



Brokerage #12389

# POLICY & PROCEDURES

July 1, 2013

# Table of Contents

- 1. Overview..... 4
  - 1.1 Introduction/Code of Conduct ..... 4
  - 1.2 About PnnChh Inc..... 4
  - 1.3 Policy..... 5
- 2. Privacy Policy..... 6
  - 2.1 Changes to Privacy Policy..... 6
  - 2.2 PnnChh Inc. Broker Website ..... 6
  - 2.3 Communication and Privacy Policy ..... 6
  - 2.4 Provision For Maintaining Financial Records ..... 6
  - 2.5 PnnChh Inc., financial record of its licensed activities in Ontario ..... 6
- 3. Personal Information..... 7
  - What Is Personal Information? ..... 7
    - 3.1 Why PnnChh Inc., Agents/Brokers Collect Personal Information..... 7
    - 3.2 How Do We Collect Personal Information?..... 7
    - 3.3 Consent..... 7
    - 3.4 Client Consent to Obtain Mortgage ..... 8
    - 3.5 Equifax Client Consent..... 8
    - 3.6 Credit Score Disclosure ..... 8
    - 3.7 Use and Disclosure of Personal Information ..... 9
    - 3.8 Limiting Collection and retention of Personal Information ..... 9
    - 3.9 Accuracy ..... 10
    - 3.10 Safeguards ..... 10
    - 3.11 Protection of Personal Information ..... 10
    - 3.12 Accountability, Openness and Client Access ..... 10
- 4. Protection of Data ..... 11
  - 4.1 Head Office Protection of Data ..... 11
- 5. Advertising..... 12
  - 5.1 Public Advertising/Special Event Advertising ..... 12
  - 5.2 Business Cards/Marketing Material..... 12
  - 5.3 Business Location ..... 12
  - 5.4 Use of Names ..... 12
  - 5.5 Yellow Pages and ALL Periodic Publishing ..... 12
  - 5.6 Advertiser Corporations under PnnChh Inc. .... 13
  - 5.7 Websites ..... 13

5.8	Advertising Checklist .....	13
5.9	Other Forms of Advertising.....	13
6.	File Handling and Retention .....	14
6.1	Filogix Expert .....	14
6.1.1	Filogix Agent/Broker Obligations.....	14
6.1.2	Filogix Exchange Service Fees.....	15
6.2	Files in Process .....	16
6.3	Completed Files.....	16
6.4	File Retention.....	16
7.	Complaints .....	17
8.	Disclosures & Use of Forms .....	18
8.1	Disclosure of Conflicts of Interest.....	18
8.2	Disclosure of Material Risks .....	18
8.3	Disclosure of Fees, etc.....	18
8.4	Disclose Cost of borrowing to borrower.....	19
8.5	Disclosures to Borrowers .....	19
8.6	Suitability Form.....	20
8.7	Know Your Client –Borrower (KYC).....	21
8.8	Investor Disclosure Forms .....	22
8.9	Investor/Lender Disclosure Statement for Brokered Transactions.....	22
8.10	Renewal Form .....	23
8.11	Other Documentation .....	23
9.	Errors and Omissions Insurance .....	24
10.	Industrial Alliance Insurance Pacific (if applicable).....	25
11.	Branch Offices .....	26
12.	Business Practice.....	27
13.	Appraisals.....	28
14.	Trust Accounts.....	29
15.	Human Resource.....	30
15.1	Hiring.....	30
15.2	Licensing.....	31
15.3	Training .....	32
15.4	Payment.....	32
15.5	Receipt of Non-cash Consideration.....	32
15.6	Termination/Resignation-Policy .....	32

15.7	Agent/Broker HR Files.....	34
15.8	Reference Checks.....	34
15.9	Personal Corporations.....	34
15.10	Receipt of Non-cash Consideration.....	34
16.	Supervision.....	35
16.1	How does PnnChh notify FSCO of a Mortgage Broker or Agent who is not suitable for licensing? .....	36
17.	Dealing With Borrowers and Lenders .....	37
17.1	Role of the Brokerage.....	37
17.2	Disclosure of Conflicts of Interest.....	37
17.3	When Dealing with Borrowers.....	37
17.4	When Dealing with Investors.....	38
17.5	Suitability of Mortgage Investments .....	38
17.6	Verification of Identity .....	39
17.7	Identification and Disclosure of Material Risks.....	40
17.8	Duty to Disclose Cost of Borrowing to Borrowers.....	40
17.9	Unlawful Transactions .....	40
18.	Fraud.....	41
18.1	Prevent Fraud.....	41
18.1.1	Identity Verification.....	41
18.1.2	Employment and Income Verification.....	41
18.1.3	Occupancy.....	41
18.1.4	Credit.....	41
18.1.5	Property.....	41
18.1.6	T4A .....	42
18.1.7	Job Letter.....	42
18.1.8	Paystub .....	43
18.1.9	Notice of Assessment (NOA).....	43
18.1.10	Financial Statements .....	43
18.1.11	Property Documentation .....	43
18.1.12	Gift Letter.....	43
18.1.13	Property Assessment.....	43
18.1.14	Mortgage Statement .....	43
19.	Remuneration .....	45
19.1	Receipt of Non-Cash Consideration.....	45
19.2	Monetary and Non-Monetary Incentives.....	45
20.	Agreement.....	47

# 1. Overview

## 1.1 Introduction/Code of Conduct

**PnnChh Inc.**, is independently owned and operated, (herein after referred to as “Brokerage”, “PnnChh.”), has an obligation to its clients, community, employees, mortgage agents/brokers, lenders and any other payers to conduct its business and deliver its service in accordance with all applicable rules, regulations, and laws in accordance with Financial Service Commission of Ontario and MBLA Act. We are committed to helping all our employees, and mortgage agents/brokers in a way that preserves the trust and respect of those whom we serve and with whom we deal.

This Policy and Procedures Manual and Code of Conduct are meant not as an inflexible rulebook, but as a guide to assist us in making decisions and choosing our actions. The code reflects the core values of PnnChh Inc., as such and not limited to:

- Integrity
- Community
- Compassion
- Respect
- Stewardship
- Excellence
- Service

These core values should guide our daily actions. When in doubt about what to do, ask for advice, but also think about these values. If the action you are considering is not compatible, do not do it.

PnnChh Inc., Policy and Procedures/ Code of Conduct must be followed by all our Mortgage Agents/Brokers-Contractors, employees, and professional staff. No one, regardless of rank or position, may allow personal preference, inconvenience, or business pressures to compromise adherence to these standards, or pressure others to do so.

This Policy and Procedure Manual and Code provide general information about how PnnChh Inc., will conduct its business. Furthermore, neither this Policy and Procedure Manual or code nor any written set of rules can replace open and honest discussion or the application of common sense, good judgment, and personal integrity.

Adherence to the Policy and Procedures and Code of Conduct is a condition of employment and credentialing. Violations of this code or any policies or procedures that govern our business and our interactions with our clients will result in disciplinary action, up to and including termination of contract, employment or staff privileges, as applicable.

## 1.2 About PnnChh Inc.

PnnChh Inc. is an equal opportunities employer. PnnChh Inc. was founded May 2013.

### PnnChh Contacts

	Contact Person	Email
Principal Broker	Aneal Thansingh	athansingh@pnnchh.com
President & C.E.O	Gurjot Chhoker	gchhoker@pnnchh.com

### **1.3 Policy**

**Mortgage Brokerages Lenders Association Act: Standard of Practice Regulation sec.40**  
(herein after referred to as MBLAA or the Act):

The brokerage shall establish and implement policies and procedures:

- That are reasonably designed to ensure the brokerage and every broker and agent comply with the requirements under the MBLAA Act.
- For the adequate supervision of its brokers and agents.
- To hire and manage agents
- Review public relations materials
- Detect and prevent fraud

## **2. Privacy Policy**

At, **PnnChh Inc.**, we are committed to protecting the privacy and confidentiality of the personal information of our clients (individually, the “Client” and collectively, the “Clients”). As financial service providers, we have a professional obligation to maintain in confidence information we receive within our role as a financial services provider. The purpose of this Privacy Policy is to advise clients as to why we ask for personal information, how we use it, what safeguards we employ, how to contact us with privacy-related matters. PnnChh Inc.’s agent hiring process and complaints procedure.

### **2.1 Changes to Privacy Policy**

PnnChh Inc., Broker will from time to time review and revisit privacy practices and this Privacy Policy and inform its Mortgage Agents/Brokers accordingly.

### **2.2 PnnChh Inc. Broker Website**

Our Web site may contain links to other sites, which are not governed by this Privacy Policy. On our Web site, like most other commercial Web sites, we may monitor traffic patterns, site usage and related site information in order to optimize our web service. We may provide aggregated information to third parties, but these statistics do not include any identifiable personal information.

### **2.3 Communication and Privacy Policy**

We recognize that convenience and quick access to advice must be balanced with security needs. We use many different means to communicate with clients, some of which are more convenient such as e-mail. Our emails are sent with industry standard 128 bit encryption. Such encryption however does not guarantee privacy and security as encrypted messages can nonetheless be subject to interception and translation. If clients do not wish us to communicate by e-mail, they may speak with their consultant/broker/agent handling the matter about alternative arrangements.

### **2.4 Provision For Maintaining Financial Records**

PnnChh Inc., does not disclose Financial records to a Third Party. (O.reg. 188/08, 5. 4b (1))

### **2.5 PnnChh Inc., will maintain adequate financial record of its licensed activities in Ontario.**

### **3. Personal Information**

#### **What Is Personal Information?**

In this Policy and Procedures Manual-Privacy Policy, “Personal Information” means information that is gathered in connection with an application, pre-approval, request for information for a mortgage(s) or loan(s) and insurance or any other product(s) through PnnChh Inc., by its Agent/Broker and or its staff or by Agent/Broker's agents, associates, and affiliates on PnnChh Inc. Agent/ Broker's behalf (collectively, “PnnChh Inc.’s Agent/Broker”).

#### **3.1 Why PnnChh Inc., Agents/Brokers Collect Personal Information**

PnnChh Inc. Agents/Brokers collect and use Personal Information for the following purposes:

- Provide mortgage brokering services to the Client and offer products and services best suited to their needs, including arranging and/or renewing loan(s)/mortgage(s), informing the client of group creditor insurance and other products offered or approved by PnnChh Inc., that may be of interest to the Client;
- Checking Client credit worthiness through credit bureau inquiry and personal information agents who have information on a Client’s financial position.
- Advising Clients of the financial options, as well as, ongoing developments of the mortgage market and industry;
- Auditing the services provided to our Clients;
- Compliance with all municipal, provincial, federal and other applicable laws; and
- Such other specific purposes which are communicated to the Client by a member of PnnChh Inc., before collection of such Personal Information.

Except when otherwise permitted by law, we will only use a Client’s Personal Information for the purposes identified to the Client. When Personal Information is to be used for a purpose not identified, we will take all reasonable steps to ensure that new purpose is identified prior to use.

