



July 5, 2011

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The Mortgage Broker e-Info Newsletter is produced and distributed by the Financial Services Commission of Ontario (FSCO). It provides updates on Ontario's Mortgage Brokerages, Lenders and Administrators Act, 2006, regulations and requirements.

All licensed mortgage brokerages, administrators, brokers and agents in Ontario automatically receive this Newsletter from FSCO via the e-mail address provided in Licensing Link.

For more information, or to access past issues of this Newsletter, visit FSCO's website at www.fSCO.gov.on.ca.

2010 Annual Information Return (AIR)

The 2010 AIR was made available on January 10, 2011, through the online service, Licensing Link. All mortgage brokerages and mortgage administrators required to file this AIR had until March 31, 2011 to complete and submit their return to FSCO.

The questions were not substantively different from the 2009 AIR. However, they were streamlined and clarified to ensure consistency in responses and to increase the overall quality of the data collected. In addition, optional data requests in 2009 were mandatory for the 2010 filing.

As of April 30, 2011, 100 per cent of mortgage administrators had filed the AIR and only 1 per cent or 12 mortgage brokerages had not filed. This result is a marked improvement in overall compliance.

The completeness and quality of the AIR data collected is critical. FSCO uses it for risk assessment and market oversight, as well as for operational planning. The high 2010 response rate will help FSCO create a more accurate picture of the sector and help make effective policy and risk-based compliance decisions.

FSCO will post a summary of the 2010 results on the FSCO website later this year.



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2010 Errors & Omissions Audit/Enforcement Action

The MBLAA requires that all mortgage brokerages and administrators carry errors and omissions (E&O) insurance in a form approved by the Superintendent.

In November 2010, FSCO undertook an E&O audit of all mortgage brokerages licensed under the MBLAA. FSCO compared its registry of licensed brokerages to the listings provided by the approved E&O insurance companies/brokers. At first review, 120 brokerages were found to be non-compliant as compared to 499 in FSCO's 2008 audit.

Based on a further review of these brokerages, FSCO expects to take regulatory action for non-compliance against approximately 50 mortgage brokerages.

The Superintendent has approved the policies of several E&O insurance providers. For a list of these providers, including contact information, refer to FSCO's [E&O insurance providers web page](#)

Tips for Completing a Mortgage Brokerage or Administrator Application Form

If your business is planning to apply for a mortgage brokerage or administrator licence, we recommend that you read FSCO's [Tips for Submitting your Mortgage Brokerage Application to FSCO](#) where you can link to these resources to help you better understand FSCO's licensing and application process.

- a checklist for completing the application form;
- requirements for getting licensed as a mortgage brokerage or administrator;
- a list of additional documents that you need to include with your application form;
- a summary of important information you need to know before you get licensed; and,
- a list of useful online resources available on FSCO's website.

The electronic application process makes filing an application faster and easier. It makes sure your application is properly completed before you submit it.



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Compliance Activities

In order to manage new and existing risks, mortgage brokerages need to refine, improve and adjust their internal controls on an ongoing basis.



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Ce bulletin est également disponible en français.

ISSN 1913-519X



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In addition to follow-up activities for non-filing of 2010 AIRs and the E&O audit, the Market Regulation Branch conducted over 100 on-site examinations. Examiners visited 100 per cent of mortgage administrators licensed in 2010 to assess compliance with Ontario Regulation 189/08 Mortgage Administrators: Standards of Practice.

Initial findings indicated that while almost all administrators had adequate policies and procedures in place, there was room for improvement. Based on examination findings, one administrator's licence was revoked. FSCO will be posting a summary report on the examination findings in the near future.

Other examinations were conducted to:

- determine if adequate follow-up had been completed by mortgage brokerages that were subject to examinations in 2009;
- assess the adequacy of policies and procedures at some new mortgage brokerages;
- respond to serious compliance concerns about the conduct of certain brokerages, brokers or agents.

In one case, due to an increasing number of complaints about a mortgage brokerage, FSCO staff worked closely with the Principal Broker to develop a compliance plan. This resulted in a positive outcome as there was a significant decline over the course of the year in the number of complaints against the brokerage.

FSCO's costs for regulating the mortgage brokering industry increase when there is non-compliance and the increased cost is supported by fees collected from the sector.

Licensing Statistics for 2010

- Number of new licences:
 - Mortgage agents: 3,146
 - Mortgage Brokers: 123
 - Mortgage Administrators: 14
 - Mortgage Brokerages: 77
- Number of licence surrenders:
 - Mortgage Brokerages: 165
 - Mortgage Administrators: 4

Future Newsletters

- Agreement on Internal Trade.