



**February 28, 2024**

Financial Services Regulatory Authority of Ontario  
25 Sheppard Ave W, Suite 100  
Toronto, ON M2N 6S6

Delivered electronically

To whom it may concern,

**Re: Request for Comment - Proposed Guidance: Mortgage Product Suitability Assessment**

### **About the Canadian Alternative Mortgage Lending Association**

The Canadian Alternative Mortgage Lenders Association (“**CAMLA**”) is a not-for-profit whose mission is to provide a collective national voice for the alternative mortgage lending industry. We aim to ensure that our industry can operate harmoniously with real estate professionals, regulators, stakeholders, and partners. CAMLA represents the diverse needs of lenders. We act as a platform for alternative mortgage lenders and managers of mortgage investment entities to exchange ideas and explore ways to improve the sector. Our membership comprises approximately 50 corporate members of varying sizes, and we continue to include more members across the country.

We strive to encourage principled and professional practices among our members. We aim to develop sound practices, enhance industry transparency and education, and liaise with the broader financial community, institutional investors, the media, regulators, governments, and other policymakers. While supporting the growth of alternative mortgage lending companies across Canada, we aim to represent the industry on compliance, regulation, consumer protection, education, industry performance, and trends.

## Comments

We are writing in response to the Financial Services Regulatory Authority of Ontario's ("FSRA") **Proposed Guidance: Mortgage Product Suitability Assessment**, and we appreciate the opportunity to share our views on behalf of our members.

CAMLA fully supports FSRA's dedication to enhancing consumer protection within the mortgage sector. While we acknowledge FSRA's efforts will result in clarifying the expectations for mortgage brokerages, brokers and agents in ensuring the suitability of mortgage products for their clients, we have some concerns that certain aspects of the proposed guidance could unintentionally impact the industry and consumers adversely. Our concerns, detailed below, represent a broad spectrum of lenders and administrators across Canada.

**Accessibility and Affordability:** We are concerned that stricter assessment criteria may limit access to mortgage products for borrowers with unique financial situations, particularly at renewal, thereby affecting the market's overall affordability and availability. This could particularly marginalize borrowers with limited refinancing options, pushing them towards unregulated lenders or riskier financial products, which is contrary to the spirit of consumer protection.

**Misapplication and Enforcement:** The subjective nature of "suitability" assessments may result in inconsistent consumer protection outcomes across the sector. The challenge of enforcing and monitoring these assessments could lead to compliance gaps, undermining the effectiveness of the intended protections.

**Adherence to regulation:** While CAMLA members will strive to meet the expected outcomes that FSRA outlines in the guidance, it is questionable to what degree all participants in the mortgage sector will embrace and implement the proposed obligations. If FSRA is not in a position to confirm wide adoption by licensed firms, those that traditionally adhere to new regulations will bear the additional burden of the proposed obligations, while others will continue to do otherwise.

**Originating Broker:** Where a third-party broker was involved in the original mortgage application and suitability assessment, they are often not involved in the renewal process because the broker has not followed up with their client before the loan's maturity to review their options or the borrower chooses not to work with the broker again. Our members have reported that when brokers have asked to be included in the renewal process, it is with the expectation that they can earn a fee.

**Lenders, not Brokers:** As alternative lenders, CAMLA members do not have detailed knowledge of other financing options. Instead of imposing a suitability obligation on lenders during loan renewals that a third-party broker originated, we suggest having an obligation on the lender to recommend, in the form of a written disclaimer, that the borrower seeks advice from a third-party broker.

**Costly Transition:** While there may be an opportunity for a borrower at renewal to qualify with a Bank, the costs involved such as discharge, lawyer, broker, and lender fees can make the transaction too expensive for the borrower and therefore the move impractical. However, we recommend that disclosure is provided to the borrower that the product being offered at renewal is the only product the alternative lender offers and borrowers should seek the advice of an independent broker if they feel their situation has improved, but a renewal at current rates and terms is being offered.

**Defined Expectations at Renewal:** Where FSRA continues to have any expectations of suitability assessment obligations by the lender at the time of renewal, we request that FSRA clearly define these expectations including guidance on how to deem suitability upon renewal. This could aid in ensuring both compliance and consistency.

We encourage FSRA to consider a “suitability assessment lite” approach at renewal, such that where the borrower has a history of making their payments, the lender can assess the mortgage as suitable. If not, and if the assessment burden on such lenders requires them to hire additional staff or involve the original brokers for an expected compensation, the cost of doing so will be passed onto the borrower. This will be another unintended consequence of the proposed guidance.

In closing, CAMLA believes in the importance of a balanced approach that protects consumers while ensuring a healthy, competitive mortgage market. We urge FSRA to consider these concerns and to consider further dialogue with industry stakeholders to refine the proposed guidance. Any new regulations must strengthen consumer protection without imposing undue burdens on lenders, inadvertently restricting consumer access to mortgage products or increasing costs.

We appreciate the opportunity to share our perspective and are eager to participate in further discussions to address these critical issues.

## **CANADIAN ALTERNATIVE MORTGAGE LENDERS ASSOCIATION**

Martha Kane, Chair, Compliance Committee

Robert Trager, Ontario Committee Co-lead, Board Member

Nick Kyprianou, Ontario Committee Co-lead, Board Member