#### **3.2 How Do We Collect Personal Information?**

The Client is our main source of information. With the Client’s consent, we may also obtain information directly from a third party to help us determine eligibility for various 3 financial products and services. For credit matters, for example, it is essential that we know the clients’ financial worth as well as the clients’ credit record. We will also contact other lenders, financial institutions, credit bureaus and employers. Consent is therefore important because without it, we will not be able to carry out the appropriate inquiries and it might be difficult for us to offer the credit product requested. In most cases, consent is given on the forms used for specific products or, from time to time, on a separate form. The declaration of consent is clear and unambiguous.

All original documents must be returned to their owners when requested, at no charge.

#### **3.3 Consent**

A clients’ provision of Personal Information to PnnChh Inc.’s Agents/Brokers means that they agree and consent give consent to PnnChh Inc.’s Agent/ Broker to collect, use and disclose such Personal Information in compliance with this Privacy Policy. PnnChh Inc.’s Agents & Brokers will not collect, use or disclose a Client’s Personal Information without the Client’s requisite consent, except in certain extraordinary circumstances. Such extraordinary circumstances shall include without limitation, when legal, medical or security reasons make it impossible or impractical to obtain consent or where it is otherwise in the best interests of the Client.

The most common method we use to obtain a Client’s consent is by way of the Client’s consent as confirmed by the mortgage application and signature(s) on Client Consent form. Client consent forms can be found on Filogix Expert.

Our Clients may withdraw their consent by written notice to us at any time, subject to any legal or contractual restrictions and reasonable notice. A Client’s refusal to provide, or subsequent



withdrawal of, his or her consent may affect PnnChh Inc's Agent/Broker's ability to provide the Client with mortgage services. A member of PnnChh Inc. will inform the Client of the implications of such withdrawal. To withdraw consent, a Client should contact the Chief Privacy Officer in writing at athansingh@pnnchh.com

### 3.4 Client Consent to Obtain Mortgage

At PnnChh Inc., all agents/brokers must get consent from clients to represent them. Agents/Brokers must use PnnChh Inc.'s "Client Consent Form" and "Mortgage application form" These forms must be submitting to compliance officer along with all other documents listed on PnnChh Inc.'s Compliance Check list. This form is compulsory effective June 1<sup>st</sup>, 2009.

### 3.5 Equifax Client Consent

For all Equifax credit bureau inquires, we require written consent from client(s) before pulling any bureaus, indicating to the client clearly that their information will be used for the purpose for obtaining client's credit bureau.

**Note: All** client consent forms must be submitted to PnnChh Inc., whether the mortgage deal is funded or not funded.

**All** client consent forms for authorising credit bureau's MUST be uploaded into the "Boss"-system provided by PnnChh Inc., with relevant PnnChh Inc. file/deal number within 30 days of pulling bureau.

**All** previous written consent forms must be uploaded into the Exchange folder by end of 15<sup>th</sup> October 2012.

Client consent Form can be found on Filogix Expert.

Equifax, has very strict rules that restrict agents/brokers from disclosing credit scores to borrowers. PnnChh Inc.'s Agent/Brokers who violate this policy are subject to termination of their license from Equifax and FSCO.

Equifax instead suggests that agents/brokers refer borrowers to [www.equifax.ca](http://www.equifax.ca) if they wish to determine their score. Equifax charges a fee for each bureau. PnnChh Inc's agents/brokers will be charged accordingly-as per their Independent Contractor Agreement.

Despite these rules, mortgage agents/brokers are always free to say whether client's score qualifies them for the mortgage they requested. If the particular mortgage the client desires requires a 680 Beacon score, for example, a mortgage agent/broker is allowed to tell their client whether their score is higher or lower than that number.

Regular random audits will be conducted by PnnChh Inc. and or Equifax Canada to ensure that all agents are adhering to this policy. If agent/broker file is selected in the audit process, the agent/broker will be required to produce a signed and dated application and consent form within 48 hours to the compliance officer. Failure to do so will result in suspension and or possible termination of Equifax.

### 3.6 Credit Score Disclosure

Pulling a credit score is one of the first things a mortgage agent/broker does before submitting a client's application to a lender.

Equifax, has very strict rules that restrict agents/brokers from disclosing credit scores to borrowers. PnnChh Inc.'s Agent/Brokers who violate this policy are subject to termination of their license from Equifax and FSCO.

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### **3.7 Use and Disclosure of Personal Information**

PnnChh Inc. agents & brokers will use a Client's Personal Information to provide financial advice and services to the Client, to administer our database, to include Clients in direct marketing activities and for the other uses described above under the heading "Why PnnChh Inc. Agent/Broker Collects Personal Information". Under certain circumstances, PnnChh Inc.'s Agents/Brokers will disclose a Client's personal information to third parties. Specifically, Personal Information may be used, shared and disclosed to, from, or with, the members of PnnChh Inc., witnesses in a litigation proceeding, experts retained on a Client's behalf, private investigators, agents retained on behalf of a Client, credit reporting agencies, credit bureaus, as well as such other third parties as are necessary to facilitate the matter for which the Client has retained our office and provided its consent.

Under certain circumstances PnnChh Inc. Agents/Brokers may disclose Personal Information where:

- required or authorized by law to do so, for example if a court issues a subpoena;
- a Client has consented to the disclosure;
- when mortgage services by PnnChh Inc's. Agents/Brokers are provided to a Client requiring us to give Personal Information about a Client to a third party (for example, to a lender in a real estate mortgage transaction) the Client's consent will be implied, unless the Client tells us otherwise;
- Client identification: each broker/agent is responsible to take steps to verify the identities of its clients/borrowers and other parties in mortgage transaction. Agent/Brokers must collect at minimum 1 government issued photo id. If client is not able to provide photo id, client must provide at minimum 2 other ids, i.e., SIN # and or Bank Statement.
- where it is necessary to pull a credit bureau for purposes of processing a mortgage transaction;
- if PnnChh Inc., Agents/ Brokers engages a third party to provide administrative or support services to us (such as computer back-up services, shredding or archival file storage), the third party is bound by our Privacy Policy;
- protection of PnnChh Inc. and its Agents & Broker's best interests;
- protection of public interests such as the denouncement of criminal Activity such as fraud or money laundering. In all such cases, authorities are contacted and personal information may be disclosed;
- if PnnChh Inc. retain a law firm(s) to Act on our behalf for any reason; or if the information is already publicly known.

### **3.8 Limiting Collection and retention of Personal Information**

PnnChh Inc. Agents/Brokers limits Personal Information is not used or disclosed for purposes other than those for which it was originally collected, except with the consent of the Client or as otherwise permitted by law. The collection of a Client's Personal Information to that which is necessary for the purposes identified in this Privacy Policy as same may be amended from time to time, or for any additional purpose identified to the Client before the collection of the Personal Information. As well,

PnnChh Inc. Agents/Brokers will retain Personal Information only for so long as it is needed to fulfill the purposes for which it was obtained and to meet our professional requirements as set out our governing regulatory bodies and/or any other legal requirement, statutory or otherwise, from time to time.

### **3.9 Accuracy**

PnnChh Inc. and its Agents/Brokers strive to ensure that a Client's Personal Information is as accurate, complete, and up-to-date as is necessary for the purposes for which it is used.

### **3.10 Safeguards**

PnnChh Inc. agents and brokers endeavors to maintain adequate safeguards to protect against loss, theft, unauthorized access, disclosure, copying, use or modification of Clients' Personal Information in the care of PnnChh Inc. PnnChh Inc. and its Agents and brokers use various methods to safeguard personal information, including physical security, computer and electronic security, destruction of information no longer needed, and contractual protections with third party data processors.

### **3.11 Protection of Personal Information**

Client lists are never passed on to third parties other than affiliated members of PnnChh Inc. When they are hired, our employees and agents must undertake to respect the confidential nature of client information. Only employees and associates who need to view the file as part of their work have access to this information.

*Also refer to Protection of Data Section 4 of the PnnChh Inc. P&P.*

### **3.12 Accountability, Openness and Client Access**

PnnChh Inc.'s Agents/Brokers are responsible for the Personal Information under its control and has appointed a Chief Privacy Officer to oversee their efforts to comply in all material respects with applicable privacy legislation and the terms of this Privacy Policy. The Chief Privacy Officer and those designated by the Chief Privacy Officer address and investigate questions or concerns regarding a Client's Personal Information.

PnnChh Inc. and its agents and brokers will provide a Client access to their Personal Information. The Client may correct or amend any inaccuracies in the Client's Personal Information. PnnChh Inc.'s agent/broker has the right to refuse a request for access to Personal Information if:

- The information is protected by legal privilege;
- Granting access would reveal confidential commercial information;
- The information was collected for purposes related to the detection and prevention of fraud;
- The information was generated in the course of a formal dispute resolution process;
- The information would likely reveal personal information about another individual;
- The request is vexation or frivolous;
- To protect our firm's rights and property.

## 4. Protection of Data

All PnnChh Inc agents and brokers will take reasonable steps to protect personal data supplied by clients.

All documentation will be kept in secure premises not accessible to the public. Once a file is complete, any un-required documentation will be returned to the client immediately.

Documentation will be submitted to head office in either hardcopy or electronic format prior to the closing of the transaction. While agents may retain copies of files, every effort must be made to safeguard the information on hand.

**It should be noted that all files are the property of PnnChh inc. Although PnnChh Inc., brokers and agents may retain data for marketing purposes, the clients belong to PnnChh Inc.**

All documents must be uploaded on "Boss" and any documentation not further required, must be shredded immediately.

**The following records must be kept by PnnChh Inc-electronically:**

- Complete financial records of the brokerage
- Complete records of every mortgage application and transaction, including documents given to and received from borrowers and lenders
- Complete records of all lending activities.

**Seven Year Rule-All client information, documentations must be kept for minimum of 7 years in PnnChh system-"Boss"**

- Brokered mortgages: from the end of the mortgage term
- From the date a mortgage is bought or sold
- All other records, including the brokerage's financial records.

### **File Storage**

All electronic documentation must be password protected. Laptops containing client files shall not be left unattended in public areas.

All paper based files must be housed at PnnChh Inc.'s Head Office.

### **4.1 Head Office Protection of Data**

Head Office will take reasonable steps to ensure the security of the data of client files. Scanned documentation must be adequately protected and catalogued. All client records and personnel records will be kept in locked cabinets or in secured electronic format. All computers at head office will be password protected and data will be backed up on a regular basis by a third-party source.

## 5. Advertising

All advertising will be in compliance with the standards of practice, as outlined in the Mortgage Brokerages Lenders and Administrators Act.

All advertising must be approved by the principal broker or designate personnel before final orders are placed. This includes the ordering of business cards, printed material, websites, media advertising, flyers, brochures, and all other marketing materials.

