on its brokerage application form.
- Must notify FSCO within five business days of any changes related to the brokerage's principal broker.

Licensing Requirements and Criteria

A principal broker must be a licensed mortgage broker who is authorized by the mortgage brokerage to deal or trade in mortgages on its behalf. Refer to issue # 5 of the Mortgage Broker e-Info Newsletter for the mortgage broker's licensing requirements and criteria.

Responsibilities of the Principal Broker

The principal broker is appointed by the mortgage brokerage to act as its chief compliance officer and his/her responsibilities include:

- Reviewing the mortgage brokerage's policies and procedures to ensure the mortgage brokerage follows the Act and that mortgage brokers and mortgage agents are adequately supervised.



- Ensuring that the mortgage brokerage and each mortgage broker and mortgage agent follow all the regulations and requirements that apply under the new Act, including licensing requirements.
- Ensuring that the mortgage brokerage takes reasonable steps to deal with any breaches of the new Act.
- Making sure that mortgage brokers and mortgage agents are adequately supervised.
- Signing and approving any trust account reconciliation statements prepared by the mortgage brokerage to confirm that they are accurate.

Required Qualifications for Principal Brokers

In addition to the requirement to be licensed as a mortgage broker, a principal broker also needs to have the following status:

- If the brokerage is a *corporation*, the principal broker must be a director or officer of the corporation.
- If the brokerage is a *partnership* (other than a limited partnership), the principal broker must be a partner.
- If the brokerage is a *limited partnership*, the principal broker must be a general partner, or a director or officer of a corporation that is a general partner.
- If the brokerage is a *sole proprietorship*, the principal broker must be the owner/sole proprietor.

Principal Broker Preparation in the Licensing Process

It is important for the principal broker to familiarize himself/herself with:

- FSCO's mortgage broker/agent education and experience requirements,
- FSCO's licensing review protocols, and
- FSCO's mortgage broker/agent suitability requirements.

This knowledge will assist the principal broker in determining if a potential mortgage broker/agent is eligible to be licensed.

Pre-Screening Applicants

Before the principal broker initiates an application for a mortgage broker/agent licence, he/she should:

- Review *FSCO's Suitability Review Guidelines* and the *Principal Broker Guideline*, which will soon be available on FSCO's website at www.fSCO.gov.on.ca under the *Mortgage Brokers* section.
- Collect past employment information about the applicant.
- Confirm that the applicant has the required education and experience for obtaining a mortgage broker/agent licence. (In some cases the applicant may qualify for an exemption).

The principal broker must be a licensed mortgage broker.



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- Meet with the potential mortgage broker/agent to discuss the questions on the licensing application.

After this information is collected, the principal broker will be able to determine if a mortgage broker/agent application should be initiated.

The Mortgage Broker/Agent Application Process

Step 1 - The principal broker initiates the mortgage broker/agent application in Licensing Link.

Step 2 - The prospective mortgage broker/agent receives an e-mail link to the online application. He/she will complete and submit the electronic application in Licensing Link.

Step 3 - The principal broker reviews the completed application. He/she will either approve the application and forward it to FSCO, or decide not to proceed with the application and inform the applicant.

It is important for the principal broker to forward mortgage broker and agent applications as soon as possible, to avoid licensing delays. FSCO requires sufficient time to conduct independent reviews of all applications.

Checklist for Screening Mortgage Broker/Agent Applications

For each mortgage broker/agent application, the principal broker should:

- Review the application to ensure that it is consistent with his/her knowledge of the applicant's education, experience and suitability.
- Confirm the applicant's name and make sure that it has been entered correctly. The application needs to contain the applicant's full legal name.
- Ensure that the applicant complies with each licensing requirement under the new Act. This includes meeting suitability, education and experience requirements.
- Check for accuracy. The application should not have any errors or spelling mistakes.
- Ensure that the payment information is complete.
- Determine if there are any "yes" answers on the application. If there are any "yes" answers on the application, the principal broker should:
 - Review the explanation to see if this information was previously disclosed.
 - Review the explanation to ensure it is credible.
 - Discuss any new circumstances with the applicant.



- Decide if the application should be approved and submitted to FSCO.
- Make sure that all explanatory notes are included in the application.
- Ensure that any necessary supplementary information for suitability questions is promptly sent to FSCO. (This supplementary information should also be kept on file at the mortgage brokerage in case of an audit.)

