

Appendix 2: Scenario B – Private mortgage lender

Sample documentation of suitability assessment for borrower obtaining a mortgage from a private lender

For illustrative purposes only

Mortgage product suitability assessment summary [Scenario A 28-Sep-2023]			
File #: 12345	Borrower: Jane Doe	Broker/Agent: John Q. Broker	
Date: 01-Sep-2023	Borrower: John Doe	Brokerage: ABC Mortgages Inc. #54321	
Section I: Recommendation			
Lender name: Mr. N. Vestor		Lender type: Private Lender – Individual	
Private 12-month term @ 9.25% fixed – \$2,505/mo interest only – Closing 07-Sep-2023			
<i>The reference section at the end of this form provides information on the key mortgage details and disclosures you should receive from your broker or agent.</i>			
Section II: Key Needs and circumstances summary			
Key personal and financial needs and circumstances include, but are not limited to:			
<ul style="list-style-type: none"> Credit scores (542, 550) Loan payments: \$1,200/m 	<ul style="list-style-type: none"> Incomes (~\$65,000/y gross each) Credit card payments: \$650/m 	<ul style="list-style-type: none"> Property value \$410,000 	
These are the most important feature(s) in a mortgage solution, as indicated by you:			
<ul style="list-style-type: none"> Quick close 07-Sep-2023 Flexible debt-to-income ratios 	<ul style="list-style-type: none"> Low document requirements Payout maturing 1st of ~\$320,000 	<ul style="list-style-type: none"> Considers renewal Min. takeout of \$45,000 	

Mortgage product suitability assessment summary [Scenario A 28-Sep-2023]

Other factors that may impact your ability to access and/or qualify for certain products and lenders:

- Both <2 years at current job
- Both credit scores <550
- LTV 79%

Section II: Rationale

How the recommended product meets your needs. If not lowest (overall) cost, key decision factors. Other options considered. Etc.

- Credit scores <550, limited job history, high debt-to-income ratios would not qualify for traditional bank mortgage product. Once at job 2 yrs+ & credit scores 600+, switch to alt lender may be possible
- For now, particularly due to tight closing requirement, most appropriate solution to accommodate your key criteria/critical needs is a private mortgage
- The recommended private mortgage meets the following key needs:
 - Quick closing by 7-Sep-2023 (4 business days), renewals are considered case-by-case
 - Lender's primary focus is property value & condition, 2 year average income not required
 - Loan amount of \$360,000 represents 88% LTV with current property value \$410,000 – meets need to payout 1st mortgage ~\$320,000 + requested takeout of \$40,000; lender max is 90% LTV
 - Interest-only payments provide “breathing room” for monthly cash flow [but no principal reduction]
- Compared to other privates available to me, this offers better rate (9.25% comp. monthly) & lower fees – lowest overall cost of borrowing (APR) I could find. Few lenders offering 90% in this market.

Exit strategy – *Required for private mortgages. Plan for return to traditional financing at end of term. Sustainability of solution if exit not achieved. Etc.*

- Use this time while in a private mortgage to get into a better place financially, allowing for negotiation with alternative or more traditional lenders once this term has ended
- Maintain stable employment (2 yrs+ same employer; for contractors – same industry).
- Increase credit scores – min 600 for alt, min 680 for banks. General activities to improve credit include (not limited to)
 - pay bills on time, reduce credit use, pay down balances, avoid major expenses on credit
- Consider consulting with a Financial Planner or Advisor for help with budgeting and finances etc.

Mortgage product suitability assessment summary [Scenario A 28-Sep-2023]

Section III: Cautions

Unique and/or limiting product terms/conditions. Payout options, penalty, fees, etc.

- This is a **short-term** solution only. Borrowing nearly 90% of property value leaves little room for future refinancing, particularly if property values decrease.
- Lender collects monthly payment by post-dated cheques (provide to lawyer at closing). Ensure you have funds in account: \$150 non-sufficient-funds charge for each dishonoured cheque
- Do not get behind on payments. Lender will consider starting mortgage enforcement (such as demand letter or power of sale) after 3 (three) missed payments
 - If you run into challenges during the term, reach out to me or the lender directly to make arrangements or to restructure. Do not avoid these discussions.
- If finances not ready for alt or traditional lender after the 1-year term, I can only recommend renewal/extension **once** for **max of 12 months** (more renewal may deplete equity past what a sale can recover).