The principal broker will approve the draft ad, and must also approve the final artwork or content before the order is finalized.

### 5.1 Public Advertising/Special Event Advertising.

PnnChh Inc. is not accountable to cover any type of Insurance liability or purchase any Insurance coverage for Agents/Brokers on public/private property while advertising or are responsible for such insurance(s) under any circumstances. As Independent Contractors, agents/brokers are responsible for the appropriate coverage at such events and at their place of conducting business at their own expense.

### 5.2 Business Cards/Marketing Material

Subject to guidelines established by FSCO, the name "PnnChh Inc." will be prominent on all business cards. The brokerage license number will appear under the company name. The broker's or agent's name will appear with the title **broker (or mortgage broker) or agent (or mortgage agent)** depending on their licensing qualifications. No other titles will be permitted on business cards. (Degrees such as **BA** or **MA**, or designations such as **AMP** or **CPMB** are acceptable directly after the person's name. However slogans related to the designation, such as *Accredited Mortgage Professional* or *Certified Professional Mortgage Broker* are not permitted.) The agent/broker must also include their license number under their name.

### 5.3 Business Location

If an agent is operating from a location where the public is invited to do business, this location must be listed as a branch office with head office and that address may be indicated on the business card. If the broker's/agent's location is not registered as a branch office with FSCO and PnnChh Inc., that address may not be shown on the business card OR any marketing material. The Head office address must be listed and the broker's/agent's local phone number may be included on the card.

### 5.4 Use of Names

On all advertising materials, brokers or agents, where identified, must use their legal names as they are licensed with FSCO, or an alias or known-as name, which has also been licensed with FSCO. No other names are permitted in any advertising materials.

### 5.5 Yellow Pages and ALL Periodic Publishing

Yellow Pages and other periodic publishing ads must be approved in advance by head office. In all display advertising, PnnChh Inc. and the corresponding license number must be prominent. In addition, the broker's/agent's name and license qualifications (broker or agent) must also be indicated.

In the case of a simple listing, the listing must be in the name of PnnChh Inc.'s Agent/Broker. The broker's/agent's title as broker or agent must also appear in the listing, but under no circumstances may the listing be in the broker's/agent's name alone.

## 5.6 Adveristing Corporations under PnnChh Inc.

If operating a personal Corporation, that corporation must be invisible to the public. Its name cannot be used in any advertising or marketing materials and is there for payroll purposes only. The broker / agent must represent themselves as a broker or agent of PnnChh Inc., at all times.

## 5.7 Websites

Brokers and agents are permitted to maintain personal websites. Although the URL for the website may belong to the broker or agent, all content on the site shall refer to PnnChh Inc., and must comply with FSCO regulations.

All content on the sites must be approved by head office. The homepage must refer to PnnChh Inc., and show the license number of the company. All other pages must indicate that the agent or broker is a representative of PnnChh Inc., indicating the licensing designation.

## 5.8 Advertising Checklist

The following checklist provides licenses with guidance on: (1) complying with the MBLAA requirements governing public materials and, (2) general good business practices.

This mortgage industry advertising checklist applies to business cards, letterhead, websites and all major advertisements. Recommendations regarding smaller promotional items, such as pens, calculators, etc. are addressed separately below.

### Advertising Checklist for Mortgage Industry RE: Brokerage

- Is the name and license number of the brokerage prominently displayed?
- Does the name of the brokerage appear as it is registered with FSCO?
- Is the name and license number of the brokerage prominently displayed on the website? At the very least, the name and brokerage license number should be on the home page and the 'contact us' section. It must be clear to the reader who the brokerage is.
- In case of a franchise, does the phrase 'Independently owned and operated' clearly appear with the brokerage name?
- Is a method to contact the brokerage included in all advertising? This can be a telephone number, mailing or e-mail address
- Is the brokerage contact information provided the same as that listed with FSCO?
- Is the contact information being provided consistent? For example, a personal telephone number should not appear with a mailing address for the brokerage.
- Are any additional (non-brokerage) telephone numbers in the public relations materials appropriately identified as being direct, cellular or home telephone number? Additional (non-brokerage) e-mail addresses listed on a brokerage's website should be appropriately identified as being direct.

### RE: Broker/Agent

- Does the broker or agent's name appear as it is registered with FSCO?
- Do one of the approved title mortgage broker, broker, mortgage agent or agent, clearly appear with the broker or agent's name?
- Is the name and license number of the brokerage included in the advertisement?
- Is the contact information provided in the broker or agent's public relations materials the same brokerage contact information listed with FSCO?

## 5.9 Other Forms of Advertising

The content, appearance, and messaging in all other forms of advertising must be consistent with PnnChh Inc.'s overall advertising philosophy. All advertising must be approved in advance by head office.

## 6. File Handling and Retention

### 6.1 Filogix Expert

Effective August 2013, Filogix Exchange Services and Meridian's Boss system will provide PnnChh Inc., services for electronic capturing, organization and storage of documents. All agents/brokers must submit all files through the exchange services and Boss. A step by step training session available on-line. Please visit: <http://filogix.megameeting.com> and connect to the training session.

#### 6.1.1 Filogix Agent/Broker Obligations

- a) The agents/brokers covenants and agrees that they will comply with all applicable laws (including for greater certainty all privacy laws) in utilizing the Services and that it will obtain the required consent from its clients for the use of their data (which may include customer's personal information). Please refer to Client Consent form. The agent/broker also covenants and agrees that they will:
- i. Be responsible for obtaining a secure internet enabled personal computer for any location that will retrieve and view documents using the Services. The Agent/Broker shall be responsible to have the appropriate software necessary to view the file types for the documents stored within the Folders (e.g. Adobe Acrobat is necessary to view .pdf documents). This includes having the most current support version of the third party software as defined by the minimum system requirements for the Services as set out by Filogix;
  - ii. Obtain Filogix prior written approval for any integration of any third party software and/or solutions to the Services, which Filogix may withhold in its sole discretion; and
  - iii. Ensure its process and technology comply with customer privacy and consumer protection best practices and legislation.
  - iv. Each Agent/Broker is responsible for the confidentiality of keeping their own Filogix access codes to them selves and not to be given to any 3<sup>rd</sup> party, breach of this will result in termination of their contract with PNNCHH INC. & that FSCO & Equifax will be notified of the breach.
  - v. If Agents/Brokers feel that their IDs have been compromised they must contact Filogix and PnnChh Inc., ASAP.
  - vi. If Agents/Brokers have an assistant that needs access to their deals, they make this request to PnnChh Inc. and we will set up their assistant with administration rights to their deals.
- b) **The Agent/Broker Acknowledges:**
- i. That it is recommended that the Agent/Broker has high-speed internet access such as DSL or cable modems to support the submission and retrieval of documents;
  - ii. The maintenance of a(i) and b(i) will be the agent/broker's responsibility and completed at their expense;
  - iii. That as the Services provide for the ability to fax and/or email documents, the Agent/Broker shall solely be liable for any claim should the agent/broker send documents using the Services to an incorrect recipient if it was the Agent/Broker who entered an incorrect address and/or number;

- iv. Should any Folder exceed 100MB then the Agent/Broker shall be charged additional (cost to be determined) per additional MB, per month during which such Folder exceeds the 100MB allowance, and
- v. There will be additional fees payable in the following instances: 1. archiving folders beyond 20 years; 2. any request to transfer documents from the Folders to other media or solutions; 3. any request by the Agent/Broker to transfer documents from other media or solutions to Folders for storage and retrieval purposes only (provided that these Folders are not used for collaboration purposes); and 4. any other professional services, change request, etc. The additional fees will be charged by Filogix on a time and materials basis and will be agreed to by the Agent/Broker prior to any work being undertaken by Filogix.

#### **6.1.2 Filogix Exchange Service Fees**

The fee for the Services for a licensed PnnChh Inc. Mortgage Agent/Broker is currently free of charge. However, fees may be charged in the future and Agents/Brokers will be notified accordingly. If the current agreement between PnnChh Inc., and Filogix is either terminated or expires, the Agents/Brokers will be provided with thirty (30) days prior notice to decide whether they would like to continue receiving the services at Filogix's then standard fees will apply.

#### **6.1.3 Terms of this Supplement:**

The terms of this supplement shall be from the date first this agreement is signed until either: a) PnnChh Inc., and Filogix no longer have a valid contract in place which includes Filogix's provision of the Services to the Customer; b) Agent/Broker is no longer a PnnChh Inc. contractor; or c) the agent/broker breaches the terms of the supplement and such breach is not cured within thirty (30) days of PnnChh Inc. having sent notice to the Agent/Broker.

#### **6.1.4 Filogix Exchange Service Termination**

Upon the expiry of this Supplement in accordance with section 6.1.3 (a) or 6.1.3(b)

1. Agent/Broker will cease to have any access to the Services but at the Agent/Brokers request and expense. PnnChh Inc., shall: i) provide an electronic copy of such Folders to the Agent/broker ii) extend the storage of the Folders at Filogix's then standard fees for such services.
2. In the event this supplement is terminated due to breach of the Agent/Broker in accordance with Section 6.1.3 (C):
  - i. Agent/Broker shall cease to have any access to the Services but at the Agent/Broker's request and expense, and upon the payment of any other unpaid fees due hereunder, PnnChh Inc., shall provide an electronic copy of such Folders to the Agent/Broker at PnnChh Inc., then standard rates for the time and material charges.

#### **6.1.5 Acknowledgement of Filogix Rights**

The Agent/Broker acknowledges that the services consist of confidential proprietary information, trade secrets and ownership rights belonging to or licensed by PnnChh Inc. and the Agent/Broker's right to the services are strictly limited to those specifically granted herein and the Agent/Broker is granted no rights or licenses in and to the Services and any software used to provide the Services. The Agent/Broker acknowledges that it will not any time during the Term or after the expiration or termination of this supplement or the Master Agreement for any reason whatsoever, use, sell, license, profit from, copy, duplicate modify, create



derivative works of, reverse engineer, decompile, embed or integrate any of the software used in providing the Services in other software or emulate the Services in any way or counsel any other Person to do so. The Agent/Broker acknowledges that the breach of its obligations under this Section 6.1.5 would be likely to cause PnnChh Inc., irreparable harm and those equitable remedies, including injunction and specific performance, are appropriate remedies.

## **6.2 Files in Process**

All files that are in process should be maintained in accordance with the privacy policy and protection of data policy. Once complete, the file will be securely forwarded/uploaded on Boss and sent to head office for compliance audit and payment of fees due. See Protection of Data under section 4.

## **6.3 Completed Files**

All completed files will be forwarded to head office through Boss with 3 months after closing. Upon receipt of the file, the Chief Compliance Officer or designate will review all documentation to ensure total compliance with MBLAA, 2006. A notation in the file will indicate that the file has been reviewed and complies.