After an Application is Submitted

FSCO expects principal brokers to thoroughly check all mortgage broker/agent applications before submitting them to FSCO.

After an application is submitted to FSCO:

- FSCO's online licensing system will check the application for completeness.
- A Canadian Police Information Centre Criminal Record Synopsis ("CPIC check") will automatically be conducted on each applicant.
- The results of the "CPIC check" and any "yes" answers will be reviewed by FSCO staff.
- Education and experience requirements will be reviewed to ensure the applicant has the necessary qualifications.
- FSCO staff will review the application and any supplementary information.

FSCO staff will contact the principal broker:

- if there are any questions about the information provided in the application,
- if supplementary information is missing,
- if further clarification is required, or
- if there are any concerns about granting a licence to the applicant.

If FSCO determines that a licence will be granted to the applicant, Licensing Link will be updated and FSCO's online licensing registry will be updated with the name of the new mortgage broker/agent. The online licensing registry will be available on FSCO's website starting July 1, 2008.

Note - Since this is an electronic Internet based system, the official licensing record is FSCO's computer file. Therefore, no hard copy licences will be issued for mortgage brokerages, mortgage administrators, mortgage brokers or mortgage agents.

Principal Broker Fees

The mortgage brokerage fee will be payable at the time the principal broker application is submitted to FSCO via Licensing Link. To avoid duplication, there is no licensing fee for the principal broker. Brokerages should not pay their brokerage fees when they submit their hard copy brokerage applications.



Key Dates

March 1, 2008

- Start of advance application period.
- Brokerage submits an application to obtain a licence under the new Act. Once approved, a licence will be issued effective July 1, 2008.

March 1, 2008 to June 30, 2008

- Brokerage initiates online licensing application for its principal broker.
- Brokerage initiates online declarations for its officers and directors.
- The Mortgage Administrator Application Form can be downloaded from FSCO's website starting April 15, 2008.
- Brokerage initiates online licensing applications for its agents/brokers. NOTE: agents/brokers must apply for a licence through the brokerage - the process can only be initiated by the brokerage.
- FSCO reviews/approves licensing applications.
- Notifications issued by FSCO to the brokerage, administrator and individuals on status of applications.
- FSCO will also accept applications for brokerage and administrator licences from new applicants during this phase.

July 1, 2008

- New Act comes into full effect.
- All licences take effect.
- Ontario mortgage broker registrations under the current Mortgage Brokers Act expire on repeal of the Act.
- Any person or entity carrying on the regulated business, or any individual engaging in regulated activity, must be licensed with FSCO unless an exemption applies.
- FSCO's online registry of licensed brokerages, administrators, agents and brokers is available on FSCO's website. No hard-copy licences will be issued.



FSCO's Information Session for Mortgage Brokers and Brokerages

If you are interested in learning about the licensing process under the new Act, FSCO recommends that you register to attend a free information session on **May 26, 2008** at 8:30am -12:00 pm in the Simcoe Room at 900 Bay Street, Queen's Park, Toronto. The session will be of primary interest to mortgage brokerages and their administrative staff.

At the session you can:

- View a demonstration of the new online licensing system, Licensing Link.
- Ask FSCO questions.

This is FSCO's third and last information session on the new Act's licensing process. This information session provides an opportunity to meet with FSCO and ask questions about licensing requirements under the new Act.

To register for the free information session, please visit FSCO's website at www.fSCO.gov.on.ca and click on *Mortgage Brokers*.

Please note: mortgage brokerage licensing applications were due on March 31, 2008. If you have not submitted your mortgage brokerage application to FSCO, please do so immediately. If you need additional information on using Licensing Link, FSCO has instructional presentations online at www.fSCO.gov.on.ca on the *Mortgage Brokers* page.

Seminars for Real Estate Professionals

The Ontario Real Estate Association (OREA) and various local real estate boards are partnering to provide half-day seminars for real estate professionals on the new Mortgage Brokerages, Lenders and Administrators Act, 2006. The seminars are taking place in May 2008 in Toronto, Brockville, Oakville and Hamilton. For more information visit OREA's website at www.orea.com and select *Continue your real estate education*.

Future Newsletters

- Education Update.
- Licensing Exemptions and Fees.
- Using Licensing Link.
- Regulations regarding standards of practice for brokerages, administrators, agents and brokers.
- Regulations regarding administrative penalties, filing requirements.



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