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CANADA



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**Public consultation on guideline to detect and prevent fraud**

**April 2023**

Mortgage Professionals Canada (MPC) on behalf of its 15,000 members, is committed to improving housing affordability, and helping Canadians from coast-to coast-to coast achieve the dream of homeownership. We are also committed to ensuring that the voices of our membership, the mortgage industry, and above all Canadian home buyers, are heard.

One opportunity for improving the ability of Canadians to secure homes and become homeowners is cracking down on mortgage fraud; an insidious problem that contributes to an inability for honest actors to secure housing. Equifax Canada recently warned of the anticipated increase in mortgage fraud due to the increased difficulty in qualifying for a mortgage. Fraud has increased by 29.5 percent in Canada since the start of the pandemic, according to recent data from Equifax published in November 2022. The alarming increase in fraud is a concern for our industry.

From brokers to lenders and banks, our industry is committed to routing out and protecting against fraud. This starts with keeping the personal financial information of consumers safe, secure, and confidential. It also relies on secure access to confidential consumer information. That is why, on behalf of our industry, we have been engaged with the federal government on CRA-enabled income verification as a means to prevent mortgage fraud, in the form of misrepresentation of income or falsified income documentation.

We appreciate the initial engagement we have had with FSRA and the receptivity for stakeholder consultation and feedback on this guideline. As an industry we are supportive of this guideline. We would continue to encourage FSRA to introduce similar plain language guidance to the industry and to continue to align with federal requirements, such as the forthcoming AML requirements for mortgage brokers, brokerages, lenders and administrators.

One area we have identified for potential improvement is the section on disclosure. As an industry, we support disclosure policies that help the customer refer to what was discussed and summarize the consumer's product choice and why. Our member education includes examples of know your client and suitability checklists that industry professionals use daily. Disclosure is an important tool to enable industry professionals to ensure the customer understands the product they have chosen and promotes greater customer financial awareness. This is particularly important for more vulnerable consumers. However, some aspects of this section may be better addressed at the onset of the interaction with the consumer such as describing measures a broker takes to detect customer identity and to protect against fraud.

Additionally, we propose amended language in the section that refers to ensuring "the client understands the risks of the mortgage, including the risk of mortgage fraud. FSRA will not consider a client's signature on disclosure documents, on its own, as sufficient proof the client was adequately informed about the mortgage and its risks". It would be helpful for FSRA to outline what is meant by the risks of mortgage fraud and specific examples of how disclosure could be done without making a client feel that they are in the wrong, when the broker has already taken precautions to determine that there is no misrepresentation and has followed the guidance.

Mortgage Professionals Canada is also supportive of measures such as multi-factor authentication as a best practice for the industry to validate customer identity and to prevent instances of title fraud. It would be helpful for FSRA to have a section where this concept is explained, using plain language to encourage voluntary adoption of this type of verification across the industry.

Thank you for the opportunity for participating in this consultation. We look forward to continued collaboration in the future to support the shared goal of consumer protection and the elimination of fraud.

### **About Mortgage Professionals Canada**

We are Canada's mortgage industry association with over 15,000 members and more than 1,000 member firms. We are a non-profit association representing mortgage brokers and agents, as well as banks, lenders, insurers, and service providers, making up the largest network across the country. Forty-five percent of first-time home buyers in Canada choose brokers for their mortgage.