Late submissions for compliance. Agents/Brokers must submit deal for Compliance within 3 months of deal closing from the respective closing dates, failure to comply will result in non-payment of all fees, charges, revenues, incomes, commissions and volume bonuses received for the respective files. *Also see section 15 of further payment procedures.*

Files that are deficient will be returned to the originating agent for rectification. No payment will be made to the broker or agent until the file is complete and satisfies all of the requirements set forth by PnnChh Inc.

## **6.4 File Retention**

Completed mortgage files will be retained for a period of seven years past the maturity date of the mortgage. Effective August 2013, Filgox Exchange Service and Boss will be used for storage of all documents.

Documentation relating to canceled or incomplete files will be maintained for a minimum of seven months. All hard copies will be shredded after that point in time.

All original documents at their owner's request must be returned at no charge.

*Please refer to section 4-Protection of Data.*

## 7. Complaints

The principal broker shall Act as the Chief Complaints Officer for the company who will appoint a Complaints Officer. Upon receipt of a written/verbal complaint from a consumer or an investor, the Complaints Officer will take immediate verbal and written action and must keep copies of all correspondence. A compliant form must be filled out by the Compliant Officer which will be used for correspondence with the complainant. See Section 8-Forms or click on the link for a compliant form [..Documents\P&P\CUSTOMER COMPLAINT FORM.doc](#).

This form is also available to the public on our website; [www.pnnchh.com](http://www.pnnchh.com). Upon request, PnnChh Inc., will email, mail or fax this form.

The Complaints Officer will respond in writing to all complaints within 48 hours of receipt and will follow up as quickly as possible. Complaints officers must notify the Complainant that the compliant is being reviewed.

If the compliant is an issue about a potential contravention of the MBLAA or its Regulations the written response must provide the complainant with information that states that he or she may contact FSCO directly if the complaint has not been resolved by the brokerage.

Should the complaint be related to a completed file, the Complaints Officer, will pull existing documentation on file with the company. The Complaints Officer will review the documentation, and then forward the complaint to the specific agent or broker for comment.

Should the complaint relate to a file in progress, the Complaints Officer will immediately contact the agent or broker responsible for the file and forward the complaint for comment.

Should the complaint relate to an issue relating to the Mortgage Brokerage Lenders and Administrators Act, all efforts will be made to determine if the transaction was in compliance with the legislation. If a breach of the legislation is discovered, remedial Action will be taken immediately.

Should the complaint relate to a potential claim against the firm's errors and omissions insurance policy, the Complaints Officer will notify the insurer of the potential claim as soon as possible.

**At no time will an agent or broker respond directly to the complaint. All responses will come directly from the Complaints Officer.**

The compliance officer will maintain a record of the compliant received and response to complaints as per Reg.188/08, 5. 41(3).

### Contact

Chief Complaints Officer-Aneal Thansingh [athansingh@pnnchh.com](mailto:athansingh@pnnchh.com)

## **8. Disclosures & Use of Forms**

### **8.1 Disclosure of Conflicts of Interest**

The disclosure of a potential or actual conflict of interest is intended to enable borrowers, lenders and investors to make informed decisions.

#### **What is Conflict of Interest?**

Where the brokerage, administrators, broker or agent has or appears to have an incentive to place their own interests ahead of the interests of the borrower, lender or investor.

Any conflict of interest of PnnChh Inc., or our broker/agent must be disclosed in writing. The disclosure must be acknowledged in writing by the borrower, lender or investor.

#### **Brokerage**

PnnChh Inc., must disclose in writing to a prospective borrower/lender information about its role, i.e. whether/when it is representing:

- both the lender and borrower, not giving preference to the interests of either.

Disclosure of brokerage's relationship with:

- **Lender/Investor**

The brokerage shall disclose in writing to the borrower the number of lenders on whose behalf the brokerage has acted. PnnChh Inc. has acted for 0 lenders for the past year as of August 2013.

- **Borrowers**

The name of a lender, if any, that had more than 50% of the total number of mortgage renewals completed by the brokerage. This is not applicable to PnnChh Inc. as of August 2013.

Steps for Disclosure of Conflicts of Interest:

1. Does the perceived or actual conflict of interest situation exist?
2. If so, disclose, in writing, the nature of the conflict of interest in a plain, clear brief manner.
3. Be willing to explain the actual or potential conflict of interest to your client.
4. Have your client acknowledge in writing the conflict of interest within legislated timeline.
5. Provide a copy of the acknowledgement to the client and retain a copy for the brokerage's file.

### **8.2 Disclosure of Material Risks**

Disclose risks in writing of each mortgage or mortgage investment that is presented for consideration to a borrower, lender or investor.

Obtain written acknowledgement of the disclosure.

#### **Steps to take:**

1. Think about what risks the mortgage product creates for the borrower, lender or investor.
2. Inform the borrower, lender or investor of risks in writing and provide an explanation.
3. Get a written acknowledgement from the borrower, lender or investor.

### **8.3 Disclosure of Fees, etc.**

PnnChh Inc.'s Agents/Brokers must disclose in writing to the borrower that it has received, may receive, or will receive a fee, incentive, remuneration or any other benefit, from another person entity, directly or indirectly.

Agent/Broker must also disclose basis for calculation any fee/remuneration, the nature of any other benefit, the identity of the other person/entity and any incentive payable to a broker/agent.

### **Collecting Fees up front**

If the principal amount of a mortgage is \$300,000 or less, a Mortgage Brokerage cannot require or accept an advance payment or deposit for services to be rendered, or expenses to be incurred by the Brokerage or any other person. Until December 31, 2008, this applies to mortgages with a principal amount of \$200,000 or less.

Any fees collected must be deposited in PnnChh Inc.'s lawyer trust account, which will be payable to PnnChh Inc., upon closing of the relevant closing.

Disclosure must be acknowledged in writing by the borrower.

## **8.4 Disclose Cost of borrowing to borrower**

Disclosure must be written in plain language and be clear, concise and logical

As of January 1, 2009, provide cost of borrowing disclosure at least two business days before the earliest of the following:

- The day the borrower makes a payment (other than a disbursement).
- The day the borrower enters into a mortgage agreement.
- The day the borrower incurs any obligation in relation to the mortgage.

Additional disclosure duties:

- Disclose all terms and conditions
- Specify if a portion of the cost of borrowing (COB) is rebated and, if so, how it is calculated.
- Disclose the charges and penalties for failure to pay mortgage at maturity, or failure to pay an instalment when due.
- Disclose the charges to the borrower upon entering the agreement.
- Disclose the borrower's rights and obligations.

## **8.5 Disclosures to Borrowers**

Written disclosure must be provided to client no later than two business days before the mortgage commitment or mortgage instrument is signed (whichever is earlier).

Time requirement can be reduced to any time before the mortgage instrument is signed, with written consent from the borrower.

While the MBLAA 2006 does not provide for standardized borrower disclosure forms, all forms used by brokers and agents must be approved by PNNCHH INC.. Should a broker/agent choose to use a form other than the one supplied by Filogix, those forms must be approved in advance and must be in total compliance with the legislation.

Brokers wishing to enter into contractual agreements with their clients must have all sample contracts and forms approved in advance prior to their use. All broker/client contracts must be in full compliance with MBLAA 2006.

Disclosure to Borrowers must include information on Brokerage. This information changes on a yearly bases and all agents are informed accordingly. The following information must be disclosed in this section:

Effective August 1st, 2013

**"The Brokerage is representing \_\_\_\_\_ in this transaction."**

The answer to input is **The Borrower and the Lender not to the preference of either.**

**"The Brokerage has acted for \_\_\_ lenders during the previous fiscal year"**

The number to input in this box is **0**

"The Brokerage has placed over 50% of their business with \_\_\_\_\_ during the previous fiscal year"

The lender to be entered here is N/A.

## 8.6 Suitability Form

Consumer protection is the underlying theme of the *MBLAA* and its *Regulations*, and can be characterized by three distinct components: suitability, marketing and disclosure. Suitability deals with the appropriateness of a transaction in regards to the borrower's, investor's or lender's needs and circumstances. The marketing component addresses the information that must be included in all public relations materials and how it must be incorporated, while disclosure addresses the presentation of risks, conflicts and other pertinent information to enable a borrower, investor or lender to make an informed decision regarding the transaction.

The underlying belief that a client knows what is in his or her best interests and what he or she can afford is no longer an acceptable assumption. The *MBLAA* and its *Regulations*, in section 24.1 of *Regulation 188/08, Mortgage Brokerages: Standards of Practice*, states that, "A brokerage shall take reasonable steps to ensure that any mortgage or investment in a mortgage that it presents for the consideration of a borrower, lender or investor, as the case may be, is suitable for the borrower, lender or investor having regard to the needs and circumstances of the borrower, lender or investor."

Furthermore, in its October 24, 2008 webinar, FSCO clearly stated that it will respond to all complaints by borrowers, lenders and investors regarding the suitability of a transaction, and that it will be the *brokerage's responsibility* to prove that the mortgage or investment was suitable, putting the burden of proof for disclosure and suitability on the brokerage and its principal broker. This requirement clearly necessitates the need for the brokerages and its principal broker to have the proper policies and procedures in place for its brokers and agents to determine if those suitability requirements are met in every transaction.

In addition to ensuring that the transaction is suitable, the question that a brokerage must be able to answer for every transaction is, "Does the completed mortgage file contain the requisite proof to convince a reasonable person that this transaction was suitable for the parties involved?" The rationale behind this question is that if FSCO were to view the mortgage file six months or a year after its completion, without having the broker or agent to interview, would FSCO's auditor (the "reasonable person" at this stage) be able to determine, based on the documentary evidence contained within the file, that it was suitable for the borrower, lender and/or investor? Even if FSCO's auditor had access to the broker or agent who brokered the transaction, would he or she be able to remember the circumstances of that particular file with enough certainty to be able to prove that the transaction was suitable? The answer to the latter question is most likely no, and should be irrelevant if the brokerage has the proper policies and procedure in place that ensures documentary evidence of suitability is in every completed mortgage file.

Before being able to determine if a product is, for example, suitable for a borrower, the broker/agent must be able to knowledgeable assess the transaction in its entirety. This means that the broker/agent must have a complete understanding of the potential products available to his or her borrower and of the risks associated with each product, understand the borrower's risk tolerance, understand what the borrower can afford in comparison to what the lender will approve, and understand the potential conflicts of interest and how to disclose them.

Having this knowledge to assess the transaction in its entirety is a *requirement* to be able to determine suitability, and is the subject of the following section, "Know your Client".

To determine Suitability for Borrower PNNCHH INC. Agent/Broker must use a suitability form.

## 8.7 Know Your Client –Borrower (KYC)

When determining suitability it is necessary to have a full understanding of the client's current circumstances as well as his or her future goals. In its October 24, 2008 webinar, FSCO clearly stated that suitability includes knowing the client's needs, risk tolerance and financial circumstances, and referred to the "Know Your Client" (KYC) requirements found in securities regulations. To achieve this goal requires the brokerages to have policies and procedures in place to obtain this information from every potential borrower, regardless of whether the mortgage is funded.

