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The new regulations must be followed by all Mortgage Brokerages, Administrators, Brokers and Agents in Ontario.

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.

New Regulations Have Been Approved

The Government of Ontario recently approved additional new regulations under the Mortgage Brokerages, Lenders and Administrators Act, 2006. The new regulations that cover standards of practice, reporting requirements, cost of borrowing and administrative penalties set out the business rules that Mortgage Brokerages, Administrators, Brokers and Agents need to follow. The remaining regulations deal with technical changes to the licensing requirements that were communicated over the past year.

A brief description of the new regulations is provided in the last two sections of this newsletter. To access a full list of the new regulations, visit FSCO's website at:

www.fSCO.gov.on.ca/english/regulate/mortgagebrokers/additregs.asp

Business Rules for Mortgage Brokerages, Administrators, Brokers and Agents

FSCO has developed four Compliance Checklists that provide a general summary of the rules that Mortgage Brokerages, Administrators, Brokers and Agents have to follow as of July 1, 2008. These Compliance Checklists (listed below) combine rules from several regulations in an easy-to-read format.

- Compliance Checklist for Mortgage Brokerages, Brokers and Agents
- Compliance Checklist for Managing the Mortgage Brokerage, Keeping Records and Trust Accounts
- Compliance Checklist for Mortgage Administrators
- Compliance Checklist for Managing the Mortgage Administrator, Keeping Records and Trust Accounts

The Compliance Checklists have been created to assist you in becoming more familiar with the rules and complying with the new requirements.

To download the Compliance Checklists, visit FSCO's website at: <http://www.fSCO.gov.on.ca/english/regulate/mortgagebrokers/mbcomplying.asp>



Most of the business rules that came into effect on July 1, 2008 are the same as those you already followed under the old Mortgage Brokers Act. However, there are several new rules that went into effect on July 1, 2008. Key points include:

- **Provide a written response to a written complaint.** Tell the client that he/she may contact FSCO if he/she is not satisfied with your response and believes the law has not been followed.
- **Engaging in tied selling.** Borrowers/lenders/investors cannot be required to obtain a product/service as a condition for obtaining another product/service from the Mortgage Brokerage/Administrator.
- **Don't act for a borrower/lender/investor if you believe a mortgage is unlawful.**
- **Inform the lender as soon as possible if you doubt the borrower's legal authority to mortgage a property, or doubt the accuracy of the borrower's application and/or supporting documentation.**

Over the next few months, FSCO will provide additional information on these rules, as well as other rules that come into effect on January 1, 2009.

Overview of the New Regulations Dealing with Business Requirements

Below is an overview of the new regulations that set out business requirements and rules that Mortgage Brokerages, Administrators, Brokers and Agents need to follow.

Regulations on Standards of Practice (Ontario Regulations 187/08, 188/08, 189/08)

- These regulations provide the rules and requirements that Mortgage Brokerages, Administrators, Brokers and Agents must follow to ensure that borrowers, lenders and investors are treated fairly, and have the necessary information to make informed decisions.
- These regulations ensure that Mortgage Brokerages and Administrators have sound internal governance and are accountable for how they are represented to the public.
- Some of these rules went into effect on July 1, 2008, while others go into effect on January 1, 2009.

Regulation on Reporting Requirements (Ontario Regulation 193/08)

This regulation:

- Identifies reporting requirements related to filing an annual information return and audited financial statements.
- Defines reporting requirements for changes to an address, insurance coverage and other contact information.
- Sets out the penalty amounts the Superintendent may impose for non-compliance.
- Went into effect on July 1, 2008.



Regulation on Administrative Penalties (Ontario Regulation 192/08)

This regulation:

- Identifies the criteria FSCO must consider when determining penalty amounts for certain contraventions.
- Sets out deadlines for paying penalties.
- Went into effect on July 1, 2008.

Regulation on Cost of Borrowing and Disclosure to Borrowers (Ontario Regulation 191/08)

This regulation:

- Details the requirements for calculating the cost of borrowing that must be disclosed to borrowers.
- Goes into effect on January 1, 2009.

Technical Changes to Licensing Regulations

Technical changes have been made to the existing licensing regulations and exemptions:

- Ontario Regulation 183/08 - Mortgage Brokerages: Licensing amends Ontario Regulation 408/07.
- Ontario Regulation 184/08 - Mortgage Brokers and Agents: Licensing amends Ontario Regulation 409/07.
- Ontario Regulation 185/08 - Mortgage Administrators: Licensing amends Ontario Regulation 411/07.
- Ontario Regulation 186/08 - Exemptions from the Requirements to be Licensed amends Ontario Regulation 407/07.

The technical changes provide further clarification to rules that were previously communicated, such as:

- Setting out that there is a two-year licensing period for Mortgage Brokers and Agents. The licensing period begins April 1, 2010 and ends on March 31, 2012, with consecutive two year periods following. If a Mortgage Broker's/Agent's licence takes effect on or after July 1, 2008, but before April 1, 2010, the licence will expire on March 31, 2010.
- Establishing the criteria FSCO must consider when a Mortgage Brokerage or Administrator needs to surrender its licence.
- Clarifying the Mortgage Administrator licensing requirement for a financial guarantee through unimpaired working capital, or another form of guarantee that is acceptable to FSCO's Superintendent.



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