Section IV: Acknowledgement

Brokerage: *Info accuracy and suitability attestation. If product selected by borrower is NOT recommended/suitable, clear explanation. Etc.*

Information noted in this *Mortgage Product Suitability Assessment* is true to the best of my knowledge. It is informed by the clients' mortgage application, conversations, financial information/ documentation reviewed. Based on clients' personal & financial needs and circumstances, this is suitable and my best recommendation, of the products/ lenders available to me.

ABC Mortgages Inc. #54321
Brokerage Name and Licence #

John Q. Broker
Name of Broker/Agent

John Q. Broker
Broker/Agent Signature

01-Sep-2023
Date

Borrower^[9]: *Agreement w/ product & rationale. If selecting a product NOT recommended/suitable, clear acknowledgement of risks. Etc.*

⁹ **Disclosures:** *In addition to this summary, you, as borrower(s), are entitled to receive full disclosure information (often referred to as the “disclosure to borrowers” or the “signing package”). This information must be presented to you in writing at the earliest opportunity, and in any case, no later than 2 business days before entering into a mortgage agreement or signing the mortgage instrument, whichever is first. You, the borrower(s) can consent in writing to waive this waiting period. **Caution:** Waiving the 2 business days waiting period [between receiving disclosure information and signing/entering into a mortgage agreement] means you agree to receive the disclosures at any time before signing a mortgage instrument. ([O. Reg. 188/08, s. 35](#)).*

Mortgage product suitability assessment summary [Scenario A 28-Sep-2023]

My broker/agent has discussed my mortgage options with me and explained both why and how this mortgage product recommendation suits my personal and financial needs and circumstances. I agree that this recommendation is appropriate and that I understand the mortgage’s features and limitations.

I understand that the recommended mortgage product is a private mortgage. My broker/agent discussed with me the reasons for a private mortgage. I understand what to do during the term to improve my financial situation to transition to more traditional financing options in future. I recognize that this is a short-term solution that may not be sustainable long-term and could result in depletion of my equity in my property. I understand if I continue to finance with private mortgages, what I owe may equal or exceed the property value. I understand these risks and agree to move forward with this recommendation.

n/a Company (if applicable)	Jane Doe Borrower Name	Jane Doe Borrower Signature	01-Sep-2023 Date
n/a Company (if applicable)	John Doe Borrower Name	John Doe Borrower Signature	01-Sep-2023 Date

Additional information you should receive from your broker or agent is listed on next page.

For your reference: Additional documentation and information

Together with your broker or agent, review the Disclosure to Borrower, Mortgage Commitment letter, and/or other mortgage document(s) for materially relevant information about your mortgage product, such as:*

Mortgage particulars

- Property details (e.g., address, value, mortgage rank/position, loan to value (LTV), etc.)
- Mortgage specifics (e.g., amount, term, maturity date, and amortization, etc.)
- Interest rate details (e.g., fixed/variable, compounding, reference index, etc.)
- Payment details (amount, constant/adjusting, frequency, payment method, etc.)

Cost of borrowing details

- Fees and costs breakdown (e.g., to/from details, type/purpose, calculation method, etc.)
- Interest calculation (total interest paid over term)
- Amortization details (e.g., schedule of payments, balance at maturity, etc.)
- Cost of borrowing (annual percentage rate, including interest costs plus applicable fees and charges)

Terms and conditions

Disclosures

Mortgage product suitability assessment summary [Scenario A 28-Sep-2023]

- Renewal options or conditions
- Prepayment privileges and payout penalties
- Transferability, assumability, portability
- Fee schedule and optional services
- Brokerage relationships, representation details
- Fees/other remuneration payable **by** or **to** brokerage
- Actual or potential conflicts of interest
- Material risks of the recommended product

**This is not an exhaustive list.*

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