It is advisable to use a separate form for this information in addition to the client's mortgage application form. Below is a form that includes this information. This form is a requirement of PnnChh Inc., effective Aug 1 2013. This form should be kept in the client's mortgage file at all times to meet the requirements of the *MBLAA* and its *Regulations*. The following is a list of information that should be obtained from a client when taking his or her mortgage application.

### **Identification**

To meet the KYC requirements the client's identity must be verified. This should be accomplished by requiring the borrower to provide photo identification in the form of a driver's license or another document such as birth certificate, passport, record of landing, permanent resident card or other similar document deemed acceptable by the regulatory and industry. In Ontario, as in Manitoba and PEI provincial health cards cannot be used for identification purposes. Social Insurance Number cards have specific restrictions on how they may be used, and although a borrower may be asked to provide his or her social insurance number card as proof of identity, this cannot be mandatory (refer to the Office of the Privacy Commissioner of Canada's Fact Sheet on the use of Social Insurance Numbers in the private sector. The original photo ID should be viewed by the broker/agent and photocopy obtained and kept in the mortgage file. The document number, such as the driver's license number, should be recorded on the form.

If the borrower is a corporation, the broker/agent is to obtain the corporation's certificate of corporate status; a record that has to be filed annually under provincial securities legislation, or any other record that confirms the corporation's existence. Examples of these include such other records as the corporation's published annual report signed by an independent audit firm, or a letter or a notice of assessment for the corporation from a municipal, provincial, territorial or federal government.

### **Risk Tolerance**

Risk tolerance is a concept that identifies the borrower's acceptable level of risk. There are two fundamental requirements when considering risk: understanding the borrower's general level of acceptable risk and disclosing the specific risks associated with the mortgage being recommended by the broker/agent. This requirement is described in section 25.1 of *Regulation 188/08, Mortgage Brokerages: Standards of Practice*, which states that, "A brokerage shall disclose in writing to a borrower, lender or investor as the case may be, the material risks of each mortgage or investment in a mortgage that the brokerage presents for the consideration of the borrower, lender or investor."

While assessing risk often only entails a borrower describing his or her risk tolerance in a scale from low to high, a more effective means of determining a borrowers risk is to, in addition to a scale, provide a scenario and rate the borrower's response. The following are two samples of this types of question:

When it comes to your mortgage payment, would you say you would like a mortgage payment that:

- Stays the same month to month?
- Might increase or decrease if there is the potential to save money?

If given the option to have a variable interest rate that is lower than a fixed rate, would you

Be willing to watch interest rates on a monthly basis to ensure that your mortgage has the best rate possible?, OR

Prefer to have a fixed interest rate that did not fluctuate and did not require regular attention?

### **Needs and Circumstances**

The phrase “needs and circumstances” found in section 24.1 of *Regulation 188/08, Mortgage Brokerages: Standards of Practice* must take into consideration anything deemed to impact or affect the borrower’s requirements and situation, both current and future. This requires the KYC form to obtain information on the borrower’s current circumstances, such as marital status, net worth, employment status etc., as well as the borrower’s future plans and goals that might have impact on the suitability of the current mortgage. While information on the borrower’s current circumstances will be clearly articulated in the mortgage application form, his or her future plans or goals will not be and must therefore be included in the KYC form.

Information of the particular importance is anything that might determine the suitability of a mortgage’s term, prepayment privileges and other features or options of importance. For example, a borrower who plans to move to Alberta in 2 years to get married should most likely not be advised to take a 5 year closed mortgage. However, the fact that the borrower plans to move in 2 years might not have been learned without asking specific questions about his short and long term plans. Other considerations may include:

- **Children:** If the borrowers are a couple and they currently live in a one bedroom condominium but plan on having two children in the next three years, will look to purchase a larger home? If so the mortgage should reflect the necessity of repayment within the next few years resulting in a term that should reflect this possibility.
- **Employment:** Does the borrower plan on becoming self-employed in the short or long term? If so there may be future cash flow considerations. Having this information may assist the broker/agent in suggesting that the borrower take a longer amortization to reduce the impact on his cash flow as opposed to accelerating his mortgage payment. Does the borrower receive bonuses? If so, having a mortgage with more aggressive lump sum repayment privileges may be suitable.
- **Objectives:** Does the borrower wish to trade up to a larger home or sell and move into a smaller home in the short or long term? This can have an impact on the term and repayment options and features that will be recommended to the borrower.

A broker/agent’s product recommendation must take into consideration the needs and circumstances of the borrower.

## **8.8 Investor Disclosure Forms**

Brokers or agents who deal with private investors must complete government authorized disclosure forms. While the forms may be completed by an agent, they must be signed by a broker and co-signed by the agent before being forwarded to the investor for review.

## **8.9 Investor/Lender Disclosure Statement for Brokered Transactions**

Effective August 1, 2013, mortgage brokerages and administrators are also required to provide a lender or investor with additional information in connections with this transaction.

Written disclosure must be provided no later than two business days.

A brokerage must:

1. Advise you if the brokerage cannot verify the identity of another party to the transaction

2. Disclose whether the brokerage is acting for the lender, the borrower, or both the borrower and lender.
3. Disclose to a lender the brokerage's relationship with each borrower, and disclose to an investor the brokerage's relationship with each party to the transaction.
4. Disclose whether the brokerage is receiving a fee or remuneration of referring you to a person or entity, and disclose the relationship with that person or entity.
5. Disclose material risks about the transaction that you should consider.
6. Disclose actual or potential conflicts of interest that may arise from this transaction.

An Administrator must:

1. Disclose the relationship, if any, between the administrator and each borrower.
2. Disclose whether the administrator may receive, or may pay, any fees or other remuneration in connection with the administrator of the mortgage, the basis for calculating them and the payer's identity.
3. Disclose whether it is receiving a fee or other remuneration for referring you to a person or entity, and disclose the administrator's relationship with that person or entity.
4. Disclose actual or potential conflicts or interest that may arise from the transaction.

These disclosures must be received in writing and with acknowledged receipt of them. A copy must be kept at head office.

### **8.10 Renewal Form**

Mortgage Brokerages and its mortgage agents/brokers are required to provide a lender or investor with the following information:

A brokerage's agent/broker must:

1. Advise you if the brokerage cannot verify the identity of another party to the transaction
2. Disclose whether the brokerage is acting for the lender, the borrower, or both the borrower and lender.
3. Disclose to a lender the brokerage's relationship with each borrower, and disclose to an investor the brokerage's relationship with each party to the transaction.
4. Disclose whether the brokerage is receiving a fee or remuneration of referring you to a person or entity, and disclose the relationship with that person or entity.
5. Disclose material risks about the transaction that you should consider.
6. Disclose actual or potential conflicts of interest that may arise from this transaction.

An Administrator must:

1. Disclose the relationship, if any, between the administrator and each borrower.
2. Disclose whether the administrator may receive, or may pay, any fees or other remuneration in connection with the administrator of the mortgage, the basis for calculating them and the payer's identity.
3. Disclose whether it is receiving a fee or other remuneration for referring you to a person or entity, and disclose the administrator's relationship with that person or entity.
4. Disclose actual or potential conflicts or interest that may arise from the transaction.

These disclosures must be received in writing and with acknowledged receipt of them. A copy must be kept at head office.

### **8.11 Other Documentation**

All forms completed by head office with respect to MBLAA 2006 will be completed on authorized government forms at all times. The most current version of all forms must be used.



## **9. Errors and Omissions Insurance**

PnnChh Inc. Brokers and Agents have to subscribe to an Errors and Omissions policy in compliance with the MBLAA 2006. Coverage will remain in force of at all times.

The Compliance Officer will advise the insurer of any new agents being hired or any agents or brokers leaving the firm as required in the policy.

Proof of insurance will be available to FSCO upon request.

Any agent / broker not paid their Errors & Omission payment by the due date set by PnnChh Inc., their contract will be terminated and any commissions owed will be void for any deal(s).

## **10. Industrial Alliance Insurance Pacific (if applicable)**

Group Mortgage Insurance must be offered by agent/brokers to all cliental. Correct information (names/mortgage amount) must appear on this form to be considered valid, even if Insurance is waived.

As per IAP's terms and conditions for Life Insurance ( for Group Mortgage Insurance ) the maximum amount of insurance for ages 18-64 is \$1 million. If clients are outside the insurance conditions, they must sign PNNCHH INC.'s Insurance Waiver Form.

Insurance premiums are only paid to agents/brokers under the brokerage. At termination/resignation of agent/broker contracts with PNNCHH INC., Insurance premiums become null and void.

Agents/ Brokers receive 50% commission as per their contracts directly from the insurance company being used at the time, upon leaving PnnChh Inc., the house (PNNCHH INC.) retains any future commission.

## **11. Branch Offices**

A branch office, as defined in the regulations, is any place where the public is invited to attend to transact business. Brokers and agents who maintain separate offices must list those offices as branches to be noted with FSCO. Any change of address for branch offices must be notified to FSCO within five days.

Brokers or agents who do not work out of a specified office, but invite the public into their home to do business must list their home address as a branch office.

A broker or agent who does not invite the public into their home, but simply runs a home-based office, is not required to notify FSCO of a branch. However, that address may not be listed on any marketing materials.

## **12. Business Practice**

Mortgage Brokers/Agents can work for only one Mortgage Brokerage at a time.

If you are operating another business, make sure it does not jeopardize PnnChh Inc.'s integrity, independence or competence.

Do not use any information that was obtained while carrying on Mortgage Brokers business for any other purpose, without first obtaining the written consent of the individual or business who is the subject of the information.

### **13. Appraisals**

All agents and brokers must order Appraisals from licensed Appraisers whom are CRA/ACCI Accredited.

#### **14. Trust Accounts**

PNNCHH INC. does not hold Trust Accounts and does not syndicate mortgages

## 15. Human Resource

### 15.1 Hiring

PnnChh Inc., is an equal opportunities employer.

At PnnChh Inc. we hire Licensed Agents and Brokers as Independent Contractors. "Independent contractors: an independent contractor is a person contracted by a brokerage to provide services to the public."

**The management team and office staff are salaried employees.**

#### **Policy:**

Brokerages must conduct comprehensive background checks when hiring positions of special trust, including those providing financial advice.

#### **Equifax Policy**

"All mortgage brokers, agents, administrators and any other licensable person (collectively, the "Licensed Persons") must be licensed with the appropriate provincial mortgage licensing body for a minimum of sixty (60) days before any access to Equifax data will be granted." (Addendum to Service Agreement Equifax, April 20, 09)

Minimum requirements to be hired at PnnChh.:

- Must be licensed by FSCO as a mortgage Agent/Broker
- Must be 18 years of age or older
- Be a resident of Canada
- Have a mailing address in Ontario that can receive registered mail
- Have a valid email address
- Complete Credit Check
- REDX Check (optional)

New hires will not be permitted to carry on the business of dealing in mortgage until their application is completed and approved by FSCO. Human Resource officer will process the license application for new hires within 5 days of their joining the company.

Recruitment Procedures:

- Interview with Principal Broker
- PnnChh Inc. Application
- Copy of two (2) pieces of personal identification issued by the Government of Canada
- References checks
- Credit checks
- REDX (Optional)

All candidates must provide the following documents

- Resume
- 1 government issued photo ID
- Copy of SIN card
- Copy of Mortgage Agent Course completion certificate or transcript
- Signed copies of PnnChh Inc.'s Independent Contractor Agreement
- Signed acknowledgement of PnnChh Inc.'s Policy & Procedures

**\*\* Please note, all agents/brokers whom do not meet our minimum hiring requirement will be reported to FSCO Superintendent\*\***

It is PnnChh Inc.'s duty to notify Superintendent if a broker or agent is not suitable for licensing. (Mortgage Brokerages: Standard of Practice regulation, sec. 43)

- PNNCHH INC.'s HR Person/Supervisor must believe there may be reasonable grounds.
- Use their common sense
- Refer to section 10 of the Mortgage Brokers and Agents: Licensing regulation.
- Promptly report to FSCO.

## **15.2 Licensing**

### **Mortgage Broker Licence**

- Have been licensed as a mortgage agent for at least 24 months during the 36 month period preceding the application as a mortgage broker
- Have successfully completed an approved educational course and exam for mortgage brokers (within the three years before applying for a mortgage broker licence). –See Exemptions for this condition below:

#### **Exemptions to Mortgage Brokers**

An individual is exempted from the above education and experience requirements for a broker's licence if the individual was licensed as a mortgage broker in Ontario at any time during the 24 months before applying for the licence. In any case, an individual may apply to the regulator for an exemption from the education and experience requirements if he or she believes they have a combination of education and experience that is equivalent to the stated standard.

#### **Real Estate Brokers**

Starting July 1, 2008, real estate brokers will need to be licensed under the new Act if they wish to deal in mortgages.

You are not required to complete the new Mortgage Broker Program if you were a registered Real Estate Broker prior to June 30, 2008 and you apply for a mortgage broker licence before July 1, 2009.

A Real Estate Broker can only apply for a mortgage Broker Licence.

#### **Real Estate Agents**

Real Estate Agents are not exempted from the course in order to become mortgage agent.

#### **Mortgage Agents**

Agents who had two years of experience between July 1, 2005 and June 30, 2008 and submitted an application for licensing under the MBLAA before July 1, 2008, were exempt from mortgage education requirements.

Such a provision was offered to applicants only during the advanced application period between March 1, 2008 and June 30, 2008.

Any individuals who applied after July 1, 2008 could not apply for a mortgage agent's licence without mortgage agent education.

**\* All candidates unclear on exemptions of FSCO for the mortgage agent course, should email FSCO directly at [Ellicence@fSCO.gov.on.ca](mailto:Ellicence@fSCO.gov.on.ca) and get written approval on their individual exemptions.\***



### **15.3 Training**

PnnChh Inc. offers in house training sessions. These training sessions are scheduled by PnnChh Inc. and are compulsory to all new hires entering the Mortgage Industry, and are available to existing agents. The following training sessions are covered:

- Lender Product Training
- Industry Training
- Introduction to Mortgages

All agents and brokers are encouraged to take part in training sessions with Boss (free of charge), CAAMP,IMBA, FSCO Webinars and Senaca.

### **15.4 Payment**

New agents / brokers that join PnnChh Inc., must pay \$50 per month administration fee until they close their first residential deal of the year. Administration fee will be renewed annually April 1<sup>st</sup>.

All payments and deduction are based on the Independent Contract Agreement-Schedule A.

PnnChh Inc., will not be paying any fees or other remuneration to another brokerages' brokers or agents.

For any Canada Revenue Agency Garnishments, there will be an administration fee of \$100.00 deducted from agents / broker commissions as a processing fee. On each and every garnishment. This is subject to change on discretion of PNNCHH INC. management.

Upon Expiration of the Contract, any monies entitled to the contractor will be discretionary to PnnChh Inc.'s policies and procedures.

(All completed files must be submitted to PnnChh Inc. compliance officer, through Boss, within 3 months of deal closing from the respective closing dates, failure to comply will result in non-payment of all fees, charges, revenues, incomes, commissions and volume bonuses received for the respective files).

Upon any deal being under investigation with lender or PnnChh Inc., any monies entitled to Agent/Broker for that deal or any future deals, payment will be discretionary by PnnChh Inc.'s management.

### **15.5 Receipt of Non-cash Consideration**

A broker or agent who receives non-monetary compensation (basis points, reward points, or other rewards) directly from a lender must notify PnnChh Inc. Whereby PnnChh Inc. acknowledges payment of those items directly to the broker/agent and does not object to same.

PnnChh Inc. will not be responsible to make any payments to another brokerage.

### **15.6 Termination/Resignation-Policy**

In addition to PnnChh Inc.'s Independent Contract Agreement the following applies during termination or resignation of an Agent/Broker. Please refer to section 9 of the Independent Contract Agreement.

Agent/Broker must submit to PnnChh Inc. through Boss system, all compliance documents including all client consent forms within 30 days of termination of their Independent Contract. Payments will not be released until all documentation are not retained from Agent/Broker at satisfactory terms and a 25% charge will apply to each file after 30 days.

PnnChh Inc., reserves the right to hold 100% of Agents/Broker's outstanding commissions, if Agent/Broker does not give 30 day notice prior to their termination of their contract with PnnChh Inc.

PNNCHH INC. reserves the right to withhold all payment if fraudulent activity is detected or if any deal is understand investigation with PnnChh and its associates or any governing body.

After 90 days of termination, all payments owing to mortgage agent or broker becomes null or void if the above have not been met.

Industrial Alliance Insurance Premiums or any other Mortgage Insurance premiums are only payable to PnnChh Inc.'s Agents and Brokers. Thus, at termination/resignation of the Independent Contactor Agreement, these payments will also be terminated with agent/broker.

#### **Co-brokering/Transferring deals:**

PnnChh Inc.'s agents/broker must get written consent from authorized personnel of PnnChh Inc., to transfer or co-broke deals to another brokerage upon termination/resignation of Independent Contract.

#### **Deals under Investigation with Lender(s)/PnnChh Inc.and or Compliance**

Upon any deal being under investigation with lender or PnnChh Inc., any monies entitled to Agent/Broker for that deal or any future deals, payment will be discretionary by PnnChh Inc.'s management.

### **15.7 Agent/Broker Termination & Resignation-Procedures**

Up on Termination or Resignation a meeting can be held between Mortgage Agent/Broker and PnnChh Inc. Regardless of Termination or Resignation, the broker/agent, the meeting in which the broker/agent is informed for this discussion should be conducted with consideration for the broker/agent and the trauma and disappointment that he or she may experience. The broker/agent should be informed honestly of the reasons for the expiration of the Contract in a factual and non-confrontational manner. The following guidelines should be considered when meeting with the broker/agent.

1. Conduct the meeting in a private, professional, businesslike fashion
2. Have another staff member or employee present to document the meeting.
3. Get to the point. Inform the broker/agent that his or her contract is being expired and list reasons, if any, why in a logical fashion so that the broker/agent understands the rationale behind the expiration of contract.
4. Don't send mixed messages. Thank the broker/agent for his or her contributions but do not focus on positives. This may only confuse the broker/agent and give rise to the feeling that the decision was based on something other than performance.
5. Avoid any and all discussions related to the broker/agent's personality.
6. Explain how inquires from potential future employers will be addressed.

**FSCO must be notified within five days of the expiry of contract, using the Licensing Link system. All business partners such as lenders, should also be advised that the Broker/Agent is no longer authorized to conduct business under PnnChh Inc.**

PNNCHH INC. Internal-Procedures:

1. Change employment status of Agent/Broker on FSCO (within 5 days of termination of contract)
2. Notify Filogix and restrict all access on Filogix.
3. Notify Errors and Omission

4. Note the end date of employment on Employee's Application
5. Make sure to take the agent/broker off PnnChh Inc.'s switch board.
6. Make note of end day on Employee check list with application
7. Make note of employment status and date on Agent List Excel spread sheet and mark font in Red
8. Must collect all client consent forms.

### **15.7 Agent/Broker HR Files**

Head office will maintain a file for every broker or agent authorized to deal in mortgages on behalf of PnnChh Inc. This file will contain copies of the representative's qualifications, copy of photo identification, up to date contact information, references, and all other documents as deemed necessary during the hiring process. The file will also include any third-party contracts between PnnChh Inc., and its broker/agent, and their personal corporation and with any lenders as required.

The personnel file should also include an acknowledgment that the broker/agent has received a copy of the company's policies and procedures and agrees to comply with such.

### **15.8 Reference Checks**

As required by the MBLAA 2006, all agents must furnish the Human Resource Officer with at least 2 professional references. These references will contact via email. Written reference will be required.

PnnChh Inc.'s Human Resource Officer will ensure the security of agent's personal information while in our care.

New hires will not be permitted to carry on the business of dealing in mortgage until their application is completed and approved by FSCO.

### **15.9 Personal Corporations**

Should a broker or agent require that payment for services are paid to a corporation as opposed to themselves directly, a number of agreements must be in place before any funds can be advanced. The agreements must be in full compliance with the regulations of MBLAA 2006, in addition to agreements between the agent/broker and their personal corporation, which also signifies compliance with the legislation. The corporation may not receive any compensation for mortgage related activities from any source other than PnnChh Inc.

### **15.10 Receipt of Non-cash Consideration**

A broker or agent who receives nonmonetary compensation (basis points, reward points, or other rewards) directly from a lender must complete a three party agreement between themselves, the lender and PnnChh Inc., whereby PnnChh Inc., acknowledges payment of those items directly to the broker/agent and does not object to same.

## 16. Supervision

As required under MBLAA 2006, all agents must work under the supervision of a licensed broker. The principal broker is ultimately responsible for the supervision of all brokers and agents.

PnnChh Inc., Principal Broker may also appoint licensed broker or agent to Act as supervisors.

PnnChh Inc., will be responsible for the following:

1. Hire the right people.
2. Establish policies and procedures.
3. Train brokers and agents
4. Monitor brokers and agents.

Things that Require Supervision

- Public Relations
- Customer Relations
- Information about the brokerage
- Information about fees & other payments
- Duties in particular transactions
- Disclosure requirements
- Payments
- Managing the brokerage

PnnChh Inc.'s monitoring of broker and agent conduct include:

- Regular performance reviews (e.g., formal annual review)
- Timely update meetings (e.g., monthly, weekly, as appropriate)
- Random audits of mortgage files
- Strict follow-up on change of contact information, lender issues on files, customer complaints and E&O claims
- Reconciling requests for credit checks against completed deals
- Requiring and monitoring completion of firm training sessions (in addition to education Requirements for licensing purposes)

PnnChh Inc., is responsible for notifying FSCO if a broker/agent is not suitable for licensing. (Mortgage Brokerages: Standard of Practice regulation, sec. 43)

All agents will be required to attend staff meetings on a regular basis either in person or by conference call.

