

Canadian Association of Private Lenders

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Financial Services Regulatory Authority of Ontario
25 Sheppard Avenue West, Suite 100
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Submitted electronically via feedback form

Re: Feedback on Proposed Guidance No.MB0054INT - Proposed Guidance: Mortgage Product Suitability Assessment

We write on behalf of the Canadian Association of Private Lenders, which represents the interests of private mortgage lenders, investors and administrators across Canada.

More specially, we are writing to provide comments on the Financial Services Regulatory Authority of Ontario's (FSRA's) proposed guidance in MB0054INT, which sets out proposed guidance on providing clients with mortgage product suitability assessments.

We note that the proposed guidance incorporates the Mortgage Broker Regulators' Council of Canada Principles for Conducting Mortgage Product Suitability Assessments, which we have previously reviewed and has been broadly circulated for comment under a separate consultation. In addition, the proposed guidance sets out detailed expectations on mortgage sector licensees in assessing factors relating to suitability. In particular, it explains in depth two primary suitability factors, which include meeting the client's specified needs, such as by paying out debts or financing a purchase, and affordability, which entails whether the borrower can afford mortgage payments or has an alternative exit plan to repay the mortgage. The principals and analyses in the proposed guidance on how suitability must be assessed will greatly assist licensees in understanding the rationale and goals of conducting suitability assessments.

However, FSRA may wish to consider incorporating into the proposed guidance some more practical information to assist licensees in meeting their suitability advice requirements. This practical guidance could include for instance:

- the timing of when suitability advice must be provided to the client;

- whether lenders should ensure that brokerages which arrange mortgages have provided suitability advice to borrowers;
- that a section of the lender disclosure form has been created to provide suitability advice to investors/lenders, but other forms do not include a suitability advice section;
- that the exclusions for persons entitled to receive suitability advice are narrower than the exclusions for persons entitled to receive lender disclosure, so that licensees may be obligated to provide separate suitability advice without a standardized form to investors/lenders who fall into this gap; and
- that no forms, other than the lender disclosure, have been amended to include a suitability assessment, and the rationale for not creating a standardized suitability assessment form or section within a preexisting form.

We appreciate FSRA's focus on ensuring mortgage product suitability for borrowers, investors and lenders in the proposed guidance, in addition to the other education provided to licensees by FSRA staff. Thank you for the opportunity to provide comments on this important element of licensee compliance.

Yours truly,

Samantha Gale, CAPL CEO