While the Chief Compliance Officer is ultimately responsible for the documentation of agents' files, supervisors will randomly spot check files in progress to ensure compliance with the legislation.

Agents who hire assistants to assist with administrative functions must ensure that the assistants are not dealing in mortgages as defined in the Act. Administrative assistants are prohibited from taking applications, signing clients or directly discussing product placement with potential clients. Their role should be restricted to dealing with lenders and borrowers with respect to outstanding documentation and other administrative functions. It will be the responsibility of the supervising broker to ensure that administrative assistants are not dealing in mortgages illegally.

Should an assistant be authorized to deal in mortgages, they must be licensed by FSCO, and must acknowledge having read the Policies and Procedures.

The supervising broker will immediately notify the Chief Compliance Officer of any contraventions of the legislation. The supervising brokers will act as a liaison with the Chief Compliance Officer who is ultimately responsible for the overall supervision of all staff.

### **Equifax Audits**

Regular random audits will be conducted by PnnChh Inc. and or Equifax Canada to ensure that all agents are adhering to this policy. If agent file is selected in the audit process, the agent will be required to produce a signed and dated application within 48 hours to the compliance officer. Failure to do so will result in suspension and or possible termination of Equifax, Filogix Expert, and or Boss.

#### **16.1 How does PnnChh notify FSCO of a Mortgage Broker or Agent who is not suitable for licensing?**

Each Mortgage Brokerage is required to immediately notify FSCO if there are reasonable grounds to believe that a Mortgage Broker or Agent is not suitable to be licensed.

Mortgage Brokerages can notify FSCO in writing by mail or fax, and should include any supporting documentation. They can also use the Mortgage Business Activity Complaint Form, which can be downloaded on FSCO's website.

Attn: Market Conduct Analysis Station

Financial Services Commission of Ontario

5160 Yonge Street, Box 85

Toronto, ON L2N 6L9

Fax: 416-590-8480

## 17. Dealing With Borrowers and Lenders

When dealing with borrowers and lenders, brokers and agents will adhere to the following guidelines as established in the Regulations.

### 17.1 Role of the Brokerage

The broker or agent must determine whether the brokerage represents the borrower, the lender, or both and must disclose same to all parties in the prescribed manner.

In the case of conflicts of interest, all conflicts (whether real or perceived) must be disclosed in the prescribed manner. Examples of potential conflicts include:

### 17.2 Disclosure of Conflicts of Interest

The disclosure of a potential or actual conflict of interest is intended to enable borrowers, lenders and investors to make informed decisions.

#### What is Conflict of Interest?

Where the brokerage, administrators, broker or agent has or appears to have an incentive to place their own interests ahead of the interests of the borrower, lender or investor.

Any conflict of interest of PnnChh Inc., or its broker/agent must be disclosed in writing. The disclosure must be acknowledged in writing by the borrower, lender or investor.

#### Brokerage

PNNCHH INC. must disclose in writing to a prospective borrower/lender information about its role, i.e. whether/when it is representing:

- the lender, not the borrower;
- the borrower, not the lender;
- both the lender and borrower, not giving preference to the interests of either.

Disclosure of brokerage's relationship with:

- **Lender/Investor**

The brokerage shall disclose in writing to the borrower the number of lenders on whose behalf the brokerage has acted.

- **Borrowers**

The name of a lender, if any, that had more than 50% of the total number of mortgage renewals completed by the brokerage.

Steps for Disclosure of Conflicts of Interest

1. Does the perceived or actual conflict of interest situation exist?
2. If so, disclose, in writing, the nature of the conflict of interest in a plain, clear brief manner.
3. Be willing to explain the actual or potential conflict of interest to your client.
4. Have your client acknowledge in writing the conflict of interest within legislated timeline.
5. Provide a copy of the acknowledgement to the client and retain a copy for the brokerage's file.

### 17.3 When Dealing with Borrowers

- If the lender is also a broker, brokerage or agent
- If the lender is related to the broker or agent

It's the broker, agent or brokerage maintains a controlling interest in the lender.

## 17.4 When Dealing with Investors

- If the broker, agent or brokerage will receive additional benefits from the transaction other than those disclosed in the normal course of business.
- If any party related to the transaction (borrower, appraiser, solicitor or other party) is also related to the broker, agent, or brokerage

## 17.5 Suitability of Mortgage Investments

Except in the case where the lender is a financial institution, the broker or agent shall take reasonable steps to ensure the investment is suitable for the prospective investor. This will include maintaining an understanding of the lending criteria of potential investors. Effective Aug 1 2013, all PNNCHH INC. Agents & Brokers must use Suitability Checklist.

### What Makes a Mortgage Product Suitable?

Mortgage agents/brokers must take reasonable steps to ensure a mortgage or investment in a mortgage is:

- Is suitable with regard to the client's needs and circumstances.
- Will not create undue risk for the borrower, lender or investor.

Steps to determine What Makes a Mortgage Product Suitable?

1. You must disclose your role to a prospective borrower or lender.
2. Ask the right questions to determine the client's needs and circumstances (refer to "Determining Suitability")
3. Think about what makes the mortgage product suitable or that client-(use suitability checklist below)
4. Document your activities, presentation or recommendation

### Determining Suitability-Factors to Consider

Client Considerations:

- Annual income-amount, source and stability
- Net worth, TDS, GDS
- Credit score

Property Considerations

- Market Value
- Property registration (e.g. common versus joint survivorship)
- Existing mortgage on property

Market Considerations

- Consensus view on possible mortgage interest rate movements
- General willingness of lenders to make mortgage loans (market liquidity)

Mortgage Lender, Insurer and Product Considerations

- Loan amount
- Lender requirements and guidelines

## Suitability Checklist

As mortgage Agent/broker, ask yourself the following questions:

- Have I considered the client's financial situation (i.e., debt service ration, stability of income stream)?
- Have I considered the client's life stage-goals and objectives (e.g., retiring soon, upcoming concerns re: funding university education)?
- Have I considered the client's overall household situation (e.g., has client indicated they are in a divorce proceedings and may be subject to making alimony or child support payments)?
- Have I made the proper disclosures with respect to my interests in the transaction (e.g., may receive incentive from lender, the lender is your sister's husband)?
- Have I considered the appropriateness for the products available to me for the client (e.g., are you fully aware of and understand all the products available to you from all your potential lenders)?
- Have I considered what risks the borrower could face as a result of my recommendation? Have I also considered the risks to the lender(s) and my brokerage as a result of my recommendation?
- Have I documented my assessment of the factors impacting my decision at the time (e.g., all of the factors above, including economic conditions)?
- Could I defend this recommendation to my colleagues, to a regulator (i.e., would another mortgage professional reasonably make the same conclusions and recommendation given the circumstances)?

Ultimately, if the brokerage, broker and/or agent feel strongly that they cannot serve the best interests of the borrower under the circumstances; they should choose not to proceed with the transaction.

### Checklist for Dealing with Clients

Ask yourself the following questions. Have I:

- Properly identified my brokerage and myself?
- Properly identified my role and that of my brokerage in the transaction?
- Provided the proper disclosures with respect to fees and compensation?
- Taken reasonable steps to verify the identities of the parties to the transaction, as required?
- Any concerns with respect to the legal authority of the borrower?
- Collected, analysed and documented all the necessary information to make a suitable recommendation for the borrower?
- Provided the borrower with the proper disclosures with respect the technical/financial aspects mortgage loan (e.g., cost of borrowing, material risks)?
- Provided the borrower with proper disclosures with respect other issues (e.g., conflicts of interests)?
- Inadvertently made a guarantee about the mortgage?
- Returned all original documents to the borrower?
- Ensured proper handling the borrower's application to ensure confidentiality of the file?

## 17.6 Verification of Identity

Brokers and agents will make every effort to verify the identity of their borrowers/clients. If they are unable to do so they will notify the potential lenders forthwith.

When dealing with a private investor for the first time, it would be prudent to verify the identity of that investor.

If you present a mortgage to a:



- Borrower, verify the identity of the lender
- Lender, verify the identity of the borrower
- Investor, verify the identity of other investors

### **17.7 Identification and Disclosure of Material Risks**

Except in the case of institutional or designated lenders, brokers and agents will notify potential lenders or investors of any material risks in the transaction in the manner prescribed in the regulations.

Steps for Disclosure of Material Risks

1. Think about what risks the mortgage product creates for the borrower, lender or investor.
2. Inform the borrower, lender or investor of risks in writing and provide an explanation.
3. Get a written acknowledgment from the borrower, lender or investor

### **17.8 Duty to Disclose Cost of Borrowing to Borrowers**

As of August 1, 2013, Agents/Brokers must provide cost of borrowing disclosure at least two business days before the earliest of the following:

- The day the borrower makes a payment (other than a disbursement).
- The day the borrower enters into a mortgage agreement.
- The day the borrower incurs any obligation in relation to the mortgage.
- Disclosure must be written in plain language and be clear, concise and logical.

### **17.9 Unlawful Transactions**

A broker or agent will not act as a representative of any borrower, lender or investor if he/she has reasonable grounds to believe that the transaction is unlawful.

If a broker or agent has reason to doubt a borrower's legal authority to mortgage a property, you will notify prospective lender at the earliest opportunity.

If a broker or agent has reason to doubt the accuracy of information contained in a mortgage application or in supporting documentation, he will advise the prospective lender immediately.

## 18. Fraud

In the event that a PnnChh Inc.'s Agent and or Broker endeavors or is suspected of any kind of fraudulent activity, they will be immediately suspended until further investigation is carried out by the chief compliance officer.

In the event that an agent / broker is suspected for fraud or terminated by a lender, their contract with PnnChh Inc., will be immediately terminated. Any commissions owing to the agent / broker for any files will be voided. PnnChh Inc. reserves the rights to take the necessary action against the agent / broker for damages for loss of revenue.

In the event PnnChh Inc., is terminated by any lender for fraudulent activity due to the activity of its agent / broker, the agent / broker will be held responsible for all damages for loss of revenue for up to 5 years.

In the event of the above 2 points PnnChh Inc., reserves the rights to recall any commissions, payments made to the agent / broker for the past 12 months.

Subject to the outcome, PnnChh Inc.'s Agent/broker will be cautioned as necessary And Or their contract will be terminated. If the latter applies the following governing bodies will be notified immediately, subject to further action / prosecution:

Consumers (if applicable), Local Police, RCMP (phone busters), Equifax, Trans Union, Experian, Privacy Commissioner, FSCO, CAAMP, IMBA & REDX.

### 18.1 Prevent Fraud

#### 18.1.1 **Identity Verification**

Ensure that the borrower's identity is verified by viewing a piece of photo identification, preferably a driver's licence. Ensure that a photocopy of the document is made and kept on file for further reference.

#### 18.1.2 **Employment and Income Verification**

The broker/agent should verify the borrower's employment and income by contacting the employer by phone and noting this information in the file. The broker/agent should verify the validity of the contact information of the employer by conducting a business phone number search or reverse directory lookup using [www.canada411.com](http://www.canada411.com) or other Internet services.

#### 18.1.3 **Occupancy**

If the broker/agent is aware of the applicant's intent to rent a property that he or she is listing as owner occupied, the broker/agent must advise the applicant that this is in fact fraudulent and that the or she will not be a party to this transaction. A mortgage may still be obtained legitimately by using a product that allows the property to be used as a rental. If the application has been submitted as an owner occupied property and the broker/agent subsequently learns of the applicant's intent to rent the property, he or she must advise the borrower that the application will be cancelled with the current lender and inform the lender of the misstatement.

#### 18.1.4 **Credit**

The broker/agent must verify the information found on the credit report with the applicant for consistency. If there are any discrepancies such as a different social insurance number, the broker/agent should obtain documentary evidence that supports the applicant's claim.

#### 18.1.5 **Property**

When the property to be mortgaged is being valued by a Risk Assessment Tool or an AVM, and since mortgage fraud based on the property is becoming much more frequent,

the broker/agent should verify that the property does indeed exist and that it conforms to the neighbourhood by viewing the property, when possible. If this is not possible the broker/agent should use a technology like Good Earth that provides satellite imagery of the properties to verify that the property exists.

If not meeting at the applicant's property, the broker/agent should also ask for a copy of a recent utility bill that has the correct address of the property to be mortgaged and is in the applicant's name. Although the risk involved in property fraud is borne by the lender, it is necessary for a prudent broker/agent to protect the lender's interests whenever possible.

18.1.6 **T4A**

This document is typically obtained by a broker/agent when the applicant has commission income, such as commissioned sales person. There are however, other times that an applicant will receive a T4A.

18.1.7 **Job Letter**

A Job Letter is a document provided to an individual by his or her employer. This document is often required by a lender, in addition to other documentation to verify an applicant's employment as well as income. To be acceptable the job letter should contain all of the information identified in the below legend. It is important that a broker/agent review the job letter to ensure that it contains all of the necessary information, as well as to confirm that it is authentic. If there are any spelling errors the broker/agent should review the document carefully. If the broker/agent has any doubts regarding its authenticity he or she should verify its contents by:

- Ensuring the company exists. Perform a Canada 411 search ([www.canada411.com](http://www.canada411.com)) to verify that the company is listed. If it isn't the broker/agent should contact the borrower for further information. The broker/agent can also visit the company's physical address to determine if it is actually there.
- Contacting the employer using the contact information found in the job letter to verify its contents.

**Legend:**

A: Company Letterhead, including logo (if applicable) and contact information. Ensure that this information is correct by verifying it using Canada 411, calling the contact number(s) and/or visiting the physical location.

B: Date: The job letter needs to be recent in relation to the application. If the job letter was written before the broker/agent took the application a current pay stub should also be obtained to ensure that the applicant is still employed by this employer. If the job letter is over one month old the lender may require an up-to-date job letter.

C: Re line. This line may or may not be present, depending on the policy of the employer.

D: To line. If it is addressed to a specific individual, that individual should be the broker/agent or lender. If it is addressed to another individual the broker/agent should confirm the identity of that person and the reason for the other name. It may be a job letter that was supplied to another broker/agent or lender.

E: The job letter must contain the applicant's position, and if he or she is full-time, part-time, seasonal, temporary, contract or on probation.

F: Date of employment. The job letter must contain the date that the applicant was first hired.

G: Income amount. The job letter must contain the amount of annual earner by the applicant, and if it is salary, hourly or commission based. Any additional income, such as bonus income, must be listed separately from the salaried income.

H: Writer's information. The writer of the job letter should be clearly identified so that he or she may be contacted to verify the letter's information.

18.1.8 ***Paystub***

A paystub is a document provided to an individual by his or her employer is often required by a lender in addition to a job letter and or other income verification. In addition, the paystub can be used to ensure that the applicant's earnings on the job letter are accurately reflected in the year-to-date section of the paystub.

18.1.9 ***Notice of Assessment (NOA)***

An NOA is issued by the federal government when a personal tax return has been completed and filed. This document provides a breakdown of the year's income along with the balance owing or refund due. A broker/agent will typically obtain this document when processing an applicant using a "Stated Income" program to provide proof that there are no outstanding back taxes owing to the Canada Revenue Agency. This document may also be required in other circumstances, as determined by each lender.

18.1.10 ***Financial Statements***

Financial Statements can be defined as the presentation of financial data, including balance sheets, income statements and other supporting statements intended to communicate an entity's financial position at a point in time. Typically a bookkeeper or the owner of a business will record and summarize the transactions of the business.

18.1.11 ***Property Documentation***

A broker/agent will be required to submit additional documents to a lender based on the purpose of the mortgage. For example, an MLS will most often be required by a lender in a purchase transaction, while a Property Tax Bill will be required for a switch or refinance.

18.1.12 ***Gift Letter***

A Gift Letter is a document that outlines the terms of a gifted down payment in a purchase transaction. Money provided by a family member to be used as a down payment, as long as it is not repayable to that family member, can be used in lieu of the borrower having to use his or her own funds for the down payment. This form must be completed both the recipients, or the purchasers and the donors, who are the family members providing the gift to the recipients.

18.1.13 ***Property Assessment***

A Property Assessment is a document provided by the Municipal Property Assessment Corporation (MPAC) to homeowners to illustrate the value of a home, as assessed or determined by MPAC, for the purpose of calculating property taxes.

A broker/agent may find this useful in assisting to determine a value of a property in a switch or refinance transaction, before an appraisal has been completed, if the homeowner does not have any information on the potential value of the home.

It's important to note that MPAC uses an Automated Valuation Model or AVM to calculate the value. This assessment is typically not accepted by lenders to prove property value, and the broker/agent should be aware that the value shown on this document may differ from the value as determined by an appraisal. It is, however, valid to be used to provide a general idea of what the value of the property may be.

18.1.14 ***Mortgage Statement***

A Mortgage Statement is a document provided by a homeowner's current mortgage provider to the homeowner detailing the current financial standing of the mortgage, including its outstanding balance, interest rate, time remaining in the term and other important financial information. This document is typically obtained by a broker/agent in a switch or refinances transaction to show the outstanding balance of the existing mortgage. While the mortgage statement may be several weeks or months old, the broker/agent can calculate the current balance at the date of the application by using the outstanding

balance at the date of the statement. This is vital to determine the exact amount of principal that must be repaid to the current lender on closing.

While it is important for the broker/agent to obtain mortgage statement to calculate the current outstanding balance of the applicant's mortgage, this document is not used by the new lender to determine the amount required to pay off the mortgage. The new lender will request a statement directly from the current lender before closing, to ensure that the information is accurate and that there are no arrears on the current mortgage.

**19. Remuneration**

All fees payable to brokers and agents must be paid to the broker or agent's home brokerage- PnnChh Inc., (e.g. referral fees, finders fees, volume bonus.) PnnChh Inc., will not directly pay money fees to brokers and agents that are authorized to transact mortgage business on behalf of another brokerage (whether the brokerage is fully aware or reasonably ought to have known that the brokers or agents were authorized by another broker).

**19.1 Receipt of Non-Cash Consideration**

A broker or agent who receives nonmonetary compensation (basis points, reward points, or other rewards) directly from a lender must complete a three party agreement between themselves, the lender and PnnChh Inc.

**19.2 Monetary and Non-Monetary Incentives  
Monetary Fees and Non-Monetary Incentives Receivable/Payable by Brokerages**

[Reg. 188/08, s. 21-22]

PnnChh Inc., and its brokers and agents may be entitled to receive monetary and non-monetary remuneration for arranging mortgages or mortgage renewals from a party that is not the borrower.

PNNCHH INC. and its authorized representatives, agents and brokers must disclose if they:

- Are entitled to a fee or incentive, directly or indirectly, from another person or entity for arranging the mortgage renewal
- If a fee or incentive is payable, the identity of the person or entity making the payment, the basis for calculation the amount of the fee or other remuneration, and the nature of the benefit must be disclosed

Disclosure of Fees and Incentives

PnnChh Inc. and its authorized representatives (i.e., brokers and agents) may receive fees from each lender, and may receive a program fee from the lender which varies with the mortgage interest rate and terms negotiated and accepted by the borrower. Fees and program fees may be money, or goods and services having value to the recipient. Different lenders may provide PnnChh Inc., and its authorized representatives with different fees and incentives may be dependent on amounts and types of business originated by PnnChh Inc., and its authorized representatives.

Borrower Confirms Fee Disclosure through Signature:

Borrowers Signature: \_\_\_\_\_ Date: \_\_\_\_\_



**20. Agreement-Corporations**

This Agreement between \_\_\_\_\_ PnnChh Inc \_\_\_\_\_ (Brokerage)

And

\_\_\_\_\_ (Corporation)

And

\_\_\_\_\_ (Agent);

Whereas \_\_\_\_\_ is licensed by FSCO as a mortgage broker/mortgage agent, and is authorized to deal in mortgages on behalf of the Brokerage;

And whereas PnnChh Inc. hereby directs the Brokerage to pay all compensation for mortgage related activities to the Corporation.

The Corporation hereby declares:

1. All brokers and agents affiliated or associated with the Corporation are authorized to deal in mortgages only on behalf of the Brokerage
2. The Corporation does not carry on the business of dealing or trading in mortgages other than providing the services of the Agent to the Brokerage
3. The Corporation will not carry on the business of a mortgage lender unless it does so solely through the Brokerage
4. The Corporation and its members will not represent to the public, directly or indirectly, that the Corporation carries on the business of dealing in mortgages or as a mortgage lender
5. The Corporation will not receive, directly or indirectly, revenue for dealing or trading in mortgages from any person or entity other than the Brokerage
6. Majority of the Corporation's directors are brokers or agents of the Brokerage
7. Majority of the equity of the Corporation is legally and beneficially owned, directly or indirectly, by one or more brokers or agents of the Brokerage
8. The Corporation agrees not to hinder or obstruct the Brokerage or the Principal Broker in the performance of their duties under the MBLAA, and not to hinder or obstruct the Agent in the performance of his duties under the Act
9. The Corporation agrees to abide fully with Ontario Regulation 186/08 or subsequent legislation respecting this Agreement

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

Per: \_\_\_\_\_

Authorized Representative of Brokerage

Per: \_\_\_\_\_

Authorized Representative